

8 October 2014

**RESPONSE TO THE SCHOOL FUNDING ARRANGEMENTS CONSULTATION
2015-16**

Report of the Director of Children's Services

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1. Purpose

- 1.1. To update the Forum on the outcome of the School Funding Consultation for 2015-16.

2. Background

- 2.1. At its June meeting the Forum requested that a survey of the financial pressures facing schools should be undertaken. This survey was the main element of the School Funding Consultation for 2015-16. An equivalent survey of PVI providers has also been carried out.
- 2.2. Within the consultation, questions 1 to 7 comprised the survey on the financial pressures being experienced by schools. Question 8 concerned the continuation of capping as a means to fund the cost of protection under the Minimum Funding Guarantee (MFG). Questions 9 to 11 consulted on aspects of the Growth Fund, including criteria and calculation. Question 12 covered the fund for primary schools with falling pupil rolls in areas of demographic growth. The consultation document is attached as Annex B.
- 2.3. The consultation closed on Tuesday, 23 September 2014. There were 39 responses representing 7% of schools.

3. Recommendations

- 3.1 The Forum is asked to:

- support the continuation of capping in the primary and secondary funding formula. (The final capping percentage for 2015-16 would be set as part of the budget process.)

- agree the changes to the Growth Fund and Falling Rolls Fund outlined in questions 9 to 12 of the consultation.
- agree the changes to the Growth Fund in respect of learning resources allocations for schools with bulge classes outlined in section 7.1.2 of this paper
- agree the changes to the Fund for small secondary schools in areas of demographic growth outlined in section 7.2 of this paper.

4. Responses to the Survey

4.1. Question 1 – Projected balances.

The first question requested that respondents submit their projected balances for the years up to 2017. 25 schools and academies answered this question (13 maintained primaries, 6 maintained secondaries, 1 primary academy and 5 secondary academies).

For maintained schools who answered this survey question, data held by the Authority from the 2013-14 year end return and the 2014-15 Budget Return has been incorporated to give four years of data.

Maintained	Total Revenue Balances (£000)			
	31/3/2014	31/3/2015	31/3/2016	31/3/2017
Primary (13 Schools)	1272	795	321	155
Secondary (6 Schools)	3500	135	(894)	(1521)
Total	4772	930	(573)	(1366)

Academies	Total Revenue Balances (Unrestricted Funds and Restricted Funds excluding Pension Reserve) (£000)			
	31/8/14	31/8/2015	31/8/2016	31/8/2017
Primary (1 School)	371	0	0	0
Secondary (5 Schools)	3035	1749	962	440
Total	3406	1749	962	440

A follow up question asked schools with falling balances about the reasons for this. The answers are shown in the table below. (Some respondents cited more than one reason for falling balances and thus appear more than once in the table.)

Reasons for falling balances

	Using balances for capital work (projects/refurbishment, etc.)	Using balances to support annual revenue budget	Impact of an expansion or reorganisation of the school	Falling pupil roll	Other
Maintained Primary	5	7	3	5	2
Academy Primary	1	1	0	0	1
Maintained Secondary	5	3	2	4	1
Academy Secondary	2	6	1	0	2
Total	13	17	6	9	6

In their additional comments, schools also cited meeting furnishing and ICT needs, building maintenance and providing cover for staff as additional pressures on balances.

4.2. Question 2 – Budget Pressures (other than pay, pensions and NI increases).

Respondents were asked to rank a list of budget pressures according to what they perceived to be the most severe, with 1 being the most severe, 2 being the next most severe, etc. While the pressures ranked first varied from school to school, a number of patterns emerged.

Overall the highest ranked pressure was increments/high cost staff while other highly ranked pressures were the recent changes in the funding formula for budget shares and (for secondary schools) reductions in sixth form funding. Annex A gives further details of the pressures ranked 1 (the most severe).

4.3. Question 3 – Leadership and Management (L&M).

Question 3 asked schools whether they felt leadership and managements costs were increasing as a proportion of the budget. Out of the 35 schools that

responded, 20 agreed that this was the case and 15 (6 maintained primaries, 3 maintained secondaries and 6 secondary academies) disagreed.

Several respondents referred to recruitment and retention issues as a pressure on costs. Another issue identified was the additional responsibilities falling on management in respect of new initiatives. Certain schools had particular issues impacting on costs such as split site working or expansion of the school.

4.4. Question 4 – New Curriculum.

When asked whether they expected costs to increase with the introduction of the new curriculum, a great majority, 31 out of 36 respondents agreed, with 5 (3 maintained primary and 2 maintained secondary schools) disagreeing.

Of the 36 schools that answered this question, 30 schools stated that the areas where they expected costs to increase are in training, books and materials, while 12 respondents (mostly secondaries) stated that they also expected the cost of teaching staff to increase. Additional comments made by respondents included:

- the cost of the new Computing curriculum (software, hardware and training)
- the costs of planning and tailoring the new curriculum.

4.5. Question 5 – Support Staff.

21 out of the 35 schools that answered Question 5 stated that they felt that support staff costs were increasing as a proportion of the budget. 14 schools (3 maintained primary schools, 4 maintained secondary schools and 7 secondary academies) disagreed with the statement.

A number of respondents who agreed that support staff costs were increasing highlighted support for SEN pupils as the explanation. Other issues raised were the need for well trained classroom assistants and the need for a lower pupil:adult ratio to raise standards.

One respondent referred to the need to retain skilled staff in ICT, finance and premises roles, as well as additional staff for tracking and recording data.

4.6. Question 6 – Sixth Forms.

This was a question split into several different parts. Part a) asked schools to indicate the amount of sixth form funding they received in the 2010/11 academic year, and the amount they expected to receive in the 2015/16 academic year. 12 secondaries answered the question.

	2010/11			2015/16 Projected		
	Total EFA sixth form funding allocation	Total number of sixth form pupils on which	Funding per pupil (£)	Total projected EFA sixth form funding	Total number of pupils on which these	Funding per pupil (£)

	(£)	these allocations were based		allocation (£)	projected allocations are based	
Total (12 schools and academies)	13,253,144	2492	5318	10,437,402	2496	4182

This data indicates a 21% reduction in funding per sixth form pupil between 2010/11 and 2015/16.

Part b) asked secondaries how much formula protection funding they were receiving for the 2014/15 academic year. There was a considerable range of answers from £64,000 to nil.

Part c) asked schools whether the cost of their sixth form was being subsidised by pre 16 funding. Of the 14 schools and academies that answered, 9 stated that their sixth form costs were being subsidised and 5 that this was not the case.

Part d) asked schools to list the particular economic challenges in running a sixth form. Respondents identified the challenge of running small classes while also offering a wide range of subjects. Lagged funding was highlighted as an issue by other schools -one respondent comments that it makes strategic planning for post 16 students difficult.

4.7. Question 7 – Impact of Economy Measures.

Question 7 asked about the economy measures that schools were making and projecting to make in the future. Respondents reported that schools were cutting back on building maintenance and projects and reducing expenditure through departmental and curriculum material cutbacks. Schools also indicate that they are reducing or restructuring staff, cutting down on additional hours and hiring on fixed term contracts to keep down costs.

5. **Survey of financial pressures on PVI nursery providers**

25 PVI providers responded to the survey. This section gives an overview of the responses.

5.1. Cost Pressures

The highest ranked pressure (based on the number of '1' rankings) was the variability of pupil numbers. Several comments referred to the difficulty PVI providers face with low numbers in the Autumn Term as a result of the single

admission to nursery classes. The second highest ranked pressure was increments / high cost staff.

5.2. Impact of economy measures

Under this heading respondents cited restricted spending on resources and cuts in staff hours, particularly in the Autumn Term as a result of the single admission to nursery classes.

5.3. Leadership and Management

16 respondents felt that these were increasing as a proportion of the budget, 9 disagreed. The reasons given for increases included additional training and an increase in responsibilities.

5.4. Impact of the new framework and assessment

There was no consensus on whether this was increasing costs, 11 respondents agreed but 14 did not think it was. Respondents who felt that the new framework was increasing costs gave reasons similar to those cited by many schools, in particular resources and training.

5.5. Administrative staff

There was much more consensus on the question as to whether administrative staff costs were increasing as a proportion of the budget. 20 respondents agreed that they were, compared to 5, who disagreed. Respondents noted an increase in paperwork, including bookkeeping, pay, pensions and funding information for the County Council.

6. Other elements of the School Funding consultation

6.1. Question 8 – Capping.

The Authority, in consultation with the Schools Forum, needs to decide whether to continue to cap gainers in 2015-16 and respondents to the consultation were asked to give a view on this. Of the 31 schools that answered Question 8, 27 were in favour of keeping capping in 2015-16. 4 were opposed, (3 maintained primary schools and a secondary academy).

A concern raised by several respondents was that falling pupil numbers are not factored into the capping calculations and therefore a school could be capped for gains even though its budget share was falling due to reduced pupil numbers. One respondent described the capping mechanism as a “very blunt instrument”.

(The formula for capping is set by the DfE and it is not possible to vary it in respect of, for example, the overall financial circumstances of a school.)

6.2. Question 9 – Growth Fund – Schools required to appoint an additional teacher.

Schools were asked whether they agreed with the proposed new approach for calculating Growth Fund allocations to expanding schools. 25 out of the 29 schools who answered this question agreed with the proposed calculations. 4

disagreed, (2 maintained primary, a maintained secondary school and a secondary academy).

Respondents made a number of comments. One school stated that the growth fund should cover full cost as opposed to working on a formula basis. On the other hand, other responses commented that expanding schools do not always fill their pupil places, and sometimes draw pupils and funding away from established schools.

6.3. Question 10 – Growth Fund - Revenue Protection Factor where pupil numbers fall back to the pre expansion level.

27 respondents answered this question with the great majority, 26, in favour. One secondary academy disagreed. There were few comments on this item.

6.4. Question 11 – Growth Fund – Start Up funding for brand new schools.

25 respondents answered the first part of this question, and of these 20 were in favour of the proposal and 5 disagreed, (3 maintained primary, 1 maintained secondary school and 1 secondary academy).

24 schools answered the second and third parts of question 11. 19 of these schools were in favour of the eligibility criteria with 5 disagreeing. 18 respondents were in favour of the allocation formula with 6 disagreeing,

Comments included a reference to the impact of new schools on existing schools and the suggestion that the funding should be more stringently managed than was possible through a formulaic allocation.

6.5. Question 12 – Fund for primary schools with falling rolls in areas of demographic growth.

22 schools responded to this question, and all of these schools were in favour of establishing this new fund. While there were no explicit disagreements with the other aspects, 19 of the schools agreed with the eligibility criteria and 18 with the formula.

There were few comments, one on the accuracy of demographic projections and another that secondary schools could face similar situations.

7. Other issues

7.1. Learning resources allocation for schools with one year bulge classes

7.1.1. In addition to allocations from the Growth Fund, expanding schools receive a capital allocation to purchase furniture and equipment for new classes. The allocation is £13k per reception class and £11k per class for older children.

Schools with one year temporary expansions (ie a one year bulge class) receive a one off capital allocation of £13k and have raised two concerns about this. The allocation does not take into account the need to acquire key stage 2

learning resources when the bulge class reaches KS2. Also because it is a capital allocation, it cannot be used for revenue expenditure.

7.1.2. It is therefore proposed that schools taking a temporary bulge class for the first time and which need to open an additional classroom to accommodate the increase would receive a one off £7k allocation from the Growth Fund. Therefore the total allocation for the first extra class would be £20k. This total can be used for furniture, equipment and learning resources as the class of pupils moves through the school. The £7k allocation would be made to schools taking a bulge class for the first time in 2015-16 and schools where the bulge class was established in a previous year but is still working its way through the year groups in the school. It is appropriate to allocate funding for previously established bulge classes because in many cases the pupils have not yet reached KS2.

It is estimated that approximately 50 bulge classes would qualify so that the total allocations in 2015-16 would be approximately £350,000. This sum is likely to be too large to be met from the 2015-16 Growth Fund budget and therefore would constitute a budget pressure in 2015-16, additional to those shown in the budget strategy paper. Approximately £280,000 of this sum would be allocated to schools where the bulge class was established in a previous year and therefore would constitute a one off pressure in 2015-16.

7.2. Fund for small secondary schools in areas of demographic growth

It is proposed to make three detailed changes for 2015-16 to the wording of the criteria for this fund:

- 1) To update the dates referred to in the 2014-15 criteria by one year.
- 2) To clarify that the MFG protection figure taken into account in calculating allocations from the Fund is the MFG protection calculated by the Authority and notified to the DfE via the Authority Proforma Tool (APT). Academies sometimes have different MFG figures in their GAG calculations, resulting from previous differences in academy funding arrangements. The use of the APT figure ensures that the MFG figures used in the calculation for maintained schools and academies are on a consistent basis.
- 3) To establish that this Fund does not cover schools or academies which have newly opened in the last five years. (Newly opened schools are covered by other funding arrangements, such as the Growth Fund.)

8. Conclusion

8.1 All the suggested changes to the Growth Fund and Falling Rolls Fund in questions 9 to 12 of the consultation were supported by respondents as was the continuation of capping in question 8. The Forum is asked to agree the recommendations in section 3 of this paper.