

Funding Formula Working group: 10th September 2019, Bellbrook Centre, Uckfield

Attendees: James Freeston, Jane Johnson, Hugh Hennebry, Phil Matthews, Monica Whitehead, Ed Beale, Kirsten Coe, Sarah Rice

1. Aims of the meeting

1.1 Aims of the meeting were outlined:

- To explore the funding formula options in the light of the proposal to fund potential pay claims due to term time only staff from the CSSB historic commitments savings. In order to fully inform a recommendation to Schools Forum regarding the proposal.
- To agree the proposals for the funding formula consultation to go to schools during October 2019.

1.2. LA Officers provided information on the background to the Term-Time Only Back Pay issue. It had been outlined at the 12th July Schools Forum, that an issue has arisen on a national scale affecting term time only holiday pay calculations and that Schools have all been written to individually and the situation has been fully explained to them.

1.3. It was stated that all schools and academies in East Sussex will be impacted by these changes and the impact will be variable depending on individual school circumstances and relating to staffing structures and contracts, many of which were put in place many years ago. Due to this, a proposal was made to take a collective approach to dealing with the issue. The Funding Formula Working Group were asked to discuss and, if in agreement, make recommendations to Schools Forum regarding how these liabilities for schools and academies could be funded under a collective approach.

2. Potential Liability

2.1 The potential liability was explained to the group indicating there are 2 categories:

i) Back pay for staff who have effectively been underpaid – Estimated to be in the region of £1.8m, which allows for contingency, due to the number of variables, namely the timeframe of claims, availability of accurate data (particularly for academies sitting outside of ESCC payroll where payroll can only be modelled based on estimates). Another variable will be the actual number of claims that are made.

ii) Pension costs relating to the underpayments –this is more difficult to estimate with accuracy, but initial indications are that this could be in the region of £2m.

3 Funding Proposal

3.1 The proposed funding options were outlined to the group

i) **Back Pay** - In the November 2018 Schools Forum, Officers indicated that there would be a plan to continue the process that began in 2017/18, where money identified as savings from the CSSB block would be allocated to schools as additional one off funding, on top of their allocated schools budget. At that time it was indicated that for 2020/21 a distribution of £1.8 million was planned. Work undertaken since then allows us to confirm that a £1.8m reduction in CSSB for 20/21 can be achieved. Due to the arising liability discussed above it is proposed that this £1.8m is allocated within CSSB to cover the back pay element of the potential liability described above. Given the uncertainty in the actual liability, this amount allows for some variation, and any of this funding remaining after the final settlement to back pay would contribute to the pension liability element.

ii) **Pension** - There is still some considerable uncertainty regarding the actual DSG settlement East Sussex will receive from DfE for 2020/21. In particular surrounding the CSSB, in 2019/20 East Sussex expected to receive a lower amount from DfE, equivalent to the £1.8m savings that had been identified in 2018/19. However, this was not deducted from the 2019/20 CSSB allocation and as a result this £1.8m was distributed to schools in addition to the further £2.2m CSSB savings identified for 2019/20. Due to some lack of clarity on total DSG funding we are at this point unsure if the CSSB will be reduced in 2020/21 for the 2018/19 and/ or 2019/20 savings.

3.2 LA officers explained that if the 2020/21 CSSB allocation from DfE remains at a higher than expected level (ie with the 2018/19 and 2019/20 savings not removed), this means there would potentially be up to an additional £4m that is not currently built into funding projections. If this or part of this additional funding were received, the second proposal would be to retain up to £2m of it to fund the pension impact of the changes described in ii above.

3.3 It was clarified that using CSSB amounts, namely the £1.8m (in i above) and the £2m (in ii above) sit outside any additional funding that is being promised for schools by central government in recent announcements. Schools and academies' individual school budget allocation would still benefit from additional monies allocated directly to schools under these announcements. Any money that is allocated to schools from the Schools Block will be fully distributed (as in previous years) and is not affected by these proposals.

3.4 Members of the working group clarified the decision making responsibilities on approving the use of CSSB funding. It was clarified that the use of CSSB was an item for Schools Forum approval.

3.5 Questions were also asked around whether the funds used from the CSSB would also be used to cover the administration / legal costs. It was confirmed that these funds would only be used to fund the actual back pay and pension liability. The LA would meet the admin / legal costs. Any unspent funds would go back to schools and academies.

3.6 Questions were also asked about how would colleagues know it is being spent on this purpose. LA officers confirmed that the LA would report transparently and produce information to give assurances to this end. The Schools Forum paper would set out the use of all the CSSB funding.

4. Modelling

4.1 LA Officers then provided models of how individual school allocations for 2020/21 given the proposals. Conversations then took place around these models. Comments made were that there is an advantage of addressing the back pay via the proposed route is that this will remove an uncertain final liability for back pay from schools and smooth the “random” size of the impact to individual schools. LA Officers again emphasised that the back pay will therefore not impact the Schools Block Funding that schools receive and these costs will not need to be met from the main school allocation.

4.2 It was clarified that the initial modelling for schools budget allocation for future years had included the potential one off distribution of £1.8m as this was the planned distribution at that time.

4.3 The group reviewed the data provided, and clarity was provided by LA officers that it was important to recognise that by using CSSB funding, this is not money that schools are “losing” as this is a separate block of funding from the schools block (that funds school and academy budget shares).

4.4 The FFWG also felt that the proposal being put forward by the LA in relation to using CSSB funding for the back pay should be recommended to Schools Forum for approval – Particularly as the CSSB relates to schools and academies and it is both schools and academies that will be affected.

5. School Funding Formula Consultation

5.1 At previous meetings, priorities were agreed. Given the proposals above and the lack of clarity on future funding, agreement was required to agree the proposals that would be put to consultation. Modelling was included showing the impact of the formula remaining the same, and of implementing the agreed proposals, with an intention of addressing priorities as previously agreed, depending on the amount of funding available. Models were presented to demonstrate the impact.

5.2 The outcome of the discussions were that the proposals that had been put forward previously regarding the Funding formula were still valid and the priorities, should any additional funding be received into the Schools block, were also still appropriate i.e. Increasing minimum per pupil amounts. It was also confirmed that the unit rates that are currently the same as the NFF would continue to be at that level, and if the NFF rates were to increase, then we would match them.