

BRIEFING PAPER

SUBJECT:	Full Council Debate on School Funding
DATE:	20 th September 2017
RECIPIENT:	Full Council

THIS IS NOT A DECISION PAPER

SUMMARY:

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| 1.1 | Funding for schools is currently provided to local authorities through a Dedicated Schools Grant (DSG) from central government. |
| 1.2 | Funding for maintained schools (primary, secondary and special schools) within England is a national issue which continues to receive high levels of political and media attention. Locally, an increasing number of schools are having to take drastic action including setting deficit budgets, implementing staffing restructures/merging classes, reducing curriculum provision and cutting extra-curricular activities due to lack of resources. |

BACKGROUND and BRIEFING DETAILS:

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| 2.1 | In excess of 1500 signatories have been received triggering a Full Council debate. This will take place at the Council meeting on 20th September. The person submitting the petition will be made aware to this effect, receive a copy of the report and be advised that they will be able to speak at the meeting for 5 minutes. The wording of the petition is as below: |
| 2.2 | <p><i>We recognise that school budgets are at breaking point with a threat to jobs and the educational opportunities of all children.</i></p> <p style="text-align: center;"><i>We, the undersigned, call on Southampton City Council to use all of its powers, including the use of licensed deficits, to make sure they provide funding so no schools will have to make cuts to their services or provision.</i></p> |
| 2.3 | Following the Spending Review in 2015 the Department for Education (DfE) announced plans to introduce a National Funding Formula for schools, with a view to making funding more transparent and increasing greater local flexibility (including flexing of the minimum funding guarantee). In addition, DfE have reduced the level of Education Services Grant (ESG), an un ring-fenced amount paid to local authorities to pay for specific services that local authorities are required to deliver for maintained schools (eg school improvement; education welfare, statutory/regulatory duties and asset management). Transitional funding was received for April to August 2017 with the general funding rate removed from September 2017. DfE will be amending regulations to allow local authorities to retain some of the Schools Block funding to cover the statutory duties that are required for maintained schools previously funded by ESG, but this element is largely now expected to be covered by local authorities themselves or charged back to schools within their diminishing resources. |

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2.4	<p>The announcement of a new funding formula by DfE was followed by a two-part consultation in March 2016 and March 2017; Southampton City Council (SCC) submitted responses to both stages. Following the recent General Election the DfE has amended the timescales for delivering the new funding formula with the Secretary of State, Justine Greening, announcing in July 2017 that there will now be a longer transition to the new formula in 2018/19 with spending plans for the years beyond 2019-20 to be set out in a future spending review.</p>
2.5	<p>The government response to the consultation is scheduled for after the parliamentary recess in September, but the key headlines are expected to be:</p> <ul style="list-style-type: none"> • an increase in the basic amount that every pupil attracts through the formula • continued protection for funding for additional needs • a minimum of £4,800 per pupil provided for every secondary school • for the next two years, gains of up to 3% a year for underfunded schools and a 0.5% a year per pupil cash increase for every school
CURRENT POSITION	
3.1	<p>Along with many other local authorities, Southampton has experienced significant increased demand on the High Needs Block element of the DSG. In 2015/16 the High Needs pressure was offset by a one-off carry forward from an underspend in the Early Years Block (prior to the implementation of the 3 and 4 year old offer). However, in 2016/17 SCC reported an increased pressure to the School Forum of £2.9M which was attributed to a number of factors including an increase in population (9.9% increase which has a knock-on effect on the number of Education and Health Care Plans in the system); an extension of the local authorities responsibility to 25 years old for SEND provision; an increase in the number of special school places required (all special schools within the city are currently full to capacity) and an increase in out of city independent placements. Due to other pressures on the Schools Block there was no headroom available to meet this pressure in 2016/17 and therefore a series of proposals were agreed with the High Needs Block Working Group and School Forum to address the £2.9M pressure; this included a one-off contribution of £1.4M from SCC reserves. Going forward further cuts will be required and the Working Group will need to work closely with the local authority to agree an action plan to address this.</p>
3.2	<p>SCC recognises that the current levels of funding for schools places a significant pressure on school leaders and governing bodies. SCC also understands that as a local authority it has a statutory duty to ensure that all maintained schools set a balanced budget and operate within their means. To that end, SCC consulted with School Forum members in June 2016 on the <i>Scheme for Financing Schools</i> (a document which sets out the powers and responsibilities of governors and the local authority under delegated management and the financial controls within which a delegated budget can be operated). As a result two main changes were agreed with School Forum in September 2016:</p> <ul style="list-style-type: none"> • Treatment of surpluses and deficits; • Loans from school balances.

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3.3	<p>These changes mean that SCC can now ensure greater transparency, monitoring and accountability for schools finance, with clearer criteria for a school carrying forward a surplus (up to 8% of the current year's budget share as general balances for primary and special schools and 5% for secondary schools) and a rigorous 6 step process for any school governing body who is forecasting a deficit budget with a requirement that a recovery plan to bring the school back in line with their allocated funds (up to a maximum of 3 years) is submitted for approval prior to a deficit budget being agreed.</p>
3.4	<p>In terms of loans, SCC operate a scheme that allows schools to borrow up to £200,000 from the pool of school balances to fund certain types of project (e.g. major maintenance; schemes to improve energy efficiency; improvements in school security). Such loans will only be approved as a last resort by the Chief Finance Officer after all necessary steps have been taken by a governing body to address a school's deficit position including production of a robust deficit recovery plan and exploring any available funding streams including the School in Financial Difficulty Fund.</p>
3.5	<p>SCC understand that maintained schools and their governing bodies may require support with cash flow issues. The local authority must also balance this with protecting the Schools budget and ensuring that SCC is not placed at risk (e.g. if a school converts to an academy or is merged).</p>
3.6	<p>To support its schools in addressing their financial planning challenges SCC has adopted an increased level of support to their schools in 2016/17 including the following:</p> <ul style="list-style-type: none">• Financial management briefings/training open to all headteachers and Chairs of Governors;• An allocated Finance Officer for individualised advice to School Business Managers and governing bodies of maintained school;• Consideration of financial management as part of the LA's annual school monitoring visit undertaken by School Improvement Officers (this has led to a reduction in schools forecasting a deficit from 21 to 13);• Review of the criteria for the Schools in Financial Difficulty Fund (in 2016/17 11 schools benefitted from the maximum £20,000 awarded from this annual de-delegated fund, voted for by the School Forum)• Establishment of a High Needs Working Group comprising school leaders, school business managers and governors to consider the funding pressures for special schools

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3.7	<p>In addition, Councillor Darren Paffey, the Cabinet Member for Education has undertaken the following activity:</p> <ul style="list-style-type: none"> • Visiting individual schools to gain first hand understanding of the issues faced by schools; • Meeting with the Chairs of Headteacher Forums for primary, secondary and special schools to discuss the financial challenges • Co-ordinating and sending a letter to Justine Greening, co-signed by the majority of the city’s headteachers, highlighting the key issues on the ground for the city’s schools and inviting her to a meeting at the civic offices; • Meeting with Caroline Nokes MP (member of the Education Select Committee) to share issues around school funding (with particular reference to PFI schools) • Attending meetings with Southampton Fair Funding for All Schools campaign group, including discussions with representatives when Petition was delivered to Cllr Paffey • Meeting with school leaders, Royston Smith MP and Alan Whitehead MP to discuss a plan of collaborative action 						
3.8	<p>In terms of the current funding position for the local authority, the level of DSG Schools Block Funding Southampton received per pupil in 2016-17 was £4,646. This fell below the mean average for England, which was at £4,718 for the year. In comparison to statistical neighbours, the level of DSG funding in Southampton per pupil for 2016-17 was higher than for Portsmouth (£4,588), Bournemouth (£4,251), Plymouth (£4,387) and Derby (£4, 535) but lower than for City of Bristol (£4,755) and Coventry (£4, 861).</p>						
3.9	<p>With regards to the percentage of schools receiving Minimum Funding Guarantee (MFG) for 2016-17, Southampton’s Primary Schools were below the English average, with 30% of schools in Southampton receiving MFG compared to 32% in England. This is the opposite in secondary schools with 38% of Southampton’s secondary schools receiving MFG in 2016-17, above the English average of 29%. Comparing again to statistical neighbours, Southampton had a lower percentage of primary schools receiving MFG in 2016-17 than Portsmouth (42%) and Bristol (37%), but a higher percentage than Bournemouth (17%). For secondary schools, Southampton had a higher percentage of schools receiving MFG than all it’s statistical neighbours excluding Plymouth (50%) and Southend-on-Sea (100%). Portsmouth had 25% of secondary schools receiving MFG, while Bournemouth and Bristol did not register any secondary schools as receiving MFG.</p>						
Appendices/Supporting Information:							
	N/A						
Further Information Available From:	<table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">Name:</td> <td>Jo Cassey</td> </tr> <tr> <td>Tel:</td> <td>02380 833347</td> </tr> <tr> <td>E-mail:</td> <td>Jo.Cassey@southampton.gov.uk</td> </tr> </table>	Name:	Jo Cassey	Tel:	02380 833347	E-mail:	Jo.Cassey@southampton.gov.uk
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