

Cabinet

Date of Meeting: 4th February 2020

Report Title: School and Early Years Funding Formula for 2020/21

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 2020/21 and requests approval of the formula by Cabinet.

1.1.2. Determine the early years funding formula for 2020/21 and requests approval of the formula by Cabinet.

1.2. It is a requirement for Cabinet to agree the schools funding formula following an agreed proposal 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 2020/21

1.4. Schools Forum on 12th December 2019 voted on the schools funding formula and related issues. They asked for a number of issues to be reported to Cabinet. Further details of the process are set out at **Appendix 1**.

1.5. In terms of the issues and the recommendations from Forum, these can be summarised as:

- 1.5.1. **The funding formula** ~ Schools Forum recorded a split vote on the issue of which formula to recommend to Cabinet. The split reflected the difference in the views of primary and secondary schools. Primary voted to use the existing local model, secondary voted to use national funding formula (NFF). The results were six votes for the local model and seven for the NFF with one abstention. This was considered to be a split vote by the Chair of Schools Forum given attendance at the meeting.
- 1.5.2. When Forum discussed the basis for the allocation of additional funding to schools they agreed that a formula using the NFF factors should be used, if the minimum per pupil funding level for primary schools could be increased above the headline level of £3,750. This would protect the overall level of funding going to that sector. An example minimum figure of £3,830 per pupil for £1m of growth was quoted at the Schools Forum meeting. This model has been developed and shared with schools in January 2020 to establish if there were any further comments.
- 1.5.3. While that model had not been reviewed at the meeting, it did form a recommendation by Forum to Cabinet. It meets the requirements agreed by Forum as stated above and protects funding levels to both sectors. The formula factors for this model are set out at **Appendix 2**.
- 1.5.4. The ability to increase the primary minimum funding level is subject to an application to the DfE. The application was submitted to the DfE on 16th January 2020. It is not certain when the outcome will be known and the Children and Families Portfolio Holder will be kept up to date.
- 1.5.5. If the application is not successful, the default is that other options to protect the amount being allocated to primary schools under NFF would be considered. The Portfolio Holder will be consulted on any changes to the formula.
- 1.5.6. **The transfer of 0.5% of funding from schools to high needs** ~ Schools Forum did not support the transfer to assist pressures in that area. They acknowledged that the Council could apply directly to the DfE to seek permission for the transfer. The application was submitted to the DfE on 16th January 2020. It is not certain when the outcome will be known and the Children and Families Portfolio Holder will be kept up to date.
- 1.5.7. If the application is not successful, the funding will remain in the schools block and increase overall school funding levels. However, there will be further pressure on the high needs block and / or an impact on

services funded from high needs as the Council looks to manage within the funding provided by the DfE.

1.5.8. In the event of the schools funding formula being changed it will impact on the factors listed at **Appendix 2**.

1.5.9. **Setting the minimum funding guarantee (MFG) percentage ~**

Schools Forum supported setting the MFG percentage at +0.5% (being the lowest level available).

1.5.10. **The allocation of any additional funding ~** the consultation results supported using the basic entitlement, however Schools Forum considered the original case put to the DfE by local representatives in early 2017 that the minimum per pupil funding (MPPF) level for primary schools should be £4,000 remained important.

1.5.11. Therefore, as per para 1.5.2 if the primary MPPF could be increased over the £3,750 headline level for 2020/21 and protect the overall amount allocated to primary schools, that would be an acceptable way forward.

1.5.12. **The value of the Growth Fund ~** Schools Forum agreed that an increase was necessary to address the concerns being raised by schools. Discretion was given to the Council to find a suitable value (up to £1m) to address the current issues. A Growth Fund of £0.7m has been built into the 2020/21 funding formula to acknowledge the multi-year impact of additional classes and maintaining the per pupil payment rates.

Early Years Funding Formula 2020/21

1.6. To seek approval to amend the funding for schools, private, voluntary and independent sector childcare providers 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. This will be implemented on 1st April 2020.

1.7. Further details of the Early Years National Funding Formula are set out at **Appendix 3**.

1.8. 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 12th December 2019.

1.9. Cabinet is asked to agree the new rates. The rates for 2019/20 are shown at **Appendix 4** and the proposed rates for 2020/21 are set out at **Appendix 5**.

Next Steps

1.10. The outcome of the Cabinet meeting will be reported to the Schools Forum on 6th February 2020.

1.11. School funding levels have to be issued to schools by 28th February 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 but increases the primary minimum per pupil funding value above the headline level of £3,750 to for 2020/21. A figure of £3,843 has been used in the latest model using October 2019 pupil numbers. This is subject to the Council's application to the Department for Education to allow this change.

2.1.2. The 0.5% transfer from schools block to high needs. This is subject to the Council's application to the Department for Education to change the Schools Forum recommendation being 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 2019/20 level (subject to the items included in minimum funding guarantee protection) and excluding pupil number changes.

2.2. The Early Years Funding Formula:

2.2.1. That Cabinet approves 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. That Cabinet delegates authority to the Executive Director of People to enter into revised contracts with providers in accordance with the Department for Education funding increase.

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.

4. Other Options Considered

4.1. Schools Funding Formula:

4.1.1. The process for 2020/21 considered three 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 current local formula,
- use the local formula with elements of the NFF that recognised deprivation,
- use the NFF.

4.1.2. Previous years have seen a formula half way between the local model and NFF also being considered. The half way model was not supported through the respective consultation processes in those years.

4.2. Early Years Funding Formula:

4.2.1. A range of factors for the funding formula were considered when the new rates were introduced. These are set out within **Appendix 3**.

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 determine which formula to allocate funding is recommended to Cabinet. The Forum follows a process of evaluation, consultation and debate to arrive at the final recommendation.

5.1.4. Further information is provided at **Appendix 1**. The recommended schools formula factors and values are set out at **Appendix 2**.

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
2019/20	£5.28	£4.30
2020/21	£5.36	£4.38
Increase (£)	£0.08	£0.08
Increase (%)	1.5%	1.8%

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 2020, is set out in **Appendix 5**.

5.2.6. The proposal was presented to the Schools Forum on 12th December 2019 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.

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 new 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 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 go ahead if the Council's application is accepted by the DfE.

6.2.2. The recommendation to approve the national funding formula with increased primary MPPF will cause a redistribution of funding from low to high deprivation schools. However, the increased primary minimum will

help to offset this change. It will also support primary schools in the transition to the NFF, which is currently expected from April 2021.

6.2.3. The schools funding formula has no impact on the Council's MTFS.

6.2.4. 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 "Outcome 3 – People have the life skills and education they need in order to thrive" and is delivering that objective through its Corporate Plan and MTFS.

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 2020 is the date by which school block funding levels must be notified to schools.

6.6.2. The move from a local formula to NFF will cause a re-distribution of funding across schools. This is being managed through an increase in the primary minimum funding level and a positive MFG percentage.

6.6.3. Given that a positive MFG is being used ALL primary and secondary schools will see an increase in funding (excluding changes to pupil numbers). 110 schools (out of 147) will receive more than a 1% increase.

6.6.4. However, the results are significantly different to the 2020/21 local model the Council and Schools Forum consulted on in November 2019. As per the table below 56 schools (out of 147) would gain funding and 74 would receive less under this new model when compared to the local model. This is summarised below:

Gains		Reductions	
Greater than 3%	10	Greater than 3%	1
Greater than 2%	25	Greater than 2%	34
Greater than 1%	8	Greater than 1%	19
Less than 1%	13	Less than 1%	20
Total	56	Total	74

6.6.5. 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 introduces a relatively small element of sparsity funding for remote schools meeting certain criteria. However, those schools may lose funding if the pupils are from areas that are less deprived than elsewhere.

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 pupil premium allocations for cared for children where they are eligible.

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, a sub-group of the Schools Forum, was consulted on 3rd December 2019. Of the 14 members, 3 responded and all the respondents supported the proposed pass through of the increased funding. The proposal was presented to the Schools Forum on 12th December 2019 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 2019 are held at:

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

9.3. Written ministerial statement that announced the early years funding:

<https://www.gov.uk/government/news/funding-boost-to-support-childcare-and-early-education>

9.4. DfE Guidance - Early years funding: 2020/2021.

<https://www.gov.uk/government/publications/early-years-funding-2020-2021>

10. Contact Information

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

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