

Initial Financial Implications of schools funding consultation on Cheshire East

Government proposal	Budget under review	Impact on CEC
The Dfe are requiring that as much funding as possible that is currently retained by the Local Authority from the Dedicated Schools Grant is delegated directly to schools. Budgets will only be permitted to be retained if they meet specific criteria as set out by the DfE.	DSG retained by the Local Authority totals £17m for 2012/13. £13m of this is used to support appropriate activity within Children's and Families Needs Led Budget.	If funding is to be delegated to schools to give schools funding and freedom to buy in services as they deem most appropriate, there may need to be some service redesign within C&F, particularly if schools choose to not purchase services from the Local Authority. There is the possibility that some expenditure currently funded by DSG may be identified as inappropriate use of this funding. Such activity would need to be reviewed, and an alternative funding source identified if necessary.
The DfE are proposing that a new single lump sum is derived, which is payable to all schools, irrespective of individual features and circumstances.	Lump sums delivered through the schools funding formula are currently £11m, and these are apportioned to individual schools, for a number of different purposes. Amounts paid as lump sums vary by school and sector.	Removal of specific lump sums for example for small schools may make some school models not viable. After protections reduce from 2015/16, the LA in connection with schools may need to consider more efficient organisational structures and operations i.e. federating, merging, or becoming part of an Academy chain. This could have political and financial consequences for the Local Authority.
Changes to formula grant arrangements in respect of Academies	£900k for 2011/12, £700k for 2012/13	As part of the Governments proposals to introduce a business rates retention scheme, the Government are looking to transfer funding for relevant central education services from Formula Grant and into the DfEs budget. The DfE would then administer funding as a separate grant to LAs and Academies on a national basis, proportionate to the number of pupils for which they are responsible.
Withdrawal of protections in funding at a per pupil level from 2015/16.	For 2012/13, 2013/14, school budgets will be protected so that they remain at least at 98.5% of the value at a per pupil level compared to the previous year.	Removal of protections at a per pupil level will mean that some schools will experience significant financial challenges, particularly small schools, schools with falling rolls, schools with social and demographic challenges. Again, this might lead to a complete review of school organisation in Cheshire East, and the Local Authority may be required to provide support in an advisory and potentially financial capacity.
Use of only two deprivation indicators, Free School Meals and IDACI, (Income Deprivation Affecting Children Index)	Approximately £7m (plus £4m as pupil premium) is currently delivered through the schools funding formula for deprivation, using a number of different indicators. Given the additional funding provided to schools for the Pupil Premium, and use of new indicators, there could be a shift going forward in relation to levels of deprivation funding at school level.	When protections are withdrawn or reduced in 2015/16, there may be a shift in funding across schools which are likely to have a significant impact from a political perspective.