



## SCHOOLS FORUM

### 2018/19 School Funding

12 June 2017

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		Secondary	X
Local Authority	X	Post 16	
		High Needs	

#### Purpose of Report

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

- This report sets out for Schools Forum the expectations in relation to;
  - 2018/19 school funding
  - 2018/19 school funding formula
- The report will also set out a proposed new approach from the local authority to develop strategic financial planning in schools.

#### Recommendations

- That Schools Forum note and comment on the content of the report

### **Introduction**

3. It was widely expected that the Department for Education (DfE) would introduce a national funding formula from 2018/19. The December consultation set out an approach which would have changed the manner in which the School Block Dedicated Schools Grant (DSG) is distributed to local authorities and the way that schools were funded. Schools Forum considered the implications of the proposals at a workshop on 16 March.
4. The announcement of the General Election has halted the progression of the national funding formula. Nationally there has been significant concerns raised on the impact of the proposals and some doubt that the proposals as set out in March would receive approval through the Parliamentary process.
5. Whilst the three major political parties pledged more funding for schools within their manifesto's , it is not expected that until the new Government has formulated its policy in relation to school funding that there will be any further information on the national funding formula. Whilst it is possible that the outcome of the consultation could be set out in the summer for implementation in 2018/19, it is unlikely. It is therefore necessary for the local authority to set out its intentions in relation to 2018/19 school funding to enable schools to plan effectively.
6. Whatever a national funding formula may look like, or when / if it will be introduced, the medium term from 2018/19 will be a challenging time for school financial planning. It is widely recognised that costs are increasing above income, additionally there is a national expectation that schools will need to deliver efficiency savings that may not be possible to achieve through the historic approaches that have been adopted to reduce staffing structures. To successfully meet the financial challenges ahead requires a new approach to financial planning.

### **2018/19 School Funding**

7. Discussions with schools on the proposed national funding formula identified widespread support for movement towards the formula and the favoured approach to 2018/19 funding. With the apparent national widespread concern over the proposals and the General Election it cannot be assumed that the formula as set out or its planned implementation for 2018/19 will be confirmed.
8. The illustrated impact of the proposals, excluding the distribution of funding for school led costs, would have been an additional £0.4m for primary schools and £4.3m for secondary schools in 2018/19. Implementation of the formula would therefore have addressed the low funding for Key Stage 3 within the current Leicestershire formula and would have ensured that Leicestershire would be funded to allow the increase in school level funding. It would also have retained the current primary funding levels whilst increasing those for secondary.

<b>Funding Following the Full Implementation of National Funding Formula – Date Uncertain</b>							
	Number Gaining	Number No Change	Number Losing	Greatest Gain	Greatest Loss	Average Change %	Overall Change £
Primary	75	3	146	+8.1%	-2.8%	0.0%	+£85k
Secondary	48	-	5	+9.1%	-1.4%	+5.1%	+ £8.5m
							<b>+£8.6m</b>
<b>Funding for First Year of Transition - 2018/19</b>							
Primary	75	3	146	+2.6%	-1.4%	+0.2%	+£0.4m
Secondary	48	-	5	+2.9%	-1.4%	+2.6%	+£4.3m
							<b>+£4.8m</b>

9. Whilst the December proposals would have attracted additional funding for Leicestershire schools there have been many lobby groups wishing to see changes to the proposals, ultimately the final formula may be very different to that proposed. Without additional funding it is not possible to move towards that illustrated, nor is there funding to increase any one element of the formula without a reduction in another. Additionally any change would be restricted by the Minimum Funding Guarantee and ceilings on gains which could effectively override any changes.
10. The local authority is not proposing any change to the current funding formula for 2018/19 school funding pending confirmation of the new Governments policy on education and specifically school funding.

### **2018/19 School Strategic Financial Planning**

11. It is apparent that there are significant financial challenges for schools both now and for the future. School funding has not increased in line with increasing costs, particularly pay inflation and the Apprenticeship Levy, additionally academies will see the withdrawal of the Education Services Grant (ESG) from September 2017.
12. The DfE in the March funding consultation set out a clear expectation that schools would be able to deliver efficiency savings of £1bn by 2019/20 the Institute for Fiscal Studies have calculated that the cost pressure on schools is between 7% and 8% by 2019/20 and rising to 11% in 2020/21. This level of pressure cannot be contained within the overall pocket of funding for school budgets without sound financial planning and a vision for the future.
13. Whilst the outcome of the general election will influence the quantum and targeting of school funding for the future. Any increase in funding should not be seen as a solution to the financial issues being reported by schools, strategic financial planning is essential to allow schools to operate in an efficient and sustainable manner.
14. There are also a number of inherent factors that are affecting the financial position of schools and the ability to set balanced budgets, these include;
  - Schools experiencing pupil number growth and incurring costs before the pupils generate additional funding
  - School experiencing reductions in pupil numbers which may result from the impact of age range changes or general demographics

- Uncertainty on the timing and impact on national school funding reform
15. The financial data available to the local authority is limited and relates purely to 124 maintained schools, this cannot give a full picture of the operation on budgets and the financial position across all schools. Early, and incomplete, analysis of maintained school balances shows an overall decrease of c£1m with 101 schools in a better financial position than forecast in their budget plans and 23 schools showing a worsened position.
  16. The overall financial climate increases the importance of robust strategic financial planning within schools and the need to ensure that school leadership focuses upon linking financial planning and school improvement. It is also likely that the historic measure that schools have employed to achieve balanced budgets, largely staffing restructures, are likely to be insufficient to meet the future challenges.
  17. The local authority provides strategic financial support to maintained schools and to academies through a subscription service. It is becoming apparent that the current support offer needs to be developed and in some way relaunched to ensure schools are aware of its presence, but developed to ensure that it in turn develops the skills, knowledge and capacity within schools. It is proposed that this happens through two key strands;
    - Autumn term conferences bringing together a number of professional disciplines to develop strategic planning in schools and set out future options for school structure and management both internally, through MAT's and other collaborative models.
    - The development and maintenance and issue of a toolkit that would develop and bring together materials published by the local authority and other agencies on financial planning and management.
  18. This proposed approach will need to be considered alongside, and set within, a legal framework that delegates responsibility for financial management to governors in maintained schools but also the defined framework within which academies operate set by the DfE.

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