

Cabinet Member for Children and Family Services

Agenda

Date: Monday, 26th November, 2012
Time: 10.00 am
Venue: Committee Suite 1 & 2, Westfields, Middlewich Road,
Sandbach CW11 1HZ

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

In accordance with Procedure Rules Nos.11 and 35 a period of 10 minutes is allocated for members of the public to address the meeting on any matter relevant to the work of the meeting. Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

For requests for further information

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4. **Proposed Schools Formula Funding Arrangements for 2013-14** (Pages 1 - 10)

To consider a report on the options for implementation of the Schools Funding for 2013-14

CHESHIRE EAST COUNCIL

Cabinet Member for Children and Family Services

Date of Meeting:	26 th November 2012
Report of:	Strategic Director Children, Families and Adults
Subject/Title:	Proposed Schools Formula Funding Arrangements for 2013-14
Portfolio Holder:	Councillor Rachel Bailey

1.0 Report Summary

- 1.1 This report sets out how the Local Authority and the Formula Working Group have responded to the Department of Education's (DfE) Schools Funding Reforms, which will be implemented in April 2013. This paper proposes two potential options for the implementation of a revised funding formula.
- 1.2 Two proposed options for the schools funding formula for 2013-14 were considered at the Schools Forum meeting on 18th October 2012. Option 1 provided all mainstream schools with a lump sum of £90k, whilst option 2 provided all mainstream schools with a lump sum of £130k (with a reduced Basic Per Pupil Entitlement). The Schools Forum voted unanimously to recommend Option 2 to the Cabinet Portfolio holder for Children and Family Services for approval.
- 1.3 The identified financial impact of the proposed options on both Schools and the Local Authority are summarised within this report. The detailed proposals around how the reforms may be implemented are available on the following website:
<<http://centranet.ourcheshire.cccusers.com/schoolsfinance/Pages/SchoolsFundingReform.aspx>>

This shows how the work of the sub group has been refined and revised from the original proposal included in the consultation with schools, to Option 1 which is based on the principles and formula agreed with the sub group.

However, the outcomes of this proposal caused funding to shift between the primary and secondary sectors, and had a significant impact on schools. Six primary schools would find the proposals put them under considerable financial pressure and would need them to explore alternative models for the future, i.e. federation, amalgamation or possible closures. The detail behind this option is shown on the website above.

- 1.4 In consultation with Cabinet, Cheshire East's Schools Forum Option 2 has been developed to minimise that turbulence, and the details are included on the website.

2.0 Recommendations

2.1 That the Cabinet Member for Children and Family Services

(1) consider the proposals and associated implications around Schools Funding Reform as detailed within this report; and

(2) approve Option 2 for implementation of the Schools Funding for 2013-14 as recommended by Cabinet and the Schools Forum.

3.0 Reason for the recommendations

3.1 The Local Authority is required by the DfE to submit its proposed schools formula for 2013-14 by 31 st October 2012

3.2 The Government's intention is that proposed reforms for 2013/14 will place Local Authorities well for introducing a national funding formula for the next spending review period (2015/16). The proposals around reform are Government driven. The Local Authority does not have any choice around whether to implement the proposals, but there is some flexibility around how they are implemented

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 N/A

6.0 Policy Implications

6.1 The revised School Formula will set the context and policy on school funding arrangements and will place the authority well for the introduction of National Schools Funding Formula.

7.0 Financial Implications

7.1 The Dedicated Schools Grant is a ring-fenced grant that funds schools and some LA education services. The proposal as detailed in this paper will affect some schools budgets. There are also possible implications for some centrally retained activity.

8.0 Legal Implications

8.1 The School Standards and Framework Act 1998, under which the School Finance Regulations are made, was enacted before the introduction of Academies and of the Dedicated Schools Grant (DSG). Sections 14-16 of the Education Act 2002, under which the DSG is paid, enable the Secretary of State to make the grant on such terms as considered appropriate, and to enforce such terms.

- 8.2 The DSG covers pupils at most Academies (other than a few, mostly early Academies, which are not funded by way of the DSG and recoupment), and from 2013-14 will encompass also funding for high needs pupils and students aged 16-24.
- 8.3 So far as Academies are concerned, they will, from 2013-14, be funded using the local authority's formula for the current financial year. Funding for Academies' actual budget shares is recouped from local authorities, but as the pupils in Academies are taken into account in the initial DSG allocated to authorities, they are contributing to the remaining funding retained for central services.
- 8.4 Local authorities will be responsible from 2013-14 for funding of all high needs pupils and students, apart from the base funding of £10,000 per place (SEN) and £8,000 per place (Alternative Provision) in non-maintained institutions. This funding will be part of local authorities' central spend and is covered in Part 4 of Schedule 2 to the Regulations.

9.0 Risk Management

- 9.1 The risk in not having an agreed schools formula is that the Local Authority will fail in its duty under the regulations set out in the Education Act 2002 and the DfE could potentially withdraw the Local Authority's delegated powers.

10 Background and Options

- 10.1 The Government's aim is to simplify arrangements around Local Authorities funding formulas to create a more consistent and transparent funding system, this is in line with the work of the Schools Forum over the last few years. It is intended that the new system should:-
- Maintain some local discretion.
 - Ensure as much funding as possible reaches schools.
 - Maintain and improve arrangements for equivalent and consistent funding between Schools and Academies.
- 10.2 It should be noted that Cheshire East has already mainstreamed £28.6m grants on a per pupil basis in 2011/12, so some schools were experiencing changes to their funding where they had previously received high levels of these grants, and would have been managing a further reduction in their 2013/14 budgets without the DfE funding reforms.

10.3 Consultation Feedback

10.4 The main consultation on the proposed changes to the Schools block element of the funding formula was undertaken during the period 20 July to 5 October. Briefings have been held across the borough, with 224 attendees, a mixture of primary and secondary heads, bursars, business managers and governors. There were 49 responses received in total from 37 Primary schools, 8 Secondary schools and four representative groups – East Cheshire Association of Primary Head Teachers (ECAPH), the Chester Diocese, Congleton Partnership and the White Nancy Group of Schools.

10.5 Responders commented on the new Funding arrangements and many gave ideas and suggested alternative solutions. The main issues that emerged were

- concerns regarding the removal of small school funding protection and the impact this would have on the small school community
- the Lump Sum being too low
- primary schools were greatly concerned about the differential in the amount of Basic Per Pupil Entitlement (BPPE) amounts between Primary, KS3 and KS4.

10.6 These responses have been taken into account in the revised proposals that have been presented to Cabinet and the Schools Forum.

10.7 Proposed Reduction in Formula Factors

10.8 Cheshire East Council currently use 19 out of a possible 28 allowable factors in the schools funding formula. The proposed funding reform only has 12 new allowable factors and the Formula Working Group propose using the following 8: -

- Basic per pupil element
- Deprivation measured by FSM and/or the Income Deprivation Affecting Children Index (IDACI)
- Low cost, high incidence SEN
- Lump sum of limited size
- Split sites
- Rates
- English as an Additional Language
- Looked After Children

10.9 The Formula Working Group decided not to include factors based on PFI, London Weighting, 6th Form and Pupil Mobility as using these Factors either had no material impact, i.e. London weighting does not apply, or did not permit targeting of funding to a satisfactory degree.

10.10 Maximum Delegation of Funding to Schools

10.11 The new formula is to be prepared on the basis that as many services and as much funding as possible will be delegated to schools. The vast majority of funding in the future is expected to be pupil led, with as much funding as possible being distributed via Basic Per Pupil Entitlement (BPPE). There will be exceptional budgets for which funds may continue to be held centrally. These are listed below:-

-Where maintained schools agree that a service should be provided centrally.

-Where there are any historic commitments agreed to be funded centrally

-Budgets which relate to the statutory functions of the Local Authority.

10.12 Cheshire East already delegates 92% of Dedicated Schools Grant (DSG) to schools, after previously reviewing the centrally held budgets and delegating an additional £8m. Centrally held budgets and their treatment are shown at

<http://centranet.ourcheshire.cccusers.com/schoolsfinance/Pages/SchoolsFundingReform.aspx>

10.13 For 2013-14, a further delegation of £1.7m is required to ensure compliance with the new schools funding regulations. The breakdown of this amount across relevant budget headings and the proposed treatment for 2013-14 is summarised in the table below:

Budgets to be Delegated	
2012-13 Budget	£1.674m
Proposed Delegation amount per pupil	
Primary / Special	£31.61
Secondary	£35.25
Proposed Treatment 2013-14	
De-delegation	£1.138m
ChESS Offer	£0.199m
Total	£1.337m
Variance from 2012-13	-£0.337m

10.14 Funding delegated to maintained schools can be returned to the LA ('de-delegated') to form a pooled budget with the approval of Schools Forum. Any such agreement by the Schools Forum can apply variably to phases of school (e.g. secondary only) but would be binding on maintained schools.

10.15 The Cheshire East Services to Schools (ChESS) offers services to schools on a buyback arrangement. New ChESS offers or alternative buyback arrangements will be investigated to replace or ensure the continuation of the relevant services above.

10.16 Academies have received a proportion of the Contingency budget in 2012-13 as part of their Local Authority Central Spend Equivalent Grant (LACSEG), as recouped from the LA. If academies were to choose not to buy back the above services for 2013-14, this could lead to additional budgetary pressures of £200 and have staffing implications. Academies can choose to buy into de-delegated or ChESS services by local arrangement. The de-delegated Contingency and DSG Rates Contingency budgets will not be available for academy buy back in 2013-14.

10.17 Proposed Basic Per Pupil Entitlement (BPPE)

10.18 The DfE have amended the regulations so that Local Authorities will only be able to set a single basic entitlement for all primary school pupils. The DfE also state that there should be a single basic entitlement for the secondary phase, but recognise that the difference between providing education for Key Stage 3 compared with Key Stage 4 can sometimes be significant, due to the additional costs of practical work and examinations incurred in the latter key stage.

10.19 The Formula Working Group has begun a fundamental review of the BPPE calculation, with a view to setting the rates at a level based on the worked up fixed costs. However this initial calculation then had to be scaled down in light of the available funding and these rates have been included in Option 1. The impact of using these rates would be to redistribute £1m from the secondary schools to the primary schools.

10.20 The alternative model which has been developed effectively ring fences the available funding between sectors, thereby preventing any shift of funding from secondary to primary or vice versa, and these rates have been included in Option 2.

10.21 The table below shows the rates used in the two proposals.

	Option 1	Option 2
Primary	2,938	2,709
Key Stage 3	3,771	3,814
Key Stage 4	4,607	4,570

10.22 Proposed levels of Lump sums

10.23 Local Authorities can apply a single lump sum of up to £200,000 for each school in the area. This is a significant change to current arrangements, but intends to create a transparent system, which shows clearly where money is spent.

10.24 In the current Cheshire East formula lump sums are £60,000 for a primary school and £300,000 for a secondary schools. The original consultation proposed £90,000 lump sum which would allow more funding to follow the pupil through the Basic Per Pupil Entitlement – this is shown in the table below as Option 1.

10.25 This had a detrimental impact on small schools, where lower pupil numbers mean less funding is delivered through BPPE. By increasing the lump sum to £130,000, small schools are protected – this is shown as Option 2

	Option 1	Option 2
Lump Sum	£90,000	£130,000

10.26 Proposed factors for distribution of deprivation funding

10.27 The current regulations state that Local Authorities must include a deprivation factor in their formula. This requirement will continue but in future deprivation funding must be distributed through either:

- Free School Meals (FSM) and / or
- Income Deprivation Affecting Children Index (IDACI)

10.28 Cheshire East currently use a complex formula of FSM and FSM squared data, but as Pupil Premium also uses FSM, the original proposal used IDACI. However this created significant differences to the current deprivation allocation as the exponential FSM squared formula had previously targeted much of the deprivation funding towards school with high levels of FSM.

10.29 Additional funding has been added from BPPE to allow deprivation to be targeted more effectively. The original consultation only used two unit rates for deprivation, with the higher rate being applied to Bands 3, 4, 5 and 6; however this meant some schools which had previously attracted significant deprivation funding were not likely to receive any deprivation funding. By allocating additional funding to deprivation it has allowed the proposed formula to include the use of Band 2 which allocates deprivation funding to more schools. It also allows some funding to be allocated on an FSM basis, thereby again ensuring a flatter, wider distribution of deprivation funding. Both proposed Options use this combined FSM / IDACI deprivation model, and the per pupil rates are shown in the table below.

Funding Per		£
Number of FSM		266
Ever 6 FSM		0
IDAC1 Band 1	20% to 25%	0
IDAC1 Band 2	25% to 30%	300
IDAC1 Band 3	30% to 40%	600
IDAC1 Band 4	40% to 50%	1200
IDAC1 Band 5	50% to 60%	1200
IDAC1 Band 6	60% to 100%	1200

10.30 Other Factors

10.31 The Formula Working group looked at adding a per pupil amount for English as an Additional Language (EAL) and Looked After Children (LAC), which would target funding where needed. They agreed the rates shown in the table below which have been used in both proposed options.

Funding per pupil	
EAL (<i>1st Year only</i>)	£500
LAC (<i>6 months continuous care</i>)	£250

10.32 Composition of the DSG Grant and Future Protections

10.33 To reduce the impact of some of the proposed changes, protection arrangements will be put in place. The Minimum Funding Guarantee (MFG) will continue at -1.5% for 2013/14 and 2014/15. Arrangements may be withdrawn thereafter. MFG protects per pupil funding of schools from one year to the next against significant changes in local funding formula. However, this has become excessively complicated. For 2011/12 and 2012/13, MFG has been set tightly – this is controversial for LAs who desire to remove historic anomalies. To make formula changes affordable, gains at a per pupil level will be capped or scaled back. A nationally prescribed maximum gain won't be made, but will be subject to local discretion, after taking account of the affordability of protection.

10.34 Improving Arrangements for funding pupils and students with High Needs

10.35 37 responses were received to the specific High Needs consultation – 28 from Primary schools, 7 from Secondary schools, 1 from a Special school and a combined response from ECAPH.

10.36 The main issues that emerged were

- that all responders were in agreement that the current operation framework needs evaluation
- the use of prior attainment data was extremely unpopular and need not reflect the need of the pupils
- all supported a contingency, but many questioned whether £1m would be enough
- the majority agreed that currently funding bands remain appropriate
- the majority supported the recommendation to redeploy resource provision funding where funding not being used effectively
- all agreed that funding needs to follow the child

10.37 The revised funding arrangements include a different approach for funding pupils and students who require high levels of specialist and costly educational support. This approach follows the outlined principles:-

- Funding is genuinely responsive to individual pupils and students needs.
- All providers are funded on an equivalent basis.
- Education funding for pre and post 16 is brought together

10.38 The new approach will be based more on actual pupil numbers combined with a base level of funding to offer specialist providers (schools) some stability. A place plus methodology will be adopted. This approach consists of three elements of funding. Elements 1 and 2 go directly to the provider, Element 3 to the LA or commissioner, and then paid to the provider upon the commissioning of a service.

10.39 Element 1 or ‘core education funding’ represents the mainstream unit of per pupil or per student education funding. In the school sector for pre-16 pupils, this will be the Basic Per Pupil Entitlement, while for post-16 provision in schools and in the FE sector this is the mainstream per-student funding as calculated by the national 16-19 funding system. (The DfE estimate the value of this funding to be £4,000)

10.40 Element 2 or ‘Additional Support Funding’ represents a clearly identified budget for providers to provide additional support for high needs pupils or students with additional needs up to an agreed level (The DfE estimate the value of this funding to be £6,000)

10.41 Element 3 or ‘Top up funding’ represents all funding above elements 1 and 2 above to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil’s or student’s assessed needs. This element must be contained within clearly identified notional High Needs block within the DSG, but LAs can move resources flexibly between different notional blocks.

10.42 The table below sets out how element 3 will work in practice.

LEVEL	2012-13 EQUIVALENT FUNDING	EQUIVALENT HOURS	2013-14 EQUIVALENT FUNDING
2A	£3,855	7.5	0
2B	£5,140	10	0
3A	£8,995	17.5	£2,995
3B	£10,280	20	£4,280
3C	£12,850	25	£6,850
4	£12,850	25	£6,850
5	£16,705	32.5	£10,705

- 10.43 Where High Needs pupils or students have health and social care needs, the expectation is that the Local Authority works closely with partners in local social care and health services, and that the appropriate forms of support to meet a child's health and social care needs would be funded by the appropriate agencies.
- 10.44 Sarah Healey, Director of Education Funding Group at the Department for Education, has written on 12 October 2012 to all Directors of Children's Services providing reassurance that the Department will review the revised funding arrangements and will make further changes in 2014-15 if it finds that the long-term consequences for schools are unacceptable.
- 10.45 The letter also confirms that the Minimum Funding Guarantee (MFG) will continue to apply at -1.5 per cent per pupil in 2013-14 and 2014-15. To address the concerns that some schools and authorities have raised about a potential 'cliff-edge' in funding from 2014-15, the letter gives reassurance that an MFG will continue beyond 2014-15. As this falls in the next spending review period, the value of that MFG is unknown
- 10.46 The proposed options put forward in this paper will deliver the funding under the proposed reforms.
- 10.47 The LA will to continue work on the formula and will review the formula in conjunction with the formula working group in light of the continued work on the BPPE calculations, incorporating any further guidance from Government.

11.00 Access to Information

- 11.1 Further information is available by contacting

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