

Cabinet

Date of Meeting: 05 February 2019

Report Title: Schools Funding Formula for 2019/20

Portfolio Holder: Cllr Jos Saunders, Children and Families Portfolio Holder

Senior Officer: Mark Palethorpe, Interim Executive Director of People

1. Report Summary

- 1.1. The report sets out the process to determine the schools funding formula for 2019/20 and requests approval of the formula by Cabinet. It is a requirement for Cabinet to agree the schools funding formula following a recommendation by Schools Forum.
- 1.2. Schools Forum on 6th December 2018 voted on the schools funding formula and related issues. The Forum recorded a split vote on two issues: (i) how to allocate any additional funding; and (ii) which formula to recommend to Cabinet. They asked for these issues to be reported to Cabinet.
- 1.3. The Forum's key concerns related to:
 - 1.3.1. **Moving towards the national funding formula (NFF):** NFF has lower basic amounts than the local formula; the allocation of additional funding through the basic amounts increases the gap.
 - 1.3.2. **Ensuring schools received the headline minimum per pupil funding levels:** these had been campaigned for locally during the development of NFF, and were not readily achieved without removing substantial amounts of funding from schools set to gain funding based on provisional modelling.
- 1.4. As a way forward the Forum agreed to recommend a local model which also delivered the headline minimum per pupil funding level of at least £4,800 to all secondary schools.

- 1.5. The Schools Forum provided discretion to the Council to find a model to deliver that recommendation when the updated funding information and pupil data was available.
- 1.6. This modelling has been undertaken following the release of the final DSG funding figures and updated pupil data on 17th December 2018. The positive news is that the current local model with updated pupil data and the increased overall DSG allocation allows the Forum's request to be delivered and that forms the basis for the recommendation to Cabinet.

2. Recommendations

2.1. That Cabinet approve

- 2.1.1. The use of the local formula Cheshire East which delivers the minimum per pupil funding level of £3,500 for primary schools and £4,800 to secondary schools.
- 2.1.2. The use of -1.5% as the minimum funding guarantee percentage. Meaning that no school can lose more than 1.5% per annum, excluding pupil number changes.
- 2.1.3. The transfer of 0.5% of funding from the schools block to the high needs block to manage expenditure pressures in that area and fund projects to achieve sustainability.
- 2.1.4. The continuation of the current early years hourly funding rates into 2019/20. The average rate for 3 and 4 year olds is £4.09 per hour and the rate for 2 year olds is £5.02 per hour.

3. Reasons for Recommendations

- 3.1. The annual review of the schools funding formula helps to address issues and pressures schools are experiencing. The formula needs to be considered and approved each year by Cabinet.

4. Other Options Considered

- 4.1. In autumn 2017 a sub group of the Schools Forum entitled the Schools Block Formula Working Group supported by the Cheshire East Finance team undertook a substantial piece of work to establish the budget setting issues and workable funding models.
- 4.2. Several models were examined in more detail. They included:
 - The Cheshire East local formula.
 - Half way between the local formula and national funding formula (NFF).

- A gradual move to NFF (30%, 30% and 40% over three years).
- The Cheshire East local formula but introducing the some NFF factors (around free school meals for example).
- The NFF.

4.3. These were considered by the Working Group and it was agreed to consult on three options (local, half way and NFF) in November 2017.

4.4. Further modelling was reported to Schools Forum on 6th December 2018 as part of the discussion over the formula to recommend to Cabinet, including:

- The impact of 25% and 75% phased moves to NFF.
- The impact of using lower minimum per-pupil funding rates.
- The impact of technical adjustments to the factors included within the Minimum per pupil funding calculation.
- The impact of additional funding.

5. Background

5.1. The Council receives Dedicated Schools Grant (DSG) funding as a ring-fenced grant to pay for education. This 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.

5.2. The NFF announcements mean that each DSG block is determined through different national funding formula.

Schools Block

5.3. The 2019/20 NFF headlines for the schools block were:

- The NFF will determine the overall allocation to the area but a local formula can continue to be used to allocate funding to schools in 2019/20 and this has been extended to 2020/21.
- The local formula does not determine how much the area receives in total.
- The requirement to set a minimum funding guarantee (MFG) and some choice over the % applied.
- The option to transfer funding to high needs with scope for local agreement of up to 0.5%.
- The option of setting minimum per pupil funding levels. The headline NFF levels are £3,500 Primary, £4,800 Secondary in 2019/20 but different levels can be selected.
- The Growth Fund for 2019/20 is being set at £0.5m.

5.4. The DfE expect to see evidence of a consultation process for 2019/20 so that schools can express their views. Further details of that process and the outcomes are included at **Appendix 1**.

5.5. The schools block figures for 2019/20 were released on 17th December 2018 and set a figure of £212.6m for Cheshire East, representing an increase of £4.9m (2.4%) over 2018/19. £3.1m of that related to additional pupils.

5.6. The DSG announcements are summarised below:

Cheshire East - DSG Block Allocations	2018/19	2019/20	Change	Change
	November Budget	Dec -18		
	£m	£m	£m	%
Schools Block	207.7	212.6	4.9	2.4%
Central Schools Services Block	3.0	3.0	0.0	0.0%
High Needs block	34.1	35.7	1.6	4.7%
Early Years block	21.2	21.2	0.0	0.0%
Total	266.0	272.5	6.5	2.4%

Impact of the Recommended Formula

5.7. The local formula continues the existing Cheshire East formula for a further year. The impact of the formula is set out below:

	Per Pupil Funding		Change	
	2018/19	2019/20	£	%
Primary Average	3,902.86	3,935.34	32.48	0.8%
Secondary Average	4,895.97	4,933.59	37.62	0.8%
All Schools Average	4,293.89	4,334.53	40.64	0.9%

5.8. The MFG process removes a percentage of the funding from those schools set to gain to ensure no school can lose more than -1.5% (excluding pupil number changes). The impact of the MFG applied to the local formula is summarised below. The positive message here is that a significant number of schools are growing and are therefore eligible to be scaled back from MFG.

Summary of MFG impact 2019/20	Number of schools	£m Impact
Schools requiring additional funding to reach -1.5% reduction	7	0.6
Schools where MFG has not applied	17	0
Schools losing funding to protect other schools to -1.5% maximum reduction	123	-0.6
Total	147	0.00
Analysis of MFG		
Losing up to £5,000	68	-0.1
Losing more than £5,000	29	-0.2
Losing more than £8,000	11	-0.1
Losing more than £10,000	15	-0.2
	123	-0.6

Local Formula Factors

5.9. The detailed list of factors that make up the local formula is attached at **Appendix 2**. The basic rates have been adjusted to use up the available funding. All other amounts reflect previous local agreement.

Schools Budget Context

5.10. Staffing costs and special educational needs costs are increasing at a faster rate than funding. Therefore, schools are predicting significant deficit budget positions in their three year forecasts.

5.11. While some additional funding is being provided nationally for teachers pay / pension costs and SEN pressures, it is expected that managing within funding levels will continue to be a challenge for schools.

5.12. The Council does not have control over the total amount of DSG allocated to the area, that is determined by the DfE, and Cheshire East Council, in common with many other councils, does not provide additional funding to schools within its Medium Term Financial Strategy (MTFS).

5.13. Therefore, it is essential for all schools to consider how they can set balanced budgets through ongoing review of their expenditure plans and making the necessary changes to live within the funding forecasts. This expectation is not changed by the recommendation of the local formula.

High Needs

- 5.14. The High needs funding is under significant pressure and this is being considered through the Schools Forum and a sub group entitled the High Needs Formula Working Group. Updates will be reported separately in due course.
- 5.15. The Schools Forum has also agreed and recommended that 0.5% of the DSG schools block is transferred to high needs for 2019/20 to help with pressures. This is recommended to Cabinet at paragraph 2.1.3.

Early Years

- 5.16. When the national funding formula for Early Years was being introduced from April 2017, Cabinet considered a paper on 7th February 2017 and agreed a two year approach to the hourly rates for providers that aligned to the updated Government guidance.
- 5.17. Schools Forum considered the rates on 4th October 2018 and agreed the rates for 2018/19 which included the average hourly rate of £4.09 for 3 and 4 year olds would continue unchanged into 2019/20 on the basis that the hourly rate allocated by the DfE was unchanged. The two year old rate would continue at £5.02.

Central Schools Services

- 5.18. This block has been created to hold costs relating to historic commitments such as prudential borrowing, ICT and performance system costs and Education Services Grant funded functions.
- 5.19. Schools Forum approval is required for most of the items and that was provided at the 6th December 2018 meeting.

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 and high needs will determine how much each local authority in England receives in future in the DSG and the local authority will still have the statutory responsibility for distributing this to individual schools in consultation with the Schools Forum.

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%.

6.2.2. The recommendation to approve the current local formula means that schools in the Borough are delaying the impact of reduced basic funding levels and therefore need to plan appropriately over the next two years for the introduction of NFF.

6.2.3. Finance will be working closely with maintained schools who will be expected to demonstrate how they are managing and preparing for the change.

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

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.

6.4. 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 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 local allocation 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.

6.6.2. There is a need for the Council and Schools to recognise the financial issues of not moving to NFF. NFF will bring a redistribution of resources across schools and could lead to future deficits in school budgets if changes are not planned for in good time.

6.7. Rural Communities Implications

6.7.1. 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.

6.7.2. The NFF introduces 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.

6.7.3. Workshops have been run with small and rural schools to discuss the challenges they face and develop a plan for supporting those schools through the changes.

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 local 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.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

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 consultation with schools are included at **Appendix 1**.

9. Access to Information

9.1. Cabinet papers are available at:

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieDocHome.aspx?bcr=1>

9.2. Schools Forum papers for 2018 are held at:

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

10. Contact Information

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

Name: Jacky Forster

Job Title: Director of Education and 14-19 Skills

Email: Jacky.Forster@cheshireeast.gov.uk