

## **BUDGET AND FINANCE SCRUTINY COMMITTEE**

### **Minutes of a meeting of the Budget and Finance Scrutiny Committee held on Wednesday, 19<sup>th</sup> December 2012 at 6.30pm in Meeting Room 3, Darby House, Telford**

**PRESENT:** Councillors S. Reynolds (Chair), A. Lawrence, C. Mollett, R. Sloan, A. Stanton and Co-optee F. Robinson.

Also attending: Members of Children & Young People Scrutiny Committee Cllr. C. Turley and Co-optee S. Rayner; Cllr. P. Watling, Cabinet Member Children Young People and Families; Cllr. B. McClements, Cabinet Member Resources & Service Delivery; J. Collins, Assistant Director Education & Skills; K. Clarke, Assistant Director Finance, Audit & Information Governance; T. Davis, Schools Finance Manager; S. Jones, Scrutiny Officer.

#### **BFSC-11 MINUTES**

**RESOLVED** – that the minutes of the meeting of the Budget and Finance Scrutiny Committee held on 16<sup>th</sup> October 2012 be confirmed and signed by the Chairman.

#### **BFSC-12 APOLOGIES FOR ABSENCE**

Cllrs. R. Evans, G. Reynolds, M. Ion, J. Greenaway and Co-optees R. Williams and R. Avey.

#### **BFSC-13 DECLARATIONS OF INTEREST**

None.

#### **BFSC-14 NEW FUNDING FORMULA FOR SCHOOLS**

The Chairman welcomed members of the Children & Young People Scrutiny Committee who had been invited to the meeting for this item. The Cabinet Member Children, Young People and Families, the Assistant Director Education and Skills and the Schools Finance Manager were in attendance for this item.

Members had forwarded questions in advance of the meeting about the new Schools Funding Formula Cabinet report of 8<sup>th</sup> November 2012 which had been circulated as Appendix B. The Assistant Director and Schools Finance Manager tabled written responses to the questions, and a spreadsheet showing the modelling of the new funding formula estimated for each school compared to the funding allocated in 2012/13, which members read and considered.

In addition to the written information provided, the following information was given in response to members' questions:

- There had been a number of consultations about moving to a national formula for

schools funding, and the new formula was the first step in moving towards this. Details of the current proposals had been announced after May, and there had then been consultation with schools and stakeholders. The timescale had been very challenging given the school summer holidays and half-term break, and the Cabinet member commended the very good work done by Tim Davis and the team in achieving this within the time timetable and for building a good relationship with the schools as an “honest broker” to find the best arrangements, which would be taken into the future.

- The new formula was simpler but less flexible which made it more difficult to address anomalies. The decision had been made to allocate a relatively high lump sum in the new formula (£175,000 of a maximum allowable £200,000) to provide stability to smaller primaries and to protect secondary schools with falling numbers which meant there was less funding to address anomalies. A balance had to be struck between protecting secondary schools with declining numbers and funding primaries with increasing numbers. The formula had been generally accepted across the sector although some primaries felt it was weighted towards secondaries. The Assistant Director felt that issues around the funding formula had needed to be addressed, but more local flexibility to allow differential lump sums would have been preferred.
- Education was one of the government’s protected areas. The previous government had introduced a Minimum Funding Guarantee (MFG) for schools and this had been retained by the current government but as a minus figure i.e. schools cannot lose funding of more than 1.5% per pupil. Broadly speaking, under the new formula, schools maintaining the same pupil numbers would receive 1.5% less funding plus the Pupil Premium for eligible pupils meaning they would not see a significant difference, but there would be pressure on schools with a falling roll as the guarantee did not offer protection for funding reductions as a result of falling pupil numbers.
- There was not a split between rural and urban schools in terms of falling numbers: there may have been in the past but this was changing. There was definitely pressure on some rural primaries such as Muxton where extra classes had been built. Falling numbers in some secondaries was exacerbated by declining rolls in Shropshire which meant there was more space in schools over the border and the market was driven by parental choice.
- With regard to funding in the longer term, the new formula was an interim model and there would be changes in future. The MFG had been retained for 2013/14 and 2014/15 so there was protection for the next 2 years and reasonable confidence it would continue although this was in the context of spending cuts and could change.
- New academy schools will receive £150 additional funding per pupil (compared to mainstream schools) in academic year 2013/14 and £140 per pupil in academic year 2014/15. The additional funding will then further reduce to converge with the amount of the Education Services Grant deducted from local authorities, which will

be £116.39 per academy pupil in financial year 2013/14. Academies in existence before September 2013 will have some additional transitional protection - the per pupil amounts represent a significant reduction in the additional funding provided to academies to date. One implication of this is that the financial incentive for schools to convert to academies will diminish over the next few years.

- A member commented that one of the impacts of reduced funding could be on teachers as it was cheaper to recruit less experienced teachers. The Cabinet member agreed it could become harder to recruit to schools if standards started to fall – the improvement curve in Telford & Wrekin over the last 5 years may not have happened if teachers had considered these risks. A key issue for the Council was to work closely with schools and governing bodies and to co-operate.
- In the past there had been a fall in primary numbers, but this had now reversed with primary numbers increasing and secondary numbers falling. The increase in primaries would work through to reach full capacity in secondaries by 2018. It was believed that the secondary school places were in the right place – this had been looked at in detail at the Call-in meeting in May. Following consultation, 3 schools in Wellington had merged to 2 and the faith school would be moved to Priorslee with increased capacity to attract pupils back from Idsall. There would be 750 places in total, 150 for post-16. 50-60% of places had been earmarked for pupils with a faith background with 300-400 places which could be taken up, potentially by pupils moving back from Idsall. The growth from new housing developments had been taken into account in the planning of places. The BSF programme only funded places to 2018 and would need to be reviewed again. Constraints of the BSF programme meant it was not possible to build empty classrooms for projected additional demand post 2018 but schools had been designed for expansion of 150 places with modular blocks. The measures to kick start housing growth in the autumn statement were welcome, but there was no clarification at this point as to what Section 106 money would be available in future.
- Members made the point that the issue of leakage to Idsall would only be solved if the school in Priorslee had a good reputation and strong leadership - schools are not just bricks and mortar. The Cabinet member pointed to the improvement curve in Telford and the excellent improvement in schools such as Lord Silkin.
- It was not anticipated that the announcement about 14-16 year olds being able to attend college would have a huge impact. The Wolf recommendations had been accepted by the government in their entirety so the vocational element of the curriculum for under-16s could only be a maximum of 20% (and 80% non-vocational) so it was not anticipated that this would be a growth area for colleges. The Assistant Director heads up the Post 16 Strategy Group and it was early days but the option to go to college could suit some 14-16 year olds who are not thriving at school. A pilot had been run by New College to give children educated at home access to school based KS4 education for some of the time.
- With regard to the sustainability of Lord Silkin school, there was confidence in the team that the development of the Lakeside Co-operative Community and the BSF

programme would make a difference and that the school would survive although the next 2 years would be challenging. The governors had looked at academy status which would provide some additional funds for the school. There would also be increased funding from the Pupil Premium. The key is what happens inside the building and this is what gives confidence to the community. Abraham Darby and Madeley Academies were good examples of schools which had been turned around and were now over-subscribed.

- For academies, the government funded £25k of the management costs for conversion. The original idea was for private businesses to sponsor academies and some had opted to use management consultancies which charged large amounts of money, but this had been stopped.

## **BFSC-15 ADDITIONAL SAVINGS PROPOSALS**

The Assistant Director, Finance, Audit and Information Governance and Cabinet Member Resources and Service Delivery were in attendance for this item which was for a further look at the additional savings proposals launched in September.

In addition, the Assistant Director tabled a briefing note highlighting the main implications for local authorities arising from the Chancellor's Autumn Statement which was outlined for members. The Chancellor had announced that the UK deficit forecast was worse than expected for 2013/14 onwards and the recovery period had been extended by a year to 2017/18. The medium term outlook for local authorities was not good, although there had been recognition of the efforts of local government to make savings and DCLG had exempted authorities from the additional 1% cut for 2013/14, but the further 2% cut would be applied from 2014/15. In terms of the announcements about additional national allocations, the £333m available for essential road works would benefit Telford & Wrekin by an additional £481k in 2013/14 and £357k in 2014/15. Of the £1bn additional investment in schools, details were awaited but the indications were that this would be allocated to places where there was pressure on school places and it remained to be seen whether Telford & Wrekin would be able to benefit from this. From November 2013 there would be a new concessionary Public Works Loans Board interest rate (0.4% below standard rate) for an infrastructure project nominated by each Local Enterprise Partnership (LEP) capped at £1.5bn nationally. The LEP that Telford & Wrekin is involved with would need to consider this. A guideline 1% pay increase in public sector pay for 2 years had been announced, but there were separate guidelines for local authorities, and nothing had been built into the Council's budget.

The Assistant Director also updated members on what was known about the Council's settlement which was issued, in part, on the day of the meeting. Information had started to come through but was incomplete and very complicated, and also contained errors with replacement information being posted on the CLG website after initial analysis work had been undertaken so it was too early to update members in any detail. The early indications were that the position was no worse than anticipated, although not all the figures had come through or been analysed. The Cabinet member anticipated that, including reductions to the Early Intervention funding which had not yet been received, the Council would be facing a shortfall of around £10m next

year rising by around a further £10m to £15m the following year. It would therefore be necessary to increase the savings package announced in September. The announcement about funding for the new public health function may not be made until January and if this was the case, budget proposals may need to be put out for consultation without final figures.

In response to further questions, the Assistant Director clarified that the government's announced average reduction of 1.7% in local authority "spending power" related to Councils' total income and not solely to the government grant i.e. this included Council Tax and other grant income. The % reduction in government grant would be much higher. The estimated reduction in "spending power" for Telford & Wrekin was 0.8%.

There were no further questions on the additional savings proposals from the September Cabinet report.

**BFSC-16     CHAIR'S UPDATE AND FUTURE MEETINGS**

It was noted that since the last meeting members of the Budget & Finance Scrutiny Committee had been invited to the Children & Young People Scrutiny Committee on 5<sup>th</sup> November when the Committee looked at costs and value for money issues relating to children in care placements. The Children & Young People Scrutiny Committee was continuing its work on the care placement strategy, including cost elements, and the next meeting would be on 8<sup>th</sup> January when the committee would be looking at the Cost Improvement Plan for Safeguarding and Early Help and other cost issues. Details would be circulated on the Scrutiny Committee bulletin.

The time and date of the next meeting at 6.30pm on 9<sup>th</sup> January 2013 in Meeting Room 3 of Darby House was noted.

The meeting ended at 7.50pm.

**Chairman:** .....

**Date:** .....