

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	10 th December 2013
Report of:	Tony Crane, Director of Children's Services
Subject/Title:	Review of 2014-15 Schools Funding Formula
Portfolio Holder:	Councillor Rachel Bailey, Children and Family Services and Rural Affairs

1.0 Report Summary

1.1. This report asks Cabinet to

1. consider and approve the proposed options for the schools funding formula for 2014-15; and
2. communicate and engage in the process.

2.0 Recommendations

2.1 That for the 2014-15 Schools Funding Formula:

1. £1.5m of DSG be added to the funding for low level Special Educational Needs (SEN), delegated to schools through the Low Cost High Incidence (LCHI) formula factor and distributed according to pupil numbers identified by the new mandatory prior attainment indicators, the money to come from savings delivered in 2013/14 in the SEN placements budget;
2. the rural proofing strategy be broadened to include schools; and
3. all other existing formula factors be maintained at their current level, as agreed with the Schools Forum.

3.0 Reasons for Recommendations

- 3.1 Schools in Cheshire East continue to perform well, delivering an excellent standard of education, despite Cheshire East being one of the lowest funded education authorities in the country. Great results continue to be achieved and 87% of our schools are assessed to be either Good or Outstanding by Ofsted. With parental choice being a key element of the Council's strategy, the fact that 94% of pupils get their first choice of school place is another significant achievement.
- 3.2 The natural assets of Cheshire East in terms of the beauty of the countryside and the wide geographical expanse have resulted in the

need for in excess of 150 school establishments. The Council is committed to ensuring that families have excellent educational opportunities as close to their own communities as possible. This makes the allocation of schools funding a complex and tricky task of balancing the amount of monies available against residents and school expectations. The proposed schools funding formula is a perfect example of constructive partnership working resulting in an excellent outcome, which strikes the right balance.

3.3 Following a consultation exercise with all head teachers, governors and business managers in September 2013, Cheshire East has worked closely with the Formula Working Group, a sub group of the Schools Forum, to develop a proposed formula which aims to minimise turbulence for schools.

3.4 The changes allowable by the Department for Education (DfE) for the 2014-15 Funding Formula are not as significant as in the previous year and in fact they reinforce some of the changes already made by Cheshire East in 2013-14. The proposals have been discussed and approved by the Schools Forum on 3 October 2013, and must be approved by Cabinet before final submission to the DfE by 21st January 2014.

4.0 Wards Affected

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

5.0 Local Ward Members

5.1 All local ward Members will need to be aware of the changes for the schools in their ward.

6.0 Policy Implications

6.1 N/A

7.0 Financial Implications

7.1 The schools funding formula is the mechanism through which the Dedicated Schools Grant is delegated to schools. Cheshire East currently delegates 94% of funding to schools through the funding formula, retaining 6% held centrally to fund SEN placements in independent provision and out of borough.

8.0 Legal Implications

8.1 The Local Authority has the statutory responsibility to set the funding formula for schools, following consultation with the Schools Forum.

9.0 Risk Management

9.1 N/A

10.0 Background and Options

- 10.1 The Government are moving towards a National Funding Formula (NFF) due to be implemented in 2015 which will see more funding follow the pupil, with the same formula delivering funding to all schools, whether maintained or Academy. Significant changes were made to the Funding Formula for 2013/14 as part of the move towards the NFF.
- 10.2 Cheshire East fully implemented those changes, which meant the funding formula for schools changed significantly moving from a complex formula using 18 of a possible 27 factors to using 8 of a maximum of 12, resulting in more of the available Dedicated Schools Grant (DSG) being delegated through pupil led factors. Special Educational Needs (SEN) funding for pupils with low level needs has been redistributed through prior attainment factors rather than a complex assessment. Inevitably this has created some significant turbulence in individual schools budgets.
- 10.3 The formula can now include different lump sums for primary and secondary schools. Cheshire East set the lump sum at £130,000 for all schools last year, which was considered to be sufficient to protect smaller schools, and there is no proposal to change this.
- 10.4 Cheshire East chose to delegate general SEN funding into schools through a low cost, high incidence (LCHI) formula factor, which is based on prior attainment. The measurement of prior attainment differs for primary and secondary and both will change in 2014-15 increasing the number of pupils who will attract this funding. The large increase in the number of pupils triggering this funding means either the unit rate has to decrease, or £10m funding needs to be added to the LCHI pot, which would have to be taken from the lump sum.
- 10.5 During this financial year there has been a significant improvement in the strategic management of the High Needs funding block, resulting in reduced costs. In addition, the successful negotiation with DfE and the rectification of the post 16 High Needs students funding allocations has eased significantly the projected deficit on the non-schools block of DSG. Therefore the Local Authority is proposing to increase the overall amount available for distribution through the LCHI factor by £1.5m thus mitigating in part against the impact of the increase in identified pupils.
- 10.6 In addition to the general SEN funding delegated into schools budgets, schools are able to apply for Additional Whole School Support where the exceptional circumstances in that school mean there is insufficient funding to support the cohort of pupils with SEN. The applications are

made to the Formula Working Group. In 2013/14 there have been 5 applications to date for this additional funding; 3 have been declined and 2 have been approved.

- 10.7 Sparsity is a new optional factor for 2014-15 which has been introduced to enable local authorities to target funding to small rural schools. It is intended to be set at a level that would provide the additional funding required by small schools where per pupil funding alone is insufficient to sustain the school. Funding may only be targeted at schools that qualify under the DfE's sparsity criteria which measures the distance that pupils live from their second nearest school (150 in primary and 2 miles; 600 pupils secondary and 3 miles). In CEC, only 9 primary schools would qualify for sparsity funding:
- 10.8 The Schools Forum discussed the introduction of a sparsity factor with a limit of £50,000, tapered according to the size of the school; however it recognised that the sparsity factor does not effectively target all those schools which need help due to the criteria stipulated by the DfE. 36 Cheshire East primary schools have less than 150 pupils, and 3 secondary schools have less than 600 pupils, yet sparsity would only help 9 primary schools. Therefore it is proposed that rather than using the sparsity factor, the authority's proposal for rural proofing strategy be enhanced to enable the authority to support small rural schools.

11.0 Minimum Funding Guarantee

- 11.1 The Minimum Funding Guarantee will continue to apply at -1.5% (excluding the lump sum, post-16 funding, allocations from the High Needs Block, including those for named pupils with SEN, allocations made through the early years single funding formula and rates from the calculations).

12.0 Impact of Revised Funding Formula

- 12.1 It must be noted that data for 2014/15 is not yet available, so the proposals for the new funding formula have been modelled using restated 2013/14 pupil numbers and data. Actual data to be used in the 2014/15 formula will not be available till late December, at which point indicative 2014/15 individual school budgets can be produced.
- 12.2 Under the proposed revised funding formula for 2014/15, 98 of 124 primary schools, or 79%, will receive an increase in funding, and 13 of the 21 secondary schools, or 62%, will receive an increase in funding. The average increase in budgets for primary schools is 1.95%, with secondary schools receiving an average increase of 1.15%. 26 primary schools, or 21%, will face a decrease in their 2014/15 budgets. The average budget reduction for a primary school is -0.65%, whilst the average reduction for secondary schools is -0.55%.

13.0 Additional Information

- 13.1 Schools Forum have approved a new policy for clawback of surplus balances. Where a school holds balances of more than 8% (primary) and 5% (secondary) for 2 consecutive years, the surplus balance above that threshold will be automatically clawed back and returned to the schools funding block for distribution through the schools funding formula the following year. Balances at the end of 2012/13 were £12,955,592. The total amount of reserves above the 5% and 8% thresholds was £3,394,817.
- 13.2 Under the Scheme for Financing schools, any school that cannot set a balanced budget has to apply to the Director of Children's Services for permission to set a deficit budget. There were more than the usual number of deficit budget applications for 2013/14 which is a direct result of the changes made to the funding formula and subsequent reductions in school budgets. 12 schools were able to demonstrate that their budgets would come back into balance within 1 year and 2 further schools were able to come back into balance within 2 years. Only 3 schools were unable to demonstrate that their budgets would be able to come back into balance, and the local authority is working closely with them to further review their budgets.
- 13.3 The Local Authority will need to review how rural schools could be sustained in future, and what support could be given. The flexibility to use a sparsity factor under the National Funding Formula is not yet known, although the DfE will be consulting on proposals for the new formula in January. There are options for federation or collaboration, but this should be done on a targeted approach with the full support and co-operation of schools, governors and the Local Authority.

14.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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