



Committee and Date

Young People's Scrutiny
Committee

Wednesday 18 June 2014

Item

10

Public

SCHOOL FUNDING

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1. Summary

School funding has gone through, and continues to go through, a period of significant reform. The Government has consulted on reforms to the school funding system since 2011 and introduced a number of significant changes to how local authorities distributed funding to schools in 2013-14 and 2014-15.

The government announced on 13 March 2014 the launch of a consultation document setting out proposals for the next phase of reforms which seeks to begin addressing the acknowledged unfairness of the current funding system and has identified additional funding to authorities that are the least fairly funded. Shropshire Council is one of the authorities which stands to gain from this further reform, with an indicative increase in funding of £8.9 million in 2015-16.

While the years of campaigning for a fairer funding settlement for Shropshire and other poorly funded local authorities appears to have finally had an impact, there are continued challenges for Shropshire schools.

2. Recommendation

The committee are asked to note the current and future position in respect of funding for Shropshire schools.

REPORT

3. Risk Assessment and Opportunities Appraisal

There is a potential risk from the projected aggregate reduction of more than 1,600 pupils (4.6%) over the next five years. There is also uncertainty about the impact of any further school funding reforms during the next parliamentary term, in particular the potential development and implementation of a national funding formula for schools which could see further reductions in local influence over funding formula factors in targeting resources to financially vulnerable schools.

The formularisation of the potential additional funding for Shropshire schools in 2015-16 provides an opportunity to offer a degree of protection for the most

financially vulnerable schools and those in the very remotest communities. Governing bodies will be encouraged and supported in recognising the issues facing them and to explore ways in meeting these challenges, in particular through greater collaborative working and the more efficient use of resources.

4. Financial Implications

The local school funding formula is used to determine how the majority of the Council's Dedicated Schools Grant (DSG) allocation – the Individual Schools Budget (ISB) – is distributed to Shropshire schools. The individual 'budget shares' of the ISB represent a significant proportion of the annual revenue funding for schools.

The Education Funding Agency (EFA) uses this local funding formula to allocate funding direct to Shropshire's academies.

Shropshire's DSG has remained largely unchanged – with no inflationary uplift - for the three years 2012-13, 2013-14 and 2014-15 as the funding for schools has gone through significant reforms. On 13 March 2014 the Government launched a consultation for the next phase of school funding reforms which seeks to begin addressing the acknowledged unfairness of the current system and provide additional funding to authorities that are the least fairly funded. Shropshire schools stand to benefit in 2015-16 from these further reforms, with a potential increase in DSG of £8.9 million.

Schools receive additional revenue funding, over and above their formularised budget share, via the Pupil Premium. In 2014-15 the levels of funding per eligible pupils are as follows: primary £1,300, secondary £935, children in care £1,900 and service children £300.

5. Background

The Government allocates DSG funding to local authorities on an annual basis. While an element of this funding is centrally retained – in line with DSG financial regulations - the vast majority is distributed via a local funding formula. This formularised element of DSG is called the Individual Schools Budget (ISB).

Government's school funding reforms saw a significant reduction in the number of formula factors that could be used to distribute funding to schools in 2013-14 and 2014-15. This greater prescription has resulted in significant turbulence in the funding of schools, but is seen as necessary by Government in paving the way towards the introduction of a national funding formula which is likely to happen during the next parliamentary term.

The allowable formula factors are: pupil numbers, free school meal registered, lower prior attainment, deprivation and a phase related 'lump sum'. A sparsity factor was introduced in 2014-15 but did not come with additional DSG funding to support its implementation.

In recent years the local formula has been developed by a Task & Finish Group drawn from the membership of Shropshire Schools Forum with officer support as required, in particular in modelling formula options. Since the announcement of the Government's funding reforms in March 2012, the Task & Finish Group has worked

through the details of the proposed reforms and put forward recommendations for Schools Forum's approval. They have gone to great lengths to minimise the turbulence from formula changes on Shropshire schools, while ensuring compliance with the funding reforms.

Schools Forum is formally constituted under the School Forum (England) Regulations 2012. The function of Schools Forum is to advise the Council on matters relating to school budgets. It acts as a consultative body on the other aspects of resources policy and service development within an extended role in advising on support service quality assurance and development. It is made up of headteacher and governor representatives from primary, special, secondary and academy schools as well as non-school members from the local diocese, early years and childcare partnership, professional associations and post-16 sector. Elected members attend meetings and provide an important link back to the political decision making processes.

While Schools Forum has a statutory consultative and advisory role in respect of the funding to schools, it is the responsibility of the local authority to decide on and set the formula.

Consultation takes place annually during the autumn term with the wider school community on proposed formula changes, ahead of the formal submission of an Authority Proforma Tool (APT) to the Education Funding Agency – which details the funding formula - for compliance checking and approval.

The funding formula changes in 2013-14 and 2014-15 have seen an increasing proportion of the ISB being required to be formularised using pupil-led factors, a pattern of distribution that is likely to continue to be a key part of any future funding arrangements. This has implications for funding going into schools with low and/or reducing pupil numbers.

While the reforms have led to turbulence in funding to schools there is statutory protection in place. This is called the Minimum Funding Guarantee (MFG), which ensures that the year-on-year reduction in per pupil funding for any individual school cannot be greater than 1.5%. The shortfall in budget share to any individual school through the funding formula is effectively funded up to this MFG limit. The Government has reported that this protection will remain in place in 2015-16.

In 2014-15 75 (54%) of Shropshire maintained schools (73 primary and 2 secondary) are protected by the MFG at a total cost of £1.7 million. However, as this is funded from the ISB it is important to note that it is the remaining 46% of maintained schools that are supporting this cost through overall reductions in their per-pupil funding.

The Government has signalled its intention to implement a national funding formula post 2015. It is likely that the reduced influence at the local level over the formula factors that can be used to target resources could be further reduced by moving to a national funding formula and, as a consequence, the financial sustainability of a number of Shropshire schools in the medium to long-term could become an issue, particularly if delegated funding is increasingly based on pupil-led factors in a context of falling rolls.

6. Additional Information

Shropshire is bucking the national trend in respect of the projected changes to pupil numbers over the next five years. While many local authorities - mainly urban - require major capital investment to increase capacity for substantial pupil growth in the coming years, Shropshire is facing a potential reduction of over 1,600 pupils (500 primary, 1,100 secondary) in the period 2013 to 2018. In DSG terms this could see a reduction in funding of an estimated £6.7 million over this five year period.

As well as continued falling rolls reducing the potential funding gain across all Shropshire schools, the additional funding will leave some schools potentially vulnerable. Some schools will see no growth in their 2015-16 budget as the additional funding simply reduces their protection through the MFG. While the considered application of the funding formula factors for this additional funding can mitigate some of these pressures, the use of these complex 'levers' have to be carefully modelled to ensure they have the required effect, in particular in protecting the more remote and 'essential' schools.

Schools Forum and the Council's Administration are looking to encourage collaborative working, exploration of alternative models of provision and the more efficient use of resources, and to challenge school governing bodies to address these issues by ensuring that the funding formula promotes this more sustainable way of working. They have established Task & Finish groups to consider the impact of continued falling rolls and anticipated changes to the national funding formula.

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| <p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) None</p> |
| <p>Cabinet Member (Portfolio Holder) Ann Hartley</p> |
| <p>Local Member All Councillors from all wards</p> |
| <p>Appendices None</p> |