

SUPPLEMENT TO THE AGENDA FOR

Herefordshire Schools Forum

Friday 15 January 2016

9.30 am

**Council Chamber, The Shire Hall, St. Peter's Square, Hereford,
HR1 2HX**

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To consider a supplementary report from the Budget Working Group containing additional recommendations.	

HEREFORDSHIRE SCHOOLS FORUM – 15 JANUARY 2016

SUPPLEMENTARY REPORT OF THE BUDGET WORKING GROUP

(This report which includes additional recommendations to the Forum should be read in conjunction with the accompanying presentation slides.)

The Budget Working Group met on 7 January. The report to the Schools Forum on the Dedicated Schools Grant 2016/17 includes some comment from the Group's meeting. However, it also refers to the submission of a supplementary report from the Group. This is set out below and includes a number of additional recommendations to the Forum.

The notes of the Group's meeting have been circulated separately to members of the Forum for information.

PROPOSALS FOR DEDICATED SCHOOLS GRANT 2016/17

Following a presentation of the updated position regarding Dedicated Schools Grant for 2016/17 The BWG was asked to consider the following points:

- a. High Needs forecast 2016/17
- b. High Needs savings proposals
- c. DSG settlement 2016/17
- d. Outcome of consultation re: Special school LGPS pension costs, Primary SEN protection, Secondary PRU delegation

The presentation also covered a number of new issues including guiding principles for the BWG and Schools Forum.

Guiding Principles BWG/Schools Forum

The Chairman commented that the guiding principles informing the BWG's approach had not been set out in this way before but they summarised the approach the BWG had developed. Every school had a vested interest and could make a case for additional funding. The BWG had to consider the interests of all schools and be mindful that, with finite budgets, providing additional funding for one purpose required funding to be taken from elsewhere. A key aim had been to prepare for the introduction of the National Funding Formula by incremental change avoiding any seismic financial shocks for schools.

The School Finance Manager (SFM) commented that the main considerations underpinning the approach had been to move the primary:secondary funding ratio from 1:1.18 to 1:1.23 the average ratio of comparator authorities incrementally. Consideration had also been given to the fact that the authority overfunded deprivation compared with other similar authorities and underfunded low prior attainment. The minimum funding guarantee had also been used to minimise winners and losers as part of the transition to the national funding formula.

The BWG supported the principles for the BWG/Schools Forum as set out below and it was proposed that these should be recommended to Schools Forum for endorsement:

- **Act promptly on financial issues**
- **Retain integrity of DSG funding blocks for schools, high needs and early years**
- **Funding drives improved outcomes for all children**
- **Final school budgets set at published values**
- **Listen to school views**
- **Financial stability whilst moving to national formula**
- **Clear approach to supporting vulnerable pupils**

Guiding Principles High Needs

The Head of Additional Needs (HAN) introduced the guiding principles for high needs and emphasised in response to questions the consensus reached by the High Needs Task and Finish Group that funding should follow need and that pupils should be funded equitably and consistently based on individual need not the setting or school attended.

The BWG supported the High Needs principles. However, it was acknowledged that the views of the high needs task and finish group should be sought before the principles were recommended to Schools Forum.

High Needs Forecast 2016/17 and High Needs Proposed Savings

In summary, the SFM noted that the High Needs Forecast for 2016/17 was for an overspend of £906k although as a forecast this was subject to change upwards or down. This overspend was in common with the high needs pressures being experienced by all local authorities nationally and exacerbated by the historic basis of the high needs funding block and the DfE's inability to add proper growth monies.

The High Needs Task and Finish Group had identified proposals for saving £941k and the proposed savings plan was accepted by the BWG as necessary and in line with the principles.

(The detail of the forecast overspend and the proposed savings plan is set out at paragraphs 5 and 6 of the report on the Dedicated Schools Grant 2016/17 published with the agenda papers.)

Consultation with schools December 2015

A short consultation exercise had been undertaken with schools before the end of last term in the expectation that funding would be required to be transferred from school budgets to support the primary SEN protection scheme, extra delegation to high schools to support PRU charges and to help meet the impact of higher pension costs.

Subsequently additional Dedicated Schools Grant funding of £342k had been made available by Government meaning that it was no longer necessary to consider taking funding from school budgets to support the high needs budgets. The consultation had therefore to a degree been overtaken by events.

Outstanding Options

The SFM commented that this did, however, leave five items outstanding for further consideration as follows:

a) Special school pension costs

In terms of school pension costs the BWG was informed that these related to staff who are members of the local government pension scheme and represented a disproportionate cost to special schools. Teaching assistants in special schools accounted for 50% of staffing budgets compared with 25% of Primary School staffing costs and 10% of Secondary School staff budgets

b) Primary SEN protection scheme

The Primary SEN protection scheme provides additional funding for primary schools with higher than average numbers of high needs pupils. It is regarded as essential by many primary headteachers. The present scheme is unaffordable as it is half funded from balances and is expensive with a cap on a school's contribution set at £90 x the number on roll. A revised scheme whereby the cap is raised to £120 x NOR at a cost of £151,000 would be more affordable. For example a 200 on roll primary school would have to fund the first £24,000 of threshold SEN support i.e. 4 pupils. Additional payments to the school are only made in excess of 4 SEN pupils. This was the preferred option but other alternatives had been considered by the high needs task and finish group

c) High school PRU charges protection

Additional funding of £150k is currently delegated to high schools from the high needs block to help high schools meet PRU charges imposed for excluded pupils. The incentive is that high schools can use the additional funding to avoid exclusions and it is successful in keeping exclusions in Herefordshire lower than neighbouring counties. However the scheme is unsustainable as it is currently half funded from balances. HASH has been consulted on options for reducing the cost by top-slicing high school budgets in order to maintain the extra high needs funding. However there seems little merit in taking funds from high school budgets only to give the same funding back to high schools but in a different guise.

d) Multi Agency Safeguarding Hub (MASH)

If The Secretary of State does not decide by the date of Schools forum on 15th January to grant approval to vary the base Dedicated Schools Grant (DSG) budget to fund posts at the hub alternative funding will have to be found. The BWG was informed that to do this a further £3 would be added to the per pupil amount in the funding formula but an administratively cumbersome SLA would be necessary from April 2016.

(Subsequent to the BWG meeting the SFM has identified that an alternative course that might be preferable would be for Schools Forum to agree an extension until midday on the

21st January (i.e. the last day for submitting the funding formula) and to agree that if no approval for MASH had been received then £3 per pupil be added to the formulas on submission to the EFA.)

e) Future Investment

The Council definitely wishes to take advantage of some of the extra funding in order to invest in more in-county places to reduce the future costs of expensive out-county placements. The BWG was informed that there were a number of options for in-county investment to avoid the need for out of county placements and detailed proposals would be brought forward if funding was approved. It was agreed by BWG that such investment would be beneficial in avoiding significant future costs.

The BWG identified no additional issues for consideration.

Three options were presented for using the £342k as set out in the summary presentation which accompanies this supplementary report

- **Option 1:** Transfer from Schools Block, half funded pension and investment for the future, but breaks DSG funding block principle
- **Option 2** Transfer from Schools Block fully funded pension and no investment, but breaks DSG funding block
- **Option 3** (the preferred option), half funded pension, investment, retain DSG funding block principle

The SFM commented that a degree of mixing of the options was possible but only option 3 met the BWG's guiding principles. The primary SEN protection was for 2016/17 only and would need to be subject to review, having regard also to the forthcoming DfE consultation papers.

It was observed that in the consultation exercise Primary Schools had indicated a preference for a sliding scale for Primary SEN protection in order to reduce costs. . The BWG was informed that the preferred option implemented the principle that funding should provide protection for the pupil rather than the school and as such high needs pupils in larger schools should be equally protected. This was the rationale for pursuing a course at odds with the outcome of the consultation exercise..

The BWG supported option 3. In doing so it was noted that this would provide a settlement for 2016/17 only and did not set a precedent.

AGREED TO RECOMMEND TO SCHOOLS FORUM:

- (a) That option 3 be recommended for the allocation of the £342k received in the High Needs Block as follows:**
- I. the disproportionate impact of local government pension scheme pension cost increase on special schools is funded from the high needs block by an increase in tariff values at a cost of £98k and that high needs tariffs be increased for 2016/17 (and suitably rounded) as follows Tariff A: £1,300+0.75%**

B: £3,200 +1.5% C: £5,375+2.15% D £8,400 +2.75% E £11,975+3.5% F: £16,100 +4.25%;

- II. The primary school SEN threshold protection (option B) at £120 cap per pupil for all primary schools at an estimated cost of £151k for 2016/17 only and is reviewed for 2017/18 following the DfE's consultation on the national fair funding formula;**
 - III. That the secondary school additional delegation to help meet PRU charges is ceased from 1st April 2016 and replaced with increased delegation for low prior attainment from the schools block – as set out in recommendation (f) ;**
 - IV. Start-up development funding of £100k be approved to expand in-county provision for high needs pupils in order to reduce future expenditure on out-county placements**
- (b) the BWG/Schools Forum guiding principles as set out at appendix 2 to these notes be recommended to Schools Forum for endorsement; and**
 - (c) the High Needs Guiding Principles be sent to the High Needs Task and Finish Group for comment and then reported back to Schools Forum.**

SCHOOL BUDGET PLANS

The BWG was reminded that the Forum had included in the work programme for the 11th March meeting an item for the review of school budget plans as part of the "looking to the future" initiative. The SFM offered a suggestion on how best to collect the budget information from all schools. He suggested that a third letter on the "looking to the future" theme inviting the completion of a budget pro-forma would be appropriate. He outlined that a single page pro-forma might include three short sections on describing the budget pressure, the proposed action plan and the impact on standards/ viability would be appropriate

There was discussion as to whether academies should be included in this exercise. The majority view was that they should be included to provide a picture across the County as a whole, although it was noted that the academies supplied considerable information to the EFA and a request could not be binding upon them. The Chairman felt that academies had nothing to hide and it was important for all to know that academies were facing the same budget pressures as locally maintained schools.

The Budget Working Group considered that Schools Forum had a valuable role in assessing the impact of financial pressures across Herefordshire as a whole and seeking reassurance that all schools were taking appropriate action.

AGREED: That Schools Forum be asked to endorse that all schools be invited to submit outline action plans and savings proposals on a proforma as part of a third letter on the "looking to the future" theme.

SUMMARY OF ADDITIONAL RECOMMENDATIONS TO SCHOOLS FORUM

(The BWG supported the recommendations set out in the report published for schools forum for the allocation of the additional £342k received in the High Needs Block as set out in recommendation ii (a-d) on page 12 of the Forum's agenda papers.)

The additional recommendations from the BWG are that:

1. The BWG/Schools Forum guiding principles as set out below be recommended to Schools Forum for endorsement:

- **Act promptly on financial issues**
- **Retain integrity of DSG funding blocks for schools, high needs and early years**
- **Funding drives improved outcomes for all children**
- **Final school budgets set at published values**
- **Listen to school views**
- **Financial stability whilst moving to national formula**
- **Clear approach to supporting vulnerable pupils**

2. Multi Agency Safeguarding Hub (MASH)

Recommended that

- a) **if the Secretary of State did not decide by the date of Schools forum on 15th January then a further £3 would be added to the per pupil amount in the funding formula but an administratively cumbersome SLA would be necessary from April 2016; or.**
- b) **(a proposal subsequent to the BWG) Schools Forum to agree an extension until midday on the 21st January (i.e. the last day for submitting the funding formula) and to agree that if no approval for MASH had been received then £3 per pupil be added to the formulas on submission to the EFA.**

3. School Budget plans

That Schools Forum be asked to endorse that all schools be invited to submit outline action plans and savings proposals on a proforma as part of a third letter on the "looking to the future" theme.

BWG Summary

1. Draft school budgets sent to schools in October based on estimated pupil numbers
2. Overspend forecast in high needs for 2016/17
3. Consultation with schools about outstanding issues in early December before DSG settlement known
- 6 4. DSG settlement slightly better than expected - no need to top slice school budgets to fund high needs
5. Proposed saving plan agreed by high needs task group/ BWG to balance high needs budget
6. Preferred option for spending additional funds recommended by BWG

BWG – guiding principles

1. Act promptly on financial issues
2. Retain integrity of DSG funding blocks for schools, high needs and early years
3. Funding drives improved outcomes for all children
4. Final school budgets set at published values
5. Listen to school views
6. Financial stability whilst moving to national formula
7. Clear approach to supporting vulnerable pupils

High Needs – guiding principles

- Funding delegated to schools/settings for majority of SEN children

For those with individually assigned resources:

- System is transparent with accountability for funding
- Needs met with lowest level of intervention/highest degree of inclusion
- ¹¹ • System is not overly complicated/costly to administer
- Pupils funded equitably and consistently on individual basis not setting
- Removal of any perverse incentive to seek funding
- Health and safety of pupils and staff must be maintained
- Funding sustainable within High Needs Block

(subject to approval by High Needs Task Group)

DSG Settlement

1. Schools Block - £96.133m + £0.031m NQT
 1. Schools budget with published Oct 15 funding values is £95.785m + £0.332m for schools forum (£5k), Admissions (£127k), DfE licences (£125k), MASH (£75k)
 2. Surplus of £47k to allocate
2. High Needs Block
 1. Final High Needs 15/16 allocation £13.596m
 2. Additional funding £0.342m
 3. Total HN Block £13.938m
 4. Less academy place deductions -£2.0m
3. Early Years – no change provisional £6.276m

High Needs Forecast 2016/17

£'000

• Mainstream school top-ups	126
• Special school top-ups	217
• Post-16 top-ups	151
• Primary SEN threshold protection*	201
• Secondary PRU additional delegation*	75
• Special school places	58
• Special school LGPS pension costs	195
• Home hospital cost pressures	50
Less savings on Bishop's grant, contingency, managed moves ,resource unit top-ups	(167)
Total Forecast Overspend	906

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High Needs Proposed Savings 2016/17

	£'000
• Fund special schools at actual places	(28)
• Retain 7/12 th for 4 places from Sept 16	23
• Medical/VI/HI £6,000 threshold from April 16	(60)
• Independent special school savings	(50)
• SEN support teams – vacancy savings	(50)
• Reduction in Bishop's grant over 3 years (110/55/0)	(55)
• Mainstream top-ups – greater rigour- save 10%	(100)
• Special school LGPS pension costs	(195)
• Primary SEN protection scheme – fund by schools	(276)
• Secondary PRU delegation - fund by schools	(150)
<u>TOTAL SAVINGS IDENTIFIED</u>	<u>(941)</u>

Outstanding decisions

How best do we fund these issues with the extra DSG?

- Funding for special school pension costs, in part or full
- Funding for primary SEN threshold protection scheme
- Funding for secondary PRU - extra delegation to reduce exclusions
- MASH funding not yet agreed by Secretary of State (£75k i.e. £3/pupil)
- Need more in-county places to reduce future costs
- Is there anything else of concern?

Summary of schools consultation

1. Primary SEN Protection
2. Special school pension costs
3. High schools - SEN Protection/Kielder at Bishop's
4. High Schools - PRU charges – extra delegation

- In summary replies from primary schools and discussions with HASH both indicate a significant reluctance to fund any of the above by cuts to school budgets.
- And if necessary only at the minimum level.

Results of primary schools consultation

1. Primary SEN Protection

A: £90 cap x NOR (cost £21/pupil)	2
B: £120 cap x NOR (cost £13/pupil)	8
C: £120 cap x NOR x sliding scale (cost £10/pupil)	23

2. Special school pension costs

D: Full cost at £198k (cost £10/all pupils)	3
E: Half cost at £98k (cost £5/all pupils)	16
F: Neither option (nil cost)	8+8 (not E/F)

Responses to high schools consultation

1. High schools SEN Protection/Kielder at Bishop's

A: taper down Bishop's grant	2	
B: top slice £570k and reallocate		0

2. Special school pension costs

D: Full cost at £198k		0
E: Half cost at £98k		0
F: Neither option		

3. PRU charges – extra delegation

1: £20 per pupil charge share LPA/FSME6/pupil		0
2: £13.67 per pupil charge share LPA/FSME6		0

Preferred option – Retain separate blocks

Funding available: high needs block £342k, schools block £47k

Special school pensions – half funded (option E)	£98k
Invest in more in-county places to save on costly out-county residential places	£100k
Primary SEN protection* – all schools at £120 cap	£150k
High schools PRU delegation	£0k
<u>Schools block contribution</u>	<u>£0K</u>
<u>Total Cost</u>	<u>£348k</u>

- High school funding formula improved by £47k (+ additional £7k in MFG) propose increase in Low Prior Attainment by £22 i.e. £1,099 to £1,121 ✓
- Maintains funding block principle ✓
- Something for all schools ✓ ✓ - *for 2016/17 and review for 2017/18

Alternative 1: transfer from schools block & future investment

Funding available: high needs block £342k, schools block £47k

Special school pensions - half funded (option E)	£98k
Invest in more in-county places to save on costly out-county residential places	£100k
High schools – some PRU delegation	£41k
Primary SEN protection – all schools at £120 cap	£150k
<u>Transfer funds from schools block</u>	<u>(£47k)</u>
<u>Total Cost</u>	<u>£342k</u>

- School funding formula confirmed at consultation values ✓
- Breaks DSG funding block principle X
- meets all options and provides for development of new in-county places. ✓ ✓

Alternative 2: transfer from schools block, full pension and no investment

Funding available: high needs block £342k, schools block £47k

Special school pensions – fully funded (option D)	£195k
No development of new places	£0
High schools - PRU delegation on FSM & LPA only	£97k
Primary SEN protection - but at £142 x NOR	£97k
<u>Transfer from schools block</u>	<u>(£47k)</u>
<u>Total Cost</u>	<u>£342k</u>

- School funding formula confirmed at consultation values ✓
- Breaks DSG funding block principle X
- Less generous primary SEN threshold protection ✓
- no investment for future X
- pensions fully funded for high needs pupils ✓

Forum's Decisions - 1

1. Approve high needs savings plan
2. Allocate additional high needs funding
 1. Half fund LGPS pension costs £98k
 2. Primary SEN protection 16/17 £150k
 3. No extra funding high schools re PRU charges
 4. Start up development funding for more in-county places £100k
3. Confirm school funding formula at October consultation values i.e. no reductions
4. Add £22 to Low Prior Attainment for high schools

Forum's Decisions - 2

5. MASH funding – choices

- If DfE decline application by School Forum date then add £3 to per pupil funding and progress SLA to schools for MASH services. Either buy back SLA at approx £4 per pupil or pay consultancy fees of £50 per hour from MASH or other suppliers. Admin costs and invoicing costs will be extra at £25 per school.
- If no DfE reply by Schools Forum meeting then School Forum should either agree to proceed as above or agree an extension to noon 21st January i.e. the date of submission of the school funding formula.

Forum's Decisions - 3

6. Looking to the future letter 3 re school budget plans

Forum is asked to confirm the BWG proposal to write a 3rd letter to all schools asking for school budget proposals. Letter to include a single A4 pro-forma that asks

- a. Scope of budget difficulties
- b. Proposed plan of action
- c. Impact on standards

The review of school budget plans is on work programme for 11 March and BWG will review the plans prior to Forum

7. **Principles** - Forum is asked to agree BWG principles and to note the high needs principles have been referred to the high needs task group for later agreement as part of their interim report