

NORTH YORKSHIRE COUNTY COUNCIL
YOUNG PEOPLE OVERVIEW AND SCRUTINY COMMITTEE

20 January 2012

SCHOOL FUNDING BRIEFING

Covering Report

1. Purpose of Report

The purpose of this report is to provide an update to the briefing on school funding issues presented to Members of the Young People Overview and Scrutiny Committee in September 2011.

2. Introduction

2.1 In September, a briefing on school funding was presented to the Young People's Overview and Scrutiny Committee. This paper consists of an update on that topic and the following issues are covered here:

1. National Funding Consultation
2. Pupil Premium
3. Ongoing Discussions regarding the Academy Top-slice

2.2 The following pages contain briefing notes on each of these topics.

3. Recommendations

The Young People Overview and Scrutiny Committee is requested to note the briefing information in this report.

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Background Documents: Briefing Note to YPOSC September 2011

BRIEFING 1: NATIONAL CONSULTATIONS ON SCHOOL FUNDING

- 1.1 The government has not yet published any further details since the “Consultation on School Funding Reform: Proposals for a Fairer System” which took place in the summer of last year.
- 1.2 North Yorkshire’s response to this consultation highlighted 3 key issues:
 - a) LAs such as North Yorkshire should not be punished because they allocated additional funding to schools at a time when the national formula did not recognise the true cost
 - b) NYCC has a system of allocating funds to schools which works, and which is reflected in our very low number of schools facing financial difficulties
 - c) Decisions about local funding should be made at local level and not based on some arbitrary levelling up or down to a national average, which will mean unmanageable fluctuation in school budgets
- 1.3 Although an earlier consultation highlighted the possibility of a national funding formula at LA and individual school level, the latter paper stated: “We are not proposing to introduce a national formula for existing schools with no local flexibility.”
- 1.4 Instead the Consultation Paper suggested how a national formula at a (revised) DSG level would then allocate funding to each LA. The LA would then distribute the money according to its own local formula, although this local formula will have further restrictions.
- 1.5 A major underlying principle of our response was that future funding of the DSG and individual school budgets cannot be judged in isolation to the current financial situation, which sees a real terms contracting envelope of funding. We pointed out that the Council has already added £14m to school budgets over and above the old formula. It would be self-defeating for the Council to argue for any reduction to this, and we find it difficult to see how a net increase of funding to North Yorkshire through a national re-distribution will be possible. The £14.1m represents 5.5% of the 2005-06 Schools Budget, and 4.2% of the current pre-mainstreamed DSG. As an illustration, therefore, it would be possible that a decrease on current spending of, say 1.7%, could be represented as an increase on the old formula of 2.5%. This issue is further discussed below.
- 1.6 Nevertheless, were any changes to be made to the funding of LAs, the consultation proposals did not fully take account of some particular circumstances in North Yorkshire, namely:
 - the rural nature of the county and its schools
 - the needs of areas with large numbers of military personnel
 - additional needs arising from coastal deprivation
- 1.7 We argued that local schools and authorities should have the final say in how money is allocated to schools and which budgets should be forcibly delegated.
- 1.8 We agreed with the DfE principle that the funding system should not favour any one type of school – be it academy, free or local authority – and the system of resourcing academies needed to reflect this.
- 1.9 Overall, we noted that the consultation document is short on rationale and basis for change. While welcoming the DfE’s acceptance that schools and LAs have an important role in the allocation of funding and supporting this localist approach, the consultation actually proposed restrictions to this.

- 1.10 A major concern, as highlighted at the last meeting of the Forum, is the proposed changes to the current funding model.
- 1.11 The current method of funding in North Yorkshire is known as the “Spend Plus” approach. The DSG is effectively maintaining the amount which the LA spent on the “Schools Budget on a historic basis, uprated by inflation and, more recently, the mainstreaming of grants. This produces a Guaranteed Unit of Funding (GUF) per pupil, and it is this GUF which is used for inter-authority comparisons.
- 1.12 However it is important to note that the historic DSG was itself the product of two separate amounts of money. The first was the government’s spending assessment for schools (or latterly Schools Formula Spending Share – SFSS) which was the amount which had been calculated was “required” to be spent on schools in a LA.
- 1.13 LAs did not have to spend at the level of the SFSS and many – including North Yorkshire – chose to add Council funds to this. This “top-up” was the second of those two separate amounts of funding and in North Yorkshire accounted for £14.1m – or another 5.5% on top of the SFSS. Members chose to do this due to the inadequacies of the national assessment which did not recognise the particular circumstances in our county.
- 1.14 An initial analysis shows that we currently have one of the lowest GUFs and sit 114th out of 151 LAs. A funding level which brought us up to a national average for all types of Authority would bring an extra £23m to the County’s schools. This seems at first to be a compelling argument for supporting redistribution at average level.
- 1.15 However, realistically, County Councils will never be funded at the same level as inner-London LAs and other metropolitan authorities and, therefore, a more appropriate comparison is with other Upper Tier LAs (County Councils). However, to move us to the average on this basis would mean a funding reduction of £3.3m.
- 1.16 The reason for this is down to the additional £14.1m allocated to schools some years ago. Without this (and doing the same calculation for everyone), we would sit 132nd out of 151 rather than 114th. Therefore our difficulty is in the possibility of reverting to a formula which may take us back close to the original SFSS. The consultation rejects an activity-led approach to a new formula, i.e. it will not necessarily address the issues which have led Councillors in North Yorkshire to allocate additional funds to schools.
- 1.17 Any improvement on the old formula, would, allowing for inflation and other changes, require an increase of somewhere between 4% and 5% just to enable funding to stand still here. And though we would welcome a change in funding if it could guarantee a real increase to North Yorkshire and other Spend Plus Authorities, it does not seem realistic to expect increases of, in our case, 6%+, to be found by the government agreeing matching deductions to other LAs.
- 1.18 We are please to note that this concern has also now been noted by some other LAs and that it is misleading to see the current funding for LAs as the result of some national calculation. For that we have to refer back to the old SFSS and this provides a very different “league table”.
- 1.19 In November, 2011, the Institute of Fiscal Studies (IFS) published a report in which it has modelled some of the proposals in the school funding consultation. This can be found at:

<http://www.ifs.org.uk/publications/5754>

1.20 The contents of the report appear to confirm some of the concerns expressed in our response.

1.21 The IFS report indicates that:

- There will be large changes with a large number of winners and losers;
- Changes in funding will be concentrated in particular LAs;
- The overall anticipated loss in North Yorkshire is £6.8m - £12.1m (2 – 4%);
- There will be an anticipated loss of up to 0.8% for primary schools but for secondary schools a much bigger loss of up to 6.7% with this pattern being replicated nationally due to the harmonisation of ratios (1:1.27) with no lump sum for secondary schools;
- The Government is choosing to implement this alongside real terms cuts to the overall schools budget and this presents difficulties, as pointed out in our response; and
- The South East and East Midlands will benefit whilst the North East, West Midlands and Yorkshire & Humber will lose out.

NEXT STEPS

1.22 At its meeting in November, the Schools Forum asked the Council to continue to make representations to local MPs to highlight the concerns raised by the proposals. Meanwhile it now seems likely that DfE will make more detailed proposals as part of a further consultation in the next few weeks and we await those with interest.

BRIEFING 2: PUPIL PREMIUM

- 2.1 In addition to the funding allocated from the Dedicated Schools Grant, schools were allocated £488 per pupil on Free School Meals or for children who were Looked After, and £200 for children from service families in 2011-12. This Pupil Premium therefore distributed £3.6m to schools in North Yorkshire in addition to the DSG. In 2012/13, the national amount available is set to double, from £625m to £1,250m next year, rising further to £2.5bn by 2014/15 and the government has now published details of the 2012-13 multiplier. This has risen from £488 to £600 and from £200 to £250 (for service children). As the number of pupils being counted has also increased, the government's "illustrative" figures for North Yorkshire indicate an overall increase from £3.6m to £7.8m. These figures have not yet been verified by the Council however.
- 2.2 The total paid to schools will be based on numbers from the January pupil count and, by its nature, is not allocated in proportion to the overall budget of each school.

BRIEFING 3: ONGOING DISCUSSIONS REGARDING THE ACADEMY TOPSLICE

- 3.1 In December 2011, the Department for Education published a consultation paper “on the proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13. “ The consultation period ran for 4 weeks only with responses due by 12th January.
- 3.2 This follows a consultation earlier in the year on the same issue. The first consultation estimated that over the next 15 months, the number of open Academies would increase significantly to perhaps just under 6,000, although no basis for this assumption was made available. Indeed the number of schools applying has actually decreased in recent months, partly as a result of uncertainties in the funding of Academies. The top-slicing consultation was in response to a legal challenge from some LAs regarding the recurring £265m which has been deducted from LA funds by 2012-13. The consultation paper explained this calculation but also suggested that it needed to increase further, based on the assumptions about the future numbers of academies stated above.
- 3.3 North Yorkshire’s response to the first consultation made it clear that any top-slicing should reflect actual numbers (not future predictions) and on current, rather than historic budgets.
- 3.4 These points seem now to have been accepted by government and this is something which we welcome. However as our response to the December consultation makes clear, a number of concerns remain.

- 3.5 The Consultation can be split into 4 main issues and these are summarised separately below.

Topslice for 2011-12

- 3.6 This amounted to £2.1m in 2011-12 and the DfE does not plan to return any of this, even where the number of Academies in a particular Local Authority area and that calculation based on that number is lower than the top-slice. We express our disappointment with this approach.

Topslice for 2012-13

- 3.7 This amounts to £3.8m in 2012-13 and the DfE has said where the figure calculated by reference to the number of Academies in a LA area is lower than the top-slice, an unringfenced grant will be paid to the LA later in the financial year. While we welcome this principle we note that the timing does not assist our budget planning.

DSG Recoupment for 2012-13

- 3.8 The paper also takes the opportunity to make proposals regarding recoupment from DSG which, in addition to the LA topslice, partly funds the Academies programme. While we understand the principle, we note that not all budgets and services should simply be allocated pro-rata to schools. These budgets are targeted at need, and the Recoupment and LACSEG (which is the money then forwarded to Academies) simplistically assumes that the same resources are required for every child. Indeed this is one of the reasons most quoted by schools in North Yorkshire for rejecting conversion to Academy status.

Arrangements for 2013-14 onwards

- 3.9 Although the paper contains nothing concrete for the period beyond next year, it states that the Department will explore removing the funding for some Local Authority services from the formula grant and then redistribute these to the LA and Academies proportionately. This will be done using a national rate.
- 3.10 Ahead of a further more detailed consultation on this aspect, our response highlights some of the concerns we have with this approach, particularly over how the Department will calculate the relevant budgets to deduct from an unhypothecated grant which only funds around 1/3rd of the Council's expenditure on these services (Council Tax funds the remainder).
- 3.11 Further details and a full copy of the Council's response are available from Anton Hodge, Assistant Director – Finance and Management Support (CYPS)