



## SCHOOLS FORUM

### School Funding Update

21 June 2016

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies	X	Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies	X	Secondary	X
Local Authority	X	Post 16	
		High Needs	

Content Requires;		By;	
Noting	X	Maintained Primary School Members	X
Decision	X	Maintained Secondary School Members	X
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	

#### **Purpose of the Report**

1. This report sets out;
  - The outcome of the financial survey undertaken with primary schools and academies
  - Sets out the current situation for funding age range changes
  - Provides an update on 2017/18 school funding

#### **Recommendations**

2. That Schools Forum notes the content of this report
3. That Schools Forum notes and supports the local authorities preferred option for the 2017/18 school funding formula (paragraph 8) subject to the expected phase 2 consultation on school funding 2017/18

## **Background**

4. A financial survey was undertaken across secondary academies in the autumn term and reported to Schools Forum on 14 January. At the request of primary headteachers a further survey was undertaken across maintained primary schools and academies. This report presents the findings of that survey and any high level conclusions that may be drawn from it.
5. The Phase 1 consultation on 2017/18 school funding concluded in April and a Phase 2 consultation is expected. At the time of writing the Department for Education (DfE) have not issued any consultation outcome or any time line for the issue of Phase 2 which is expected will provide exemplifications of the impact of the new system for both local authorities and individual schools. An update will be tabled at the meeting should that be received prior to the meeting.
6. Previous analysis of the Leicestershire school funding formula has been undertaken using the funding factors and values used by every local authority from data published by the EFA and whilst this only gives a snapshot of relative funding positions does allow benchmarking. The EFA have not issued this data for 2016/17 school funding formulae.
7. Whilst baselines for the 2017/18 schools and high needs funding settlements have been taken by the Education Funding Agency (EFA) from levels of 2016/17 expenditure it is expected that this will be used as the baseline for both the Minimum Funding Guarantee (MFG) and any ceiling on gains. The expectation for the pupil driven element of the formula is that it will be to be based on nationally set values for the formula factors and pupil characteristics as recorded on the October 2016 school census and not be based on actual 2016/17 school funding.
8. Without these two crucial elements of information any review of the formula would be of exceptionally limited value, the review must link into the national funding formula implementation to reduce turbulence in school funding as much as practically possible. Should the Phase 2 consultation confirm the expectation of the national formula the local authority has three options for the two years of the 'soft' national formula;
  - a) Implement a new formula taking account of the comments currently being made by schools. Any movement this way could result in something out of line with the national formula and could result in turbulence for 2017/18, possibly increasing the cost of the MFG and again in 2019/20 when the DfE implement the hard formula.
  - b) Maintain the current formula and make funding adjustments within it i.e. rebalance AWPU funding across key stages. The impact of this would be similar to that in a). This again would be redistribution that would be moderated by the MFG and ceiling and ultimately may not deliver any significant change.
  - c) Replicate the school level formula set out by the EFA for all schools and apply the same factors to the school level data as for 2016/17, both of which may need to be moderated by the MFG and ceiling. This is the local authorities preferred option. However this is subject to confirmation following phase 2 consultation

10. The DfE and the EFA however have consistently stated that there will be some turbulence as a result of the national funding formula and that Ministers see this as an acceptable and inevitable position. Again the phase 2 consultation is expected to exemplify what level of turbulence is acceptable, as discussed previously the speed at which the changes are implemented has a significant impact. The quicker the change, in the absence of significant additional funding, will result in more turbulence.
11. The local authority has established a working group with membership selected by LSH to consider the mechanism for funding age range changes, specifically the isolation and removal of pupil number growth. It is envisaged that this will result in a tight definition of the term 'estimate' currently used within the scheme rather than any change in its operation. It is abundantly clear that whatever the scheme in place it is not possible to find a single solution that will be acceptable to all affected schools. Further updates will be provided to Schools Forum at the appropriate time.

### **Primary School Financial Survey**

12. 48 (21.4%) schools responded to the survey, 37 maintained and 11 academy. The full survey results are shown at Appendix 1.
13. The following table sets out schools own expectation on balances. It should be noted that there is no direct academy comparator with the revenue balances held by maintained schools and there are different accounting periods for maintained schools and academies;

	<b>2016</b>	<b>2017</b>
Expecting Decreased Revenue Balance	48%	54%
Expecting Increased Revenue Balance	23%	4%
Expecting Revenue balance to Stay the Same	29%	42%

It isn't possible to determine whether there is any difference in position between maintained and academy. 58% of schools report a revenue reserve between 1% and 10% of the budget with 5% being typical the most common reason given for its retention being to prevent future deficits. This doesn't correlate with the initial information on maintained school balances which appears to be showing increased revenue balances.

14. No schools reported having made teaching redundancies in two previous years with two reporting non-teaching staff redundancies. However when looking at the current financial year three schools reported teaching staff redundancies and two non-teaching. However looking forward 30% of schools expect to make redundancies in the next three years.
15. The main financial issues reported very the last two years were;
- Increasing staff costs
  - Planning for changes in pupil numbers
  - Lack of devolved capital funding
  - The change to IDACI
  - Delivering universal infant free meals
  - Meeting the first £6,000 for SEND children

- Extra costs associated with academies combined with a reduced Education Services Grant

When setting out the expected financial challenges over the next three years the main issues reported were;

- The effect of the national funding formula especially on small and rural schools
- The 1% AWPU reduction
- The lack of capital investment
- Increasing staff costs, particularly the increase in the minimum wage
- Removal of the Education Support Grant for academies
- Lagged funding for increases in pupil numbers

16. It is difficult to form any hard conclusions from the survey although it can be seen that primaries are not experiencing the same financial pressures as secondaries. There are possibly three key factors that either combined or in isolation may contribute to this position;
- 1) Growth in pupil numbers is currently in the primary sector but age range changes have resulted in increased surplus places in secondary schools. For secondary's, either increasing or reducing in roll, the financial cost has been significant.
  - 2) The additional funding in 2015 maybe a contributing factor, why primary schools have not invested this into provision isn't clear especially given that when a balance control mechanism was in place for maintained schools the reasons for retaining balances were largely the same.
  - 3) A lack of certainty over the level of school funding has commonly been sighted as a reason to retain larger revenue balances. However whilst there has been a lack of multi-year funding settlements there has been a consistent message that school funding is held on a flat cash basis.
17. There does however appear to be a question over effective medium to long term financial planning, for primaries in terms of using the resources available to invest at the earlier stages of a child's education and in secondary's in planning for the financial consequences of age range changes.

### **Resource Implications**

18. There are no direct resource implications arising from this report.
19. Schools may wish to engage their business managers and their network groups to consider the mechanisms and processes for strategic financial management for the purpose of delivering a firm framework for medium to long term financial planning and also to identify the best and worst practice.
20. Past announcements by the DfE and the EFA have often referred to the introduction of a national funding formula at a time when there would be more certainty about future funding levels. The most recent announcement in the Chancellor's March budget referred to an additional £500m for its implementation, there have been

mixed messages however whether this is one off or recurrent funding and no further references to multi-year budgets.

### **Equal Opportunity Issues**

19. There are no specific equal opportunities issues arising from this report.

### **Background Papers**

Report to Schools Forum 14 January 2016 – Academy Funding Survey

<http://cexmodgov1/ieListDocuments.aspx?CId=1018&MId=4562&Ver=4>

### **Officers to Contact**

Jenny Lawrence, Finance Business Partner Children and Family Services

Email: [jenny.lawrence@leics.gov.uk](mailto:jenny.lawrence@leics.gov.uk)

Tel: 0116 305 6401

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