

Cheshire East Council

Cabinet

Date of Meeting: 6th February 2018

Report of: Mark Palethorpe, Acting Executive Director of People

Subject/Title: Update on Schools Funding and the Local Schools Funding Formula for 2018/19

Portfolio Holder: Cllr Jos Saunders, Children and Families

1. Report Summary

- 1.1. This report provides an update for Cabinet Members on schools funding in Cheshire East.
- 1.2. It provides a summary of the announcements in relation to the National Funding Formula (NFF) for schools and their local impact.
- 1.3. It also details the process to determine the local schools funding formula for 2018/19. The formula is being submitted for approval by Cabinet following consideration of the options and a recommendation by the Cheshire East Schools Forum meeting on 7th December 2017.

2. Recommendation

- 2.1. This report asks Cabinet to consider and approve the proposed schools funding formula for 2018/19 following a recommendation by Schools Forum.
- 2.2. That Cabinet approve:
 - 2.2.1. The use of the existing Cheshire East schools funding formula.
 - 2.2.2. The allocation of the additional growth provided (£2.8m) using the basic per pupil element of the formula in the current ratios.
 - 2.2.3. The use of -1.5% as the minimum funding guarantee. Meaning that no school can lose more than 1.5% per annum excluding pupil number changes.
 - 2.2.4. The transfer of 0.5% of funding from the schools block to the high needs block to address pressures in that area and fund projects to achieve sustainability.
- 2.3. The recommendation to Cabinet is that we continue to use the current Cheshire East formula as this will protect our small and rural primary schools over the next two years. The schools finance team will monitor and challenge the plans from maintained schools to ensure they prepare for and manage implications of change when NFF is introduced.

3. Reasons for Recommendation

- 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.

4. Other Options Considered

- 4.1. A sub group of the Schools Forum entitled the Schools Block Formula Working Group considered the issues.
- 4.2. As a result a series of local models were developed. They included:
 - The Cheshire East local formula.
 - Half way between Cheshire East formula and NFF.
 - A more gradual move to NFF (30%, 30% and 40% over three years).
 - The Cheshire East local formula but introducing the new NFF factors (around free school meals for example).
 - The NFF.

With three Minimum Funding Guarantee options for each one.

- 4.3. Formula Working Group and the Finance Team consulted with schools in November 2017 on the most suitable options.

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 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 its own national funding formula.
- 5.3. Further details are provided below.

NATIONAL FUNDING FORMULA UPDATE

- 5.4. In September 2017 the Government released the final outcome of the consultation processes to introduce a NFF for schools, high needs and central schools services from 2018/19.
- 5.5. The announcement followed a two stage consultation process running to March 2016 and March 2017 respectively.
- 5.6. It covered figures for the above funding blocks and example data was provided at council and school level where appropriate. In headline terms, the following figures were published for Cheshire East Council and further commentary is provided for each block:

Cheshire East September 2017	2017/18 Baseline £m	NFF in full £m	Change £m	Change %
Schools Block	202.2	206.2	+4.0	+2.0%
High Needs block	33.5	33.8	+0.3	+1.1%
Central Schools Services Block	2.88	2.95	+0.07	2.4%

(The early years block already has a national funding formula and was not part of the Sept 2017 announcements)

- 5.7. These figures will be updated by the release of information for 2018/19 that takes account of the October 2017 pupil numbers and characteristics.

NFF - Schools Block

- 5.8. The September 2017 NFF headlines for the schools block were:

- An additional £2.8m of funding in 2018/19 for Cheshire East compared to 2017/18 followed by a further £1.2m in 2019/20 which is positive news.
- The introduction of minimum total per pupil funding levels:
 - o £3,300 Primary, £4,600 Secondary in 2018/19.
 - o £3,500 Primary, £4,800 Secondary in 2019/20.
- Greater flexibility over the minimum funding guarantee.
- The option to transfer funding to high needs.
- Little change to the NFF itself which continues to allocate additional funding for pupil characteristics by reducing the basic per pupil allocation.

- 5.9. The NFF will be used to determine total allocations to local authorities for 2018/19 and 2019/20. For those two years a local formula can still be used by local authorities to allocate funding to schools. From 2020/21 the NFF will be used by the DfE to determine funding at school level. It is expected that maintained schools will continue to receive funding via the local authority using the NFF. The exact details of NFF implementation have yet to be confirmed along with some aspects of the formula and further work is expected.

- 5.10. The second stage NFF consultation (December 2016 to March 2017) indicated a reduction in funding of -£4.1m (-2.1%) for Cheshire East schools therefore the announcement reflects an improved position as a result of additional funding being provided nationally.

- 5.11. Cheshire East was an outlier at stage 2 in terms of losing relatively more funding than councils in the standard comparator groups. This was a result of the NFF:

- Providing more funding to pupil characteristics such as deprivation (so areas of relatively low deprivation lost funding).
- Providing less as a basic per-pupil amount.
- Not taking account of the local top-up to the schools block from high needs and this being lost in a revised national allocation.

- 5.12. Stage 2 prompted a significant adverse reaction from councils and schools in many areas.
- 5.13. The Cheshire East response was that a reduction in the basic per pupil amount was acceptable, as long as it provided enough funding to run a school where no other funding was triggered, and that previous block transfers needed to be considered. Local representatives met with a minister to make these points.
- 5.14. The additional funding provided and minimum per pupil funding levels are recognition that the first point has been listened to by the Government. However, the final NFF formula has not changed significantly from stage 2 meaning Cheshire East remains an outlier when compared to other areas for the same reasons as above.
- 5.15. Significant variations in per pupil funding across the country remain in place reflecting the different characteristics of pupils in schools with more funding linked to vulnerability. As such it is still not clear that the original aims of having a single national formula have been met.

NFF - High Needs Block

- 5.16. The NFF for High Needs will determine how much funding the Council receives for students with special educational needs and disabilities and placed in special schools, with independent providers etc.
- 5.17. The stage 2 consultation set out a 7.5% reduction for the Council that was temporarily protected to no change. This has improved to an increase of 1.1% under the final NFF.
- 5.18. The specific issues raised by the Council under the stage 2 regarding the replacement of a formula regarded as unfair with one that has 50% based on historic spend have not been addressed in the latest announcements.
- 5.19. The High Needs Funding block is currently overspending due to increased demand hence Schools Forum has recommended a transfer of 0.5% from the Schools block to the High Needs block.
- 5.20. A number of projects are being taken forward to manage pressures in high needs including development of increased local provision and a review of the high needs allocation methodology through a sub group of Schools Forum.

NFF - Central Schools Services Block

- 5.21. The stage 2 NFF consultation set out similar figures for this block. It 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.

DETERMINING THE LOCAL FUNDING FORMULA

- 5.22. As part of the annual budget setting process, the Schools Forum have considered options for the local formula through a sub group called Formula Working Group (FWG). The recommendation to Cabinet is that we continue to use the current Cheshire East formula as this will protect our small and rural primary schools over the next two years.

5.23. The FWG held three meetings on 11th October, 6th November and 21st November 2017.

5.24. They considered several issues:

- How to allocate the additional growth.
- What percentage should be used for the minimum funding guarantee.
- The changes between the current Cheshire East formula and the NFF and the options available.
- The option to transfer funding from the schools block to the high needs block.

5.25. The Council and FWG undertook a consultation exercise with all schools to seek their views on these issues. The consultation ran from Monday 13th November to Thursday 30th November.

5.26. Three formula options were consulted on:

- The Cheshire East Local Formula
- Half-way between the Local Formula and the NFF.
- The NFF.

5.27. A series of briefing events were held to help schools respond to the consultation. The meeting details were:

Date	Event
16/11/17	Governors' Forum
20/11/17	Primary Schools
21/11/17	Primary Schools
23/11/17	East Cheshire Association of Primary Heads
30/11/17	Cheshire East Association of Secondary Heads

5.28. The consultation received a 60% response rate from schools. The responses were checked to ensure that only one response per school was counted and any anonymous responses were disregarded. An analysis of the consultation results is summarised below:

Question	Percentage Vote
1. Use of the Age Weighted Pupil Unit (AWPU) to allocate additional funding	82.6% in favour
2. Use of -1.5% minimum funding guarantee	83.7% in favour
3. The funding formula model to be used	59.8% Current Local Formula 16.3% Half-way between current formula and NFF 22.8% NFF 1.1% Don't know
4. The transfer of 0.5% from schools to high needs	59.8% in favour

- 5.29. The results of the consultation and the FWG meetings were reported to the Schools Forum on 7th December 2017. They considered the issues raised and voted in accordance with the above results. Therefore, the current local formula with additional AWPU is being recommended to Cabinet for approval.
- 5.30. On receipt of the final DSG announcements and Cabinet approval of the local formula, the standard processes will operate to notify the DfE, Schools Forum and all schools of their budget levels by the end of February 2018.

Addressing Special Education Needs Spending Pressures

- 5.31. A key issue is the scope to transfer funding (up to 0.5%, equivalent to £1m, can be locally agreed) from the schools block to high needs. This is essential from the service provision perspective as increasing demand is causing the high needs block to significantly overspend. A £2.2m pressure is forecast for 2017/18.
- 5.32. This is continuing to use up the Council's DSG reserve and there are a number of projects being taken forward to help manage demand. This transfer would need to be agreed for 2018/19 and 2019/20. It is not clear what will happen beyond that in terms of block transfers.
- 5.33. This adjustment can be achieved without significant impact on individual school budgets due to the increase in overall funding.
- 5.34. Schools Forum agreed to this transfer taking place in 2018/19.

EARLY YEARS NATIONAL FUNDING FORMULA

- 5.35. 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. This included a set of rates for 2018/19 which included the average hourly rate of £4.09 from April 2018.
- 5.36. Given that the hourly rates were agreed by Cabinet it is not necessary to seek further approval at this stage and those rates will take effect from April 2018.

6. Wards Affected and Local Ward Members

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

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. The Council is supporting the introduction of NFF over the medium term.

7.2. Legal Implications

- 7.2.1. 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.

- 7.2.2. 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.

7.3. Financial Implications

- 7.3.1. 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%.
- 7.3.2. 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.
- 7.3.3. Finance will be working closely with maintained schools who will be expected to demonstrate how they are managing and preparing for the change.

7.4. Equality Implications

- 7.4.1. 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.

7.5. Rural Community Implications

- 7.5.1. 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.
- 7.5.2. The NFF introduces recognition and potential 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.
- 7.5.3. A workshop is being set up with small and rural schools to discuss the challenges they face and develop a plan for supporting those schools through the changes.

7.6. Human Resources Implications

- 7.6.1. 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.

7.7. Health and Wellbeing Implications

7.7.1. N/A

7.8. Implications for Children and Young People

7.8.1. All maintained and academy schools in the Borough are affected by decisions over funding levels and the local formula to allocate funding.

7.9. Overview and Scrutiny Committee Implications

7.9.1. N/A.

7.10. Other Implications (Please Specify)

7.10.1. N/A

8. Risk Management

8.1. 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.

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 2017 are held at:

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

10. Contact Information

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