

# **CHESHIRE EAST COUNCIL**

## **Cabinet Member for Safeguarding Children and Adults**

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<b>Date of Meeting:</b>	9 February 2015
<b>Report of:</b>	Director of Children's Services
<b>Subject/Title:</b>	Review of 2015-16 Schools Funding Formula
<b>Portfolio Holder:</b>	Councillor Rachel Bailey

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### **1.0 Report Summary**

This report sets out the Schools Forum's proposals for the 2015-16 Schools Funding Formula. The Schools Forum proposes that all additional monies received in Dedicated Schools Grant are allocated through the Schools Funding Formula using the Age Weighted Pupil Factor (AWPU) and that the current funding formula factors are maintained and that the Council should continue the rural proofing strategy for schools.

### **2.0 Recommendations**

- 2.1 That approval be given to the 2015-16 Schools Funding Formula.

### **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. Educational outcomes are outstanding and continue to improve, with 92% of our schools are judged by Ofsted to be either Good or Outstanding. 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 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 difficult task of balancing the amount of financial resource available against residents and school expectations. The proposed schools funding formula is a good example of constructive partnership working resulting in a positive outcome, which strikes the right balance.

- 3.3 The Department for Education (DfE) has announced additional funding for the 2015-16 Dedicated Schools Grant. This funding is to be allocated to the least fairly funded education authorities and nationally £390m has been added to the DSG for 2015-16. The indicative allocation of this additional funding for Cheshire East is £5.7m. Following a consultation exercise with all head teachers, governors and business managers over the summer of 2014, Cheshire East Council has worked closely with the Formula Working Group, a sub group of the Schools Forum, to develop a proposed formula for the allocation of DSG including this additional funding which aims to minimise turbulence and maximise funding for schools.
- 3.4 The proposals for distributing this funding have been discussed and endorsed by the Schools Forum on 2 October 2014 with a draft formula being submitted to the DfE on 21 October 2014. The final formula must be submitted to the DfE by 21<sup>st</sup> January 2015. The proposals maintain all existing formula factors at their current levels, including the amounts allocated for deprivation, basic Special Educational Needs (SEN) and lump sum.
- 3.5 In addition, Members are being asked to continue to support the rural proofing fund for a second year, which allocates £150,000 to those small and rural schools which provide a hub for the community. This budget does not come from the DSG but is earmarked form within the Education strategy base budget.

#### **4.0 Wards Affected**

- 4.1 All.

#### **5.0 Local Ward Members**

- 5.1 All

#### **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 non schools expenditure, which is mainly 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 Assumptions made in the formula**

- 10.1 The DfE consulted with local authorities early last year on the impact of the Funding Reform which had been implemented in 2013-14. The consultation sought to understand if further changes were needed to create greater national consistency and transparency in school budgets.
- 10.2 The results from this consultation were published in June 2013, detailing the changes that were required for the 2014-15 funding formula: -
- A minimum of 80% of the delegated schools block funding should be allocated through pupil led factors;
  - All authorities had to set minimum Average Weighted Pupil Units (AWPU) of at least £2,000 for primary aged pupils and at least £3,000 for secondary aged pupils;
  - A change to the way in which low prior attainment is measured – which greatly increased the number of pupils attracting this element of the formula;
  - A new optional sparsity factor was included to address the increasing pressures felt by small and rural school;
  - The maximum allowable lump sum was set at £175,000 and local authorities were able to differentiate between primary and secondary lump sums .
- 10.3 Cheshire East had already made significant changes to the 2013-14 funding formula, and following consultation with Schools Forum, did not make any of the further changes allowable in 2014-15. The current formula already allocates 83% through pupil led funding, more than the minimum stipulated. The AWPU's set in the 2014-15 formula were also higher than the minimum rates set. Cheshire East was able to add additional funding of £1.5m into the factor for prior attainment, but also had to reduce the individual rates in order to keep the factor affordable due to the increase in the number of eligible pupils.
- 10.4 Cheshire East chose not to use the sparsity factor as the government criteria for identifying rurality did not seem the most appropriate, and instead the authority is addressing the rurality issue outside of DSG.

- 10.5 Cheshire East chose to keep the lump sums at £130,000
- 10.6 The Government has now published revised minimum funding levels (MFLs) and has clearly stated its intention to move towards a National Funding Formula in the future, although not for 2015-16. The consultation included proposals to increase funding for the lower funded authorities by allocating an additional £350m nationally and proposed to distribute this additional funding by applying minimum funding levels for some of the factors used in the formula. The exemplifications issued in the consultation suggested Cheshire East would receive an extra £4.7m. The Government consultation concluded on 30 April 2014 and the operational guidance for Schools Revenue Funding for 2015-16 were published on 17 July 2014. The findings from the consultation have resulted in some changes to the proposals made in the consultation, and additional funding being made available with £390m now being allocated nationally, an increase of £40m from the consultation. The initial consequence of this is that the Cheshire East allocation has increased from £4.7m in the original to £5.7m.
- 10.7 In the consultation the Government did make it clear that there was NO requirement on local authorities to use these MFLs, and schools should not assume they would be getting budgets calculated using these formula factor values.
- 10.8 The Schools Forum Formula Working Group produced 2 models for the allocation of the additional funding for consideration by the Schools Forum and for consultation with all schools; one which used the MFLs as published by the DfE, and one which kept the factor values as they are in the formula. Both models then allocated all additional money through AWPU.
- 10.9 As the majority of the published MFL values are lower than the existing factor values in the Cheshire East funding formula, in that option there was a considerable amount of turbulence as individual factors were changed, resulting in £1m being added to the amount to be distributed through AWPU. This has the impact of allocating more money through pupil led factors, i.e. AWPU, thereby driving funding towards larger schools.
- 10.10 There were 65 responses received in total from 60 Primary schools and 5 Secondary schools, which is a 43% response rate. Of those responses received, 83% were against implementing the Minimum Funding Levels proposed by the Government, and 86% would prefer to keep the existing formula factor values. 86% of respondents also felt that any additional funding should be distributed using the Age Weighted Pupil Unit factor (AWPU), rather than specifically targeting any additional funding at either deprivation or Special Educational Needs (SEN).

## **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 2015/16 is not yet available, so the proposals for the new funding formula have been modelled using restated 2014-15 pupil numbers and data. Actual data to be used in the 2015-16 formula will only be available in late December, at which point indicative 2015-16 individual school budgets can be produced.
- 12.2 Using the agreed proposals for the revised funding formula for 2015-16, 108 of 124 primary schools, or 87%, will receive an increase in funding, and 18 of the 21 secondary schools, or 86%, will receive an increase in funding. The average increase in budgets for primary schools is 3.2%, with secondary schools receiving an average increase of 2.1%. 16 primary schools, or 13%, will face a decrease in their 2015-16 budgets, and 3 secondary schools, or 14% will face a decrease in funding. The average budget reduction for a primary school is -0.99%, whilst the average reduction for secondary schools is -1.4%.
- 12.3 The reason for a small number of schools still facing a reduction in budget is due to the long term impact of the fundamental changes made to the formula in 2013-14. Some schools are still working their way back into a budget that does not need MFG protection, and it is the reduction in MFG protection required year on year that is causing the reduction for some schools. For example, Brierley Primary school received £90,385 MFG protection in 2014/15, but are likely to only receive £59,588 under the revised formula. This reduction in protection will result in an overall loss of budget of only £12,393, as the underlying budgets have increased due to the additional funding being added to the AWPU.

## **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. Schools can create earmarked reserves to hold money for specific projects, which takes this money out of the surplus balance calculation for clawback. Balances, in maintained schools at the end of 2013-14 were £9,022,042, with £3,464,080 being held in Earmarked Reserves and £5,557,962 as general balances. Of

this amount £103,939 was held above the threshold limit and £13,143 was held for the second year and therefore clawed back in line with the agreed policy and added to the schools funding for 2015-16.

- 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. 9 of the 13 applications received in 2013/14 are now back in balance. 4 schools have had to submit another application in 2014-15, and 6 new schools have also requested permission to set a deficit budget. Of these 10 applications, 7 will come back into balance within three years, and the remaining 3 schools who are unable to set a balanced budget at all are already working closely with the Local Authority and pursuing a path to either collaborate or federate with another maintained school, or convert to academy status with a sponsor

#### **14.0 Access to Information**

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

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