

Cabinet

Date of Meeting: 2nd February 2021

Report Title: School and Early Years Funding Formula for 2021/22

Portfolio Holder: Cllr Kathryn Flavell, Children and Families Portfolio Holder

Senior Officer: Mark Palethorpe, Executive Director of People

1. Report Summary

1.1. The report sets out the process to:

1.1.1. Determine the schools funding formula for 2021/22 and requests approval of the formula by Cabinet.

1.1.2. Determine the early years funding formula for 2021/22 and requests approval of the formula by Cabinet.

1.2. It is a requirement for Cabinet to agree the schools funding formula following a recommendation from Schools Forum.

1.3. It is a requirement for Cabinet to agree the early years funding formula following agreement with Schools Forum.

Schools Funding Formula 2021/22

1.4. Schools Forum on 12th December 2020 voted on the schools funding formula and related issues. Further details of the process are set out at **Appendix 1**. The resulting formula factors for approval are set out at **Appendix 2**.

1.5. The recommendations from Schools Forum can be summarised as:

- 1.5.1. **The funding formula** ~ Schools Forum voted in favour of using the model that used the national funding formula (NFF) with an increased basic per pupil entitlement (or age weighted pupil unit (AWPU)).
- 1.5.2. **The transfer of 0.5% of funding from schools to high needs** ~ Schools Forum voted against the transfer to assist with spending pressures in high needs.
- 1.5.3. The Forum acknowledged that the Council had applied directly to the DfE to seek permission for the transfer. The application was submitted on 20th November 2020 and at the time of writing a response has not been received. The DfE has advised that the decision has been delayed and the Council should submit the formula for approval as recommended by Schools Forum. The Children and Families Portfolio Holder will be kept up to date on the application and if necessary the formula will be amended to reflect the DfE decision when this is announced.
- 1.5.4. The application was based on additional funding provided for the pupil growth factor only. There would be no impact on the achievement of the minimum funding levels for schools.
- 1.5.5. **The basis for the allocation of additional funding to schools** ~ Schools Forum voted to the use basic per pupil entitlement to allocate any additional funding. The Forum were aware that a successful disapplication may mean an element of any additional funding is used for the high needs transfer.
- 1.5.6. If the disapplication is not successful, the funding will remain in the schools block and be allocated via the basic entitlement. However, there will be further pressure on the high needs block.
- 1.5.7. **Setting the minimum funding guarantee (MFG) percentage** ~ Schools Forum supported setting the MFG percentage at +0.5% (being the lowest level available).
- 1.5.8. **The value of the Growth Fund** ~ this had been modelled using a figure of £0.8m in recognition of the need to continue PAN increases.
- 1.5.9. It was noted at Schools Forum that the figure would be reviewed following the completion of the calculations for 2020/21. The review has been completed and a figure of £0.8m has been used for the final Growth Fund.

- 1.5.10. Schools Forum considered the impact the national funding formula on the sustainability of small and rural schools and asked for the profile of the issue to be raised with the Council and the DfE.

Early Years Funding Formula 2021/22

- 1.6. To seek approval to amend the funding for schools, private, voluntary and independent sector childcare providers:
- 1.7. As a result of an increase in the funding from the Department for Education (DfE) to deliver the free early education entitlements for 2, 3 and 4 year olds.
 - 1.7.1. This will be implemented on 1st April 2021.
 - 1.7.2. Further details of the Early Years National Funding Formula are set out at **Appendix 3**.
 - 1.7.3. The funding for early years has increased and the proposal is to increase the payment rates to providers by the same percentage. This has been consulted on and agreed at Schools Forum on 10th December 2020.
 - 1.7.4. The rates for 2020/21 are shown at **Appendix 4** and the proposed rates for 2021/22 are set out at **Appendix 5**.
- 1.8. As a result of COVID-19, the chaotic patterns of occupancy in summer term 2020 are not representative for the purpose of setting the hourly rates for deprivation from April 2021. (The individual provider rates for deprivation are set each April based on the proportion of children attending a setting from the lowest 30% IMD (IDACI) in the previous summer term). Therefore, it is proposed that the rates from April 2021 should be set based on the patterns of attendance in summer 2019 rather than summer 2020. This has been consulted on and agreed at Schools Forum on 10th December 2020.

2. Recommendations

That Cabinet approves:

2.1. The Schools Funding Formula:

- 2.1.1. The use of a funding formula that uses the national funding formula factors with any additional funding being allocated via the basic entitlement.

2.1.2. The transfer from the schools block to the high needs block of up to 0.5% to assist with pressures if the Council's application to the Department for Education is successful.

2.1.3. The use of +0.5% as the minimum funding guarantee percentage. Meaning that individual school funding levels should increase by +0.5% compared to the 2020/21 level (subject to the items included in minimum funding guarantee protection) and excluding pupil number changes.

2.1.4. The Growth Fund at £0.8m.

2.2. The Early Years Funding Formula:

2.2.1. The continued use of the current funding formula and agrees to increase the hourly rates by the same percentage increase as the increased funding from the Department for Education.

2.2.2. The use of summer 2019 rather than summer 2020 patterns of attendance to determine the level of deprivation funding from April 2021.

2.2.3. The new funding rates. The rates for 2020/21 are shown at **Appendix 4** and the proposed rates for 2021/22 are set out at **Appendix 5**.

2.2.4. Delegated authority to the Director of Prevention & Early Help to enter into revised contracts with providers in accordance with the Department for Education funding increase.

2.3 The request for the Leader of the Council to write to the Secretary of State to raise concerns over the impact of the national funding formula on small and rural schools.

3. Reasons for Recommendations

3.1. The Local Authority is required to review the schools funding formula on an annual basis and consult with schools. The formula needs to be considered and approved each year by Cabinet.

3.2. The DfE has funded local authorities under the Early Years National Funding Formula (EYNFF) since April 2017 when the current formula was introduced on a phased basis during 2017/18 and 2018/19.

3.3. The recommended formula continues to be in line with the national guidance, ensures sustainability of the childcare market and continues to target funds to

'narrow the gap' between children from disadvantaged areas and their peers. Local authorities may retain a maximum of 5% of the allocation from the DfE. Cheshire East retains 5%. Therefore, a minimum of 95% of any increase in the funding from the DfE must be passed through to providers. Increasing the hourly rates paid by Cheshire East to providers by the same percentage increase as the hourly rates allocated by the DfE to Cheshire East ensures that the statutory 95% pass through to providers is maintained.

4. Other Options Considered

4.1. Schools Funding Formula:

4.1.1. The process for 2021/22 considered two formula options. These options were generated through a sub group of the Schools Forum and they formed the basis of the consultation process with all mainstream schools. Details are provided at **Appendix 1**. The options consulted on were:

- use the NFF with increased AWPU.
- use the NFF with an increased primary sparsity value.

4.2. Early Years Funding Formula:

4.2.1. A range of factors for the funding formula were considered when it was introduced. These are set out within **Appendix 3**. The objectives have not changed, and the formula continues to be appropriate.

5. Background

5.1. Schools Funding Formula:

5.1.1. The Council receives Dedicated Schools Grant (DSG) funding as a ring-fenced grant to pay for education. The Grant is received in four blocks and local decisions are made over use of the blocks, transfers between them and the basis for allocation to schools.

5.1.2. The NFF announcements mean that each DSG block is determined by a different national funding formula.

5.1.3. The Schools Forum continues to have the ability to recommend the formula funding to Cabinet. The Forum follows a process of evaluation, consultation and debate to arrive at the final recommendation.

5.1.4. The final funding figures for 2021/22 were released on 17th December 2020. Further information is provided at **Appendix 1**. The recommended schools formula factors and values are set out at **Appendix 2**.

5.1.5. The schools funding formula results are summarised below.

Overall Change in Funding				
	Restated 20/21	21/22	Change	
	£m	£m	£m	%
Primary	125.4	129.3	3.9	3.1%
Secondary	109.6	115.2	5.6	5.1%
Total	235.0	244.5	9.5	4.0%

Overall Change in Per Pupil Funding				
	Restated 20/21	21/22	Change	
	£	£	£	%
Primary	4,278	4,417	139	3.2%
Secondary	5,471	5,644	173	3.2%
Total	4,762	4,921	159	3.3%

Changes in Funding at School Level	Number of schools	
	Primary	Secondary
Over 10% increase	9	4
Over 7%	12	2
Over 5%	12	4
Over 3%	29	6
Over 1%	25	4
0% to 1%	10	0
Reduction (falling pupil numbers)	27	3
Total	124	23

5.1.6. The 2020/21 position has been restated due to the previously separate teachers' pay and pension grants being included in the funding formula from 2021/22.

5.1.7. The outcome of the Cabinet meeting will be reported to the Schools Forum on 4th February 2021. School funding levels have to be issued to schools by 28th February 2021.

5.2. Early Years Funding Formula:

5.2.1. From 1st April 2017 local authorities have been funded via the Early Years National Funding Formula. (EYNFF)

5.2.2. Following detailed modelling of the formula and consultation, a formula was implemented on 1st April 2017 that met a number of criteria and objectives.

5.2.3. Further details of the EYNFF are set out at **Appendix 3**. The current funding formula to providers is set out in **Appendix 4**.

5.2.4. The table summarises the hourly rates of funding from the DfE:

	2 year olds	3&4 year olds
2020/21	£5.36	£4.38
2021/22	£5.44	£4.44
Increase (£)	£0.08	£0.06
Increase (%)	1.49%	1.37%

5.2.5. Retaining the formula and increasing the hourly rates paid to providers by the same percentage increase as the rate paid by the DfE will ensure that the minimum 95% pass through rate is maintained and the objectives set by the formula continue to be met. The proposed funding to providers, effective from 1 April 2021, is set out in **Appendix 5**.

5.2.6. The proposal was presented to the Schools Forum on 10th December 2020 and unanimously supported.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The local authority currently receives funding for schools through the Dedicated Schools Grant. The local authority has the statutory responsibility under the Schools and Early Years Finance Regulations for allocating this funding to schools and must consult with the Schools Forum to determine the individual schools budget for all schools in the area and must have regard to DfE guidance: The national funding formulae for schools and high needs 2021 -2022 and Early Years Funding 2021-2022.

6.1.2. The local authority must also determine a local funding formula, which is used to distribute the individual schools budget between local schools.

The national funding formula for schools will determine how much each local authority in England receives and the local authority will still have the statutory responsibility for distributing this to individual schools in consultation with the Schools Forum.

6.1.3. The EYNFF funds the free entitlement to early years provision for disadvantaged 2 year olds as well as 3 and 4 year olds across all sectors, which is the Authority's statutory duty under Section 7 of the Childcare Act 2006. It also assists with the Authority's delivery of its duty to secure sufficient childcare under Section 6 of the Childcare Act 2006. The Authority funds providers under the terms of contracts approved by the Head of Legal Services. This is based on a model contract issued by the Department for Education.

6.2. Finance Implications

6.2.1. The schools funding formula is the mechanism through which the Dedicated Schools Grant schools block is provided to schools. The NFF arrangements mean that all schools block funding will be delegated, except for the transfer to the High Needs Block of 0.5%, which will only go ahead if the Council's application is accepted by the DfE.

6.2.2. The schools funding formula has no impact on the Council's Medium Term Financial Strategy.

6.2.3. The EYNFF is funded through the Dedicated Schools Grant. Mid-year adjustments are made to reflect January census data. All providers of the free entitlement will receive an increase in funding based on the proposed formula. Centrally retained levels will continue at the maximum level of 5% in line with the guidance.

6.3. Policy Implications

6.3.1. The Council is supporting the priorities in the Draft Council Plan 2020 – 2024 of being:

- "An open and enabling organisation" in terms of transparent decision making, and
- "A council which empowers and cares about people" in terms of giving children the best start in life through funding schools.

6.3.2. One of the aims of the EYNFF was to create greater parity between the sectors in the payment systems via a higher and universal base rate. Policy implications relate to the proportion of the base rate in relation to any supplements and how the supplements are targeted. The

implemented supplements focus on 'narrowing the gap' between children from disadvantaged areas and their peers and sustaining provision in rural areas. Increasing the funding rate within the existing formula would continue to meet the policy objectives.

6.4. Equality Implications

6.4.1. The Government NFF announcements include an equality statement. The local schools funding formula applies to all schools based on pupil characteristics. The NFF provides more funding to such characteristics so will help more vulnerable groups in due course.

6.5. Human Resources Implications

6.5.1. Changes to school funding levels may result in staffing changes at schools requiring HR support. Each school will need to consider the impact of using the existing local formula as opposed to NFF on their three-year financial plans and review their staffing establishment accordingly.

6.6. Risk Management Implications

6.6.1. Prompt agreement of the schools funding formula allows schools to receive their budget allocations in advance of the financial year. They can ensure their expenditure plans are in line with their available budget. 28th February 2021 is the date by which school block funding levels must be notified to schools.

6.6.2. Given that a positive MFG is being used all primary and secondary schools will see an increase in funding (unless pupil numbers have reduced). 107 schools (out of 147) will receive more than a 1% increase and 78 schools above 3%.

6.6.3. Application of the EYNFF can result in spend being more than the allocated budget should participation increase beyond that forecast. However, the DfE adjusts funding in the following year to take account of fluctuating take up. Therefore, the risk is cash flow rather than overspend. Take up and spend is monitored closely on a twice termly basis by Early Years and Childcare Team and Accountancy Services. Any emerging issues are reported immediately to Directors / Senior Managers.

6.7. Rural Communities Implications

6.7.1. Schools Funding Formula:

- All maintained and academy schools in the Borough are affected by decisions over total funding levels and the local formula used to allocate it to schools.
- The NFF contains a relatively small element of sparsity funding for remote schools meeting certain criteria.

6.7.2. Early Years Funding Formula:

- The current formula provides additional funding for provision in rural areas in recognition of their limited ability to attract the numbers of children required to cover operating costs. The additional funding is paid to provision located in Census Output Areas defined as "Rural".
- Funding should continue to be awarded to rural areas. Removal of this additional funding may undermine the sustainability of provision and lead to the Authority failing to meet its sufficiency duty.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. All maintained and academy schools in the Borough are affected by decisions over funding levels and the formula to allocate funding.

6.8.2. In addition to DSG schools block funding, schools continue to receive other grant funding such as pupil premium allocations for cared for children where they are eligible and universal infant free school meals funding.

6.8.3. Adequate and equitable funding contributes towards sustaining sufficient levels of early years provision across the borough for children to access their free early education entitlement. This is a statutory duty for the Local Authority.

6.8.4. Failure to distribute the funding allocation in an equitable way across all sectors could impact on delivery of the extended free entitlement for working families. Childcare providers nationally have voiced concern that 30 hours free childcare limits their ability to charge for additional hours; the Government becomes the primary "customer" at a prescribed rate.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. Not Applicable

7. Ward Members Affected

7.1. All wards are affected by the changes to the schools' funding formula.

8. Consultation & Engagement

8.1. Details of the local schools funding consultation are included at **Appendix 1**.

8.2. The Early Years Reference Group (EYRG), a sub-group of the Schools Forum which consists of 9 members from across the early years sector, was consulted on 27th November 2020. All 5 attendees of the meeting supported the proposed approach to deprivation funding. The proposal was presented to the Schools Forum on 10th December 2020 and was unanimously supported.

9. Access to Information

9.1. Cabinet papers are available at:

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListMeetings.aspx?CId=241&Year=0>

9.2. Schools Forum papers for 2020 are held at:

<http://www.cheshireeast.gov.uk/schoolsforum>

9.3. The DfE released funding information for 2021/22 at:

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2021-to-2022>

9.4. DfE Guidance - Early years funding: 2021/22.

<https://www.gov.uk/government/publications/early-years-funding-2021-2022>

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officers:

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