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AGENDA ITEM

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PRIMARY SECONDARY RATIO AND FUTURE BUDGET OUTLOOK

Report of the Director of Children's Services

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1. Purpose

- 1.1 To provide the Forum with the latest information available on the funding balance between primary and secondary.
- 1.2 To provide a preliminary outline of future budget prospects in the context of the recent announcements about school funding by the major political parties.

2. Summary

- 2.1 This paper gives information on the primary secondary funding balance and on the budget prospects for future years.

3. Recommendations

- 3.1 The Forum is asked to note and comment on the issues raised in this paper.

4. Background

- 4.1 At its January meeting the Forum requested a paper to give further consideration to the funding balance between primary and secondary. As indicated in the January budget paper the Hertfordshire primary/secondary ratio for 2015-16 remains at 1:1.31, the same level as in 2014-15. However, this is the result of two offsetting changes. The delegation of capital maintenance funding to primary schools moves the ratio to 1:1.30 and the

increase in pupil numbers in primary combined with the inclusion of free schools in the data shifts the ratio back to 1:1.31.

5. National data on the primary secondary ratio

The DfE has published the national data on local authority funding formulae for 2015-16.

- 5.1 The overall ratio nationally across all local authorities is 1: 1.28, very slightly higher than in 2013-14 and 2014-15 formulae when the figure was 1: 1.27. The move to bring free schools and other academies not previously included in the DSG funding system into the data for 2015-16 has pushed the national average ratio up a little, however, this ratio is still 1: 1.28 for 2015-16 even if their funding is excluded from the calculation. The median local authority ratio is 1: 1.29, the same as in the previous two years. For 25 authorities, their ratio in 2015-16 has decreased by more than 0.01 compared to last year, while for 48 authorities, their ratio has increased by more than 0.01. For the remaining 78 authorities, their ratio changed by less than 0.01 either way.
- 5.2 Thus Hertfordshire's primary secondary ratio is slightly above the national average. However, the ratio is influenced by the pattern of school organisation as each school attracts a lump sum through the funding formula. Therefore different patterns of school organisation in different local authority areas will affect the ratio and the DfE is aware that it is not possible to standardise on a single ratio for all local authority areas.
- 5.3 The primary/secondary ratio calculation excludes several elements of funding:
 - a) sixth form funding through the Schools Block budget shares, which totals £3.0m. (This funding originated from the separate School Standards Grant and Standards Fund, which were mainstreamed into the main school funding formula in 2011.) ;
 - b) adjustments to budget shares in respect of Minimum Funding Guarantee (MFG) protection and capping, which have a net total of £3.9m;
 - c) sixth form funding from the EFA;
 - d) nursery class funding. (DfE data indicates that Hertfordshire's nursery funding is above the national average level.);
- 5.4 Annex A shows a graph extracted from the DfE analysis showing the range of primary secondary ratios in different authorities. Annex B shows the primary/secondary ratios of other south east counties.

5.5 It is important to note that there are large differentials in funding per pupil within each phase. This results from variations in the size of schools and in the levels of additional educational needs funding.

6. Future budget prospects

6.1 In considering the primary secondary ratio it is helpful to have as context the future prospects for the Schools Budget.

6.2 The main political parties have published their commitments in respect of funding for schools, during the next Parliament. These are as follows:

Conservative – a continuation of flat cash per pupil, for the schools block, with no specific commitments regarding early years or post 16.

Labour/Liberal Democrats – increase 3 to 19 education budget for inflation, but not for increases in pupil numbers.

6.3 Analysis by the Institute for Fiscal Studies indicates the growth in pupil numbers over the next Parliament is likely to be very close to the percentage increase from inflation. Thus the two commitments are in fact relatively similar.

6.4 Annex C gives a preliminary medium term financial forecast for the Schools Budget over the next few years, assuming that the Schools Block DSG is based on flat cash per pupil in this period and the Early Years and High Needs blocks increase at 1% per year. The main budget pressures are inflation, pensions, national insurance and demography. In addition there is the cost of funding expanding provision.

6.5 This forecast indicates that schools will experience a significant budget reduction in real terms in this period and consideration will need to be given to how best to support schools to manage these financial pressures.

Table 1 Cumulative real terms budget reductions (based on the projections in Annex C and an equal application of reductions across all parts of the Schools Budget).

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|----------------------|---------|---------|---------|---------|
| Cumulative reduction | -2.3% | -3.6% | -5.0% | -6.2% |

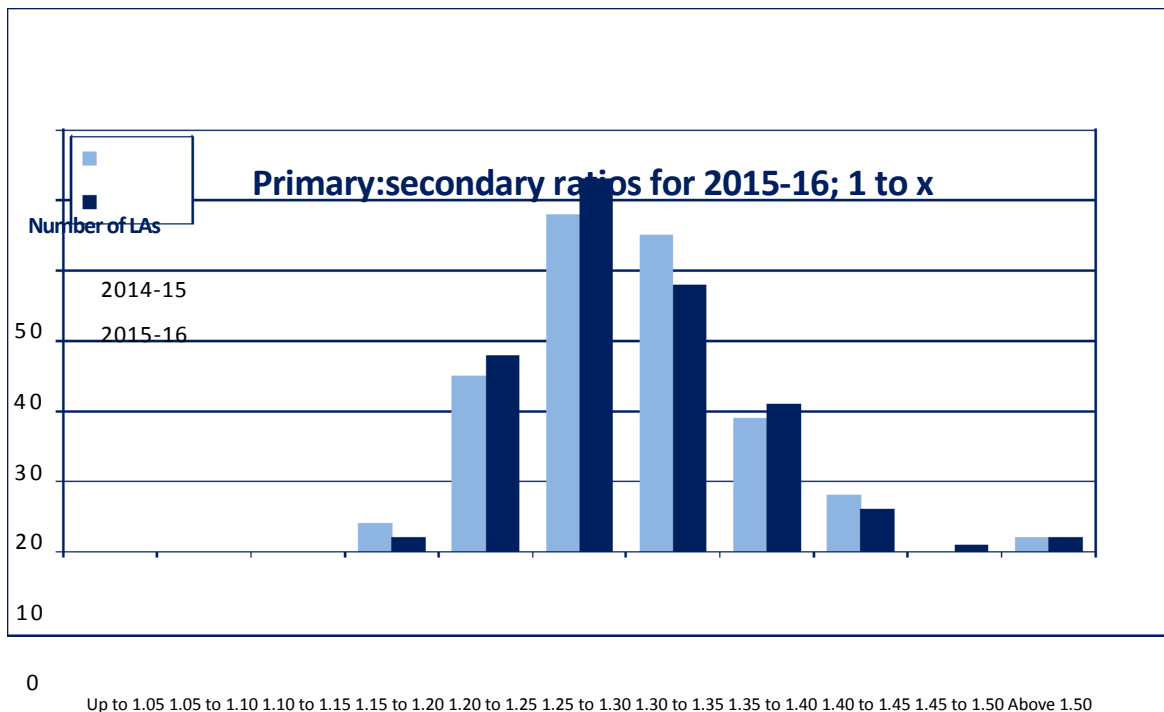
Figures are cumulative (i.e. each year's figure includes the previous year's reduction.)

The Authority is working with Herts for Learning to look at possible ways of reducing school costs and making savings, and will report back to Forum from time to time

7. Conclusion

- 7.1 The three main reasons that funding per pupil differs between schools are school phase, size and deprivation. Depending on the outcome of the election, we may wish to consider whether Hertfordshire’s school funding formula currently has the right balance across any one or all of these, in the context of both local and national evidence.

Annex A



Local authority primary secondary ratios 2015-16 (Source: DfE publication Schools block funding formulae 2015-16, March 2015)

Primary/ Secondary ratios of South East Counties 2015-16

| | | |
|-----------------|---|------|
| Essex | 1 | 1.31 |
| Kent | 1 | 1.27 |
| Hampshire | 1 | 1.27 |
| Cambridgeshire | 1 | 1.26 |
| Buckinghamshire | 1 | 1.24 |
| Surrey | 1 | 1.30 |
| Norfolk | 1 | 1.18 |
| Suffolk | 1 | 1.26 |
| West Sussex | 1 | 1.27 |
| East Sussex | 1 | 1.31 |
| Hertfordshire | 1 | 1.31 |