

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	23 <sup>rd</sup> February 2016
<b>Report of:</b>	Kath O'Dwyer, Director of Children's Services
<b>Subject/Title:</b>	Review of 2016-17 Schools Funding Formula
<b>Portfolio Holder:</b>	Councillor Rachel Bailey, Children and Families

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### 1.0 Report Summary

1.1. This report asks Cabinet to

- consider and approve the proposed options for the schools funding formula for 2016-17
- consider levels of engagement in the process in relation to their local schools

### 2.0 Recommendations

2.1 This report makes the following recommendations to Cabinet for the 2016-17 Schools Funding Formula:

1. reduce the lump sum from £130,000 to £115,000;
2. maintain all other existing formula factors at their current level, as agreed with Schools Forum; and
3. continue to support the rural proofing strategy for schools

### 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 92% 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 The additional money added into the 2015-16 Dedicated Schools Grant by the Department for Education (DfE) to be allocated to the least fairly funded education authorities has been confirmed again for 2016-17. Cheshire East received an additional £5.7m, all of which was delegated out to schools through the funding formula.
- 3.4 The proposals for the schools funding formula have been discussed by the Schools Forum on 1 October 2015 and 3 December 2015. The proposals for the lump sum were discussed at the Schools Forum on 3 December 2015, and approved at that meeting for recommendation to Cabinet. The final formula has been submitted to the DfE by their deadline of 21<sup>st</sup> January 2016, subject to ratification by Cheshire East Council.
- 3.5 Following a consultation exercise with all head teachers, governors and business managers over the summer of 2015, Cheshire East Council 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 and maximise funding for schools.

#### **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 93% of funding to schools through the funding formula, retaining 7% 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 Cheshire East has already made significant changes to the schools funding formula following the Funding Reform introduced in 2013-14, and following consultation with Schools Forum, did not make any of the further changes allowable in 2014-15 or 2015-16. The additional funding of £5.7m received in 2015-16 was delegated using the AWPU factor in the formula, and this funding has been confirmed as being included in the DSG again for 2016-17.
- 10.2 The Government distributed this additional funding by applying minimum funding levels for some of the factors used in the formula, although the Government did make it clear that there was NO requirement on local authorities to use these MFLs in their local formulas, and schools should not assume they would be getting budgets calculated using these formula factor values.
- 10.3 Cheshire East has adopted a policy of minimising turbulence for schools budgets, following the significant changes in the funding in 2013-14. However the Government has clearly stated its intention to move towards a National Funding Formula in the future, although not for 2016-17, and in reviewing some of the formula factors, Cheshire East are not within the average range for all factors.
- 10.4 Cheshire East chooses to use the Low Cost High Incidence formula factor as a means of identifying SEN funding within schools, and currently puts £12.9m through this factor. Schools Forum Formula Working Group have not made any recommendations to review this as High Needs Funding is likely to be part of the consultation on any potential National Funding Formula.
- 10.5 The Schools Forum are recommending that the Cheshire East schools funding formula should move more in line with the national picture by reducing the lump sum, and allocating this funding through the AWPU instead. It was felt that this proposal fit in with the Government's directive that funding should follow the child.
- 10.6 In the Minimum Funding Levels published by the Government, the Primary Lump sum was set at £115,797. Analysis of all lump sums set in 2015-16 showed that the average lump sum when calculated on a per pupil basis was £114,000. The intention of the schools funding formula is that it is meant to distribute pupil funding fairly and equitably, and should not be used to direct funding towards smaller schools. Schools should be encouraged and supported to work together, either through collaboration or through more formal arrangements such as Multi Academy Trusts. Schools will need to find better ways to organise to succeed financially without any need to close 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 Using the revised funding formula for 2016-17, 91 of 154 schools, or 59%, will receive an increase in funding. The average increase in budgets for primary schools is 3.5%, with secondary schools receiving an average increase of 1.3%. 63 schools or 41% will face a decrease in funding. The average budget reduction for a primary school is -2.5%, whilst the average reduction for secondary schools is -3.4%.
- 12.2 The reason for a small number of schools still facing a reduction in budget is due to the long term impact of the Minimum Funding Guarantee. 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, particularly as moving funding from the lump sum into the AWPU affects the budget that is used to calculate any protection needed.

## **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.
- 13.2 Balances at the end of 2014-15 were £8.169m, of which £5.332m is held in uncommitted school balances, with £ 2.132m held in earmarked reserves, and £705k in unspent ringfenced grants. This is a reduction of only £0.8m from 2013/14, but it must be noted that 17 schools converted during the year, thereby excluding themselves from the balance calculation.
- 13.3 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. 5 of the 9 applications received in 2014-15 are now back in balance. 4 schools have had to submit another application in 2015-16, and 3 new schools have also requested permission to set a deficit budget. Of these 7 applications, 4 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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