

County Council – 24 March 2017

Agenda Item 6 – Notice of Motion by Mr M G Jones

School Funding – Revised Briefing Note

Mainstream schools in West Sussex are underfunded in comparison with those in other local authorities, with the County Council receiving funding through the Schools block of the Dedicated Schools Grant (DSG) at a rate of £4,198 per pupil in 2016/17.

If all mainstream schools in West Sussex were funded at the 2016/17 national average per pupil rate of £4,636, they would have received an additional £438 per pupil, which would equate to an additional £44.6m in total this year.

If West Sussex schools were funded at the average for all 'shire' local authorities, they would have received an additional £17.2m which would be an increase of £169 per pupil.

This underfunding has existed for a number of years and means that there has been no increase in funding to offset inflation, pay and pension increases or additional costs arising from government policy changes such as the increase to National Insurance in 2016/17 which cost schools an additional £1,000 per teacher.

In 2017/18, schools face additional cost burdens as a result of the removal of the General Duties Education Services Grant (ESG) and the introduction of the Apprenticeship Levy. The ESG funds the statutory duties that the local authority has for its maintained schools. From April 2017, employer contributions to the Local Government Pension Scheme will also increase by 5.4% as a result of the 2016 triennial review.

The National Audit Office report on the Financial Sustainability of Schools published in December 2016 indicated that:

- The Government has not taken account of the cost implications for schools of policy changes such as National Insurance, teacher pensions, ESG and the Apprenticeship Levy.
- The impact of these policy changes is an 8% real terms reduction in per pupil funding by 2019/20.

It is estimated that the total shortfall in school funding in West Sussex from new burdens and unfunded cost pressures in 2017/18 is at least £8m. This has implications for the provision of education in West Sussex. Schools are now considering staffing reductions and other cost saving measures.

Despite severe budget pressures, the County Council has absorbed £1.39m in 2017/18 from the removal of General Duties ESG, and this is set to increase to £2.23m in 2018/19.

In recognition of the costs of the Apprenticeship Levy for community and

voluntary controlled schools, the County Council has agreed to charge the levy only to the 16 schools who each individually have a pay bill in excess of £3m. The Council will also meet the first £15k of the Apprenticeship Levy cost for each of those schools. This is in line with how central government are treating schools who are non-maintained or who have their own PAYE code such as Voluntary Aided schools or academies. The total cost to the County Council of this action to support community and voluntary controlled schools is £0.87m in 2017/18.

At the meeting of the County Council on 17 February 2017, the Cabinet Member for Finance agreed to consider allocating additional funding to schools for 2017/18 academic year to maintain provision of school counselling services aimed at supporting vulnerable pupils.

School budgets for 2017/18 were published on 28 February 2017. This has resulted in an increase in the number of maintained schools seeking support to set a licensed deficit budget. Officers are working with schools on providing recovery plans to show planned reductions in expenditure to minimise their deficit situation.

In December 2016 the government launched Stage 2 of the consultation proposals for the introduction of a National Funding Formula (NFF) for mainstream schools and for high needs.

The provisional financial information released with the consultation proposals indicates that although there is a small net increase to mainstream school funding in West Sussex, this is insufficient to cover the increased costs affecting schools. A detailed analysis of the indicative material provided by the Department for Education has shown that within West Sussex:

- 58% of primary schools would have an indicative net gain in funding, and 42% of primary schools would have an indicative net loss in funding. Approximately half of the primary schools that are losing will get some level of protection from the 3% funding floor mechanism.
- One secondary school would lose funding but the rest would have an indicative net gain in funding.
- All schools would lose because of the proposed reduction in the lump sum from £150,000 to £110,000.
- All primary schools would lose funding because of the reduction in the basic entitlement for primary pupils with the proposed national rate being below the current West Sussex level of funding.
- All secondary schools would gain because of the increase in the basic entitlement per Key Stage 3 pupil with the proposed national rate being above the current West Sussex level of funding.
- All secondary schools would lose because of the reduction in the basic entitlement per Key Stage 4 pupil with the proposed national rate being below the current West Sussex level of funding.
- All schools would gain because of the overall national increase to additional needs funding

- All schools would gain deprivation funding through the proposed Free School Meals Ever 6 factor (pupils eligible for free school meals in any of the previous six years).
- Pupils living in the least deprived areas would gain more through Income Deprivation Affecting Children Index bands than those living in the most deprived areas.
- All schools in West Sussex would gain from the increase in additional needs funding allocated through Low Prior Attainment but the poorest performing schools would gain more.
- Crawley schools would gain through the proposed percentage increase in the area cost adjustment (ACA) from 1.56% to 5.5%. The ACA percentage is applied to specific factors in the funding formula to provide schools with increased funding for teaching and other staff costs arising from proximity to London. Although the cost of housing and recruitment are high in other areas of West Sussex, the ACA is only applied to Crawley.
- There is an increase in Private Finance Initiative funding affecting three secondary schools in Crawley.

The consultation proposals do not address the underfunding of education but focus on the national redistribution of funds. This proposed redistribution is not necessarily fairer than the current system because of the proposed limits on the funding reductions which will curtail the level of the potential gains within the system. The proposed 3% funding 'floor' will cost £400m nationally and will protect historic funding levels year on year, which means that schools that should receive increased funding will effectively be capped at a lower level.

The consultation document also provides no evidence that there has been a review of basic per pupil funding which funds core teaching, support staff, premises, materials and the equipment required to deliver the curriculum in every school. This is important for schools in West Sussex in view of the current and ongoing historic underfunding and the cost pressures that schools have accrued in recent years.

The County Council's response to Stage 2 NFF consultation proposals for mainstream schools urges the Government to undertake further work to ascertain the true cost of operating schools of different sizes in each phase of education. This information should then be used to review the basic entitlement per pupil and lump sum to ensure that they are funded at national rates that are sufficient to meet core provision of education for current day costs.

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