

MEETING	SCHOOLS FORUM
DATE:	25 JANUARY 2013
TITLE OF REPORT:	REPORT OF THE BUDGET WORKING GROUP
REPORT BY:	GOVERNANCE SERVICES

1. Classification

Open

2. Key Decision

This is not a key decision

3. Wards Affected

County-wide

4. Purpose

To consider the report of the Budget Working Group (BWG) on the following matters: the Council's financial position, Dedicated Schools Grant (DSG) settlement and proposed budget 2013/14, schools ICT network – cross-subsidisation and future development options, DSG underspend 2011/12 and a request from Fairfield High School – low prior attainment funding and underfunding of pupils from outside Herefordshire.

5. Recommendation(s)

THAT:

(a) The Cabinet Member (Education and Infrastructure) be recommended that:

- 1. In principle the Authority should try to maintain the school funding values already declared to the Education Funding Agency in October 2012 subject to recommendation 3 below which would increase the per pupil funding by £7 per pupil in the final submission to the Agency;**
- 2. The following budget transfers be made from the High Needs Block to the Schools Block in order to make the schools budget balance:**
 - a. £332k previously allocated to fund Band 3 & Band 4 top-ups**

- b. £225k reflecting the £6,000 school spend (out of the £11,500) for the centrally retained banded funding for new band 4s for primary schools in 2012/13
 - c. £41,507 to reflect an increase in business rates of between 2.6% and 2.8% depending on the rateable value;
3. the additional £149k notified for special schools growth be allocated to the Schools Block;
 4. the one-off additional budget for early years of £127k be divided equally between the contingency sums in the High Needs Block and Early Years;
 5. subject to recommendations 1-4 above being accepted the proposed Dedicated Schools Grant Budget 2013/14 as set out in the appendix to the report be approved;
 6. it would be prudent to provisionally allocate a reasonable amount of any potential underspend on the 2012/13 DSG to protect the High Needs Budget in 2013/14 and 2014/15 until experience is gained of how the new funding arrangements for the High Needs Block will operate in practice; and
- (b) given the complexity and scale of the funding changes, the High Needs Block would benefit from a detailed review to consider how the spend patterns and demand management might be altered particularly in the light of past and expected future increases in expenditure and this work be undertaken in 2013/14 alongside the preparatory work for the new top-up tariffs;
 - (c) the Budget Working Group should receive regular updates on expenditure on the High Needs Block;
 - (d) the Cabinet Member (Education and Infrastructure) be recommended that the DSG underspend 2011/12 be allocated as follows:

Provision for sponsored academies deficits – to be released only with agreement of Schools Forum in future if deficits crystallise .	£900k
Music Service Deficit – meeting existing commitments	£75
School Safeguarding Officer for 24 months	£121k

- (e) the request from Fairfield High School for a recalculation of its Additional Educational Needs Funding for 2012/13 should not be supported.

Note: Only School Members of the Forum can vote on recommendations a 1 and e.

6. Key Points Summary

- The report sets out the DSG Settlement and proposed budget 2013/14. It proposes an increase in per pupil funding for schools of £7 per pupil due to additional funding received from the Department for Education
- The budget proposals provide for a balanced DSG budget with a limited degree of contingency funding for the High Needs and Early Years funding blocks as proposed. Future reports will be provided to the Budget Working Group regarding the expenditure relating to high needs
- It is proposed that the DSG underspend of £1,096k from 2011/12 is allocated to make provision for deficits potentially arising from sponsored academy conversions (£900k); meeting Forum's existing obligations towards the music service (£75k) and appointing a safeguarding officer for schools for a two year period (£121k).
- It also reports a request for the recalculation of additional needs funding.

7. Alternative Options

- 7.1 The Budget Working Group has amended the allocation of contingencies and Schools Forum has the option to further amend the budget proposals submitted by the BWG.

8. Reasons for Recommendations

- 8.1 Schools Forum must consider the budget recommendations as set out by the Budget Working Group and recommend to the Cabinet Member for Education and Infrastructure for final approval. The national school funding formula values must be confirmed prior to submission to the Education Funding Agency.

9. Introduction and Background

- 9.1 The Forum has for a number of years appointed a Budget Working Group to provide additional support and time to consider information and data in order to inform the development of key budgetary options, recommendations and decisions relating to Dedicated Schools Grant. Following the Forum's meeting in October the Budget Working Group (BWG) is in the process of being reconstituted by the Schools Forum, as set out in the separate report elsewhere on this agenda. In order to seek views to inform the reporting of financial issues to the Schools Forum on 25 January the Members of the former BWG and those nominated to serve on the reconstituted BWG were invited to meet. The issues considered and the conclusions are set out below.

10. Key Considerations

The Council's Financial Position

- 10.1 The BWG received a presentation to the BWG on the Council's financial position, the significant changes to the role of local authorities envisaged by Government and the implications of this for future service provision. This is the subject of a separate item elsewhere on the Forum's agenda.

10.2 The Forum concluded that action needed to be taken to raise awareness at all schools of the issues being faced; and the Council and Schools needed to work together to agree what services the Council provided to schools were essential and who could best provide them in future.

Dedicated Schools Grant (DSG) Settlement and Proposed Budget 2013/14

10.3 Overall the Authority has received just over £2m extra in Dedicated Schools Grant (DSG) and on the whole this is to fund additional responsibilities. In cash terms, on a like for like comparison between 2013/14 and 2012/13 the DfE's cash assessment is that Herefordshire is 0.4% better off. Overall the average for England is +1.1% so the Authority seems to have fallen behind a little.

10.4 The DSG has now been split into three distinct blocks, each funded separately.

10.5 Regarding the Schools Block, the Authority now receives £4,306 per pupil compared with the national average of £4,550. Cambridgeshire is the lowest with £3,949 per pupil. Herefordshire is 118th out of 150 local authorities – so the Authority continues to climb up the funding league table. This is quite a long way from a few years ago when the County was 3rd from bottom (but this may only increase the prospects of being “averaged down” in the future national harmonisation process).

10.6 Out of interest Worcestershire are at £4,231, Shropshire £4,112 and Gloucestershire £4,202 per pupil

10.7 Taking each block in turn:

Funding Block 2013/14	£'000
A. Schools Block - a net increase of £331k	90,694
87 extra pupils at £4,306.44 each gives an increase	+375
Reduction for the hospital service national top slice	-44
B. High Needs Block – a net increase of £535k	+12,746
Transfer of SEN Block Grant (Apr-July) from EFA	+117
Add Post-16 Increase (Aug- Mar)	+621
Less Hospital top slice and other LA transfers	-203
C. Early Years Block - net reduction of £20k	4,784
Net transfers to High Needs Block e.g. Early Years SEN	-20
D. Additional Funding – net increase	+1,224
Newly Qualified Teachers – to delegate to	+32

schools	
2 Year Old Grant – places & Capacity building	+1,065
Early Years –90% provision for 3 & 4 YO transition for one year	+127

- 10.8 The BWG were informed at the meeting that the Department for Education (DfE) has allocated an additional £149,333 to provide for growth in pupils in special schools in 2013/14. The only extra funding that is not to meet extra responsibilities is the £127k for early years to bring us up to the 90% provision level for 3 and 4 year olds. The Authority unexpectedly received £255k in 2012/13 – and this is being phased out so the £127k is a one-off in 2013/14 and will nil in 2014/15.
- 10.9 A proposed DSG budget is attached for consideration reflecting comments by the Budget Working Group on 10 January. One further deduction has been made since that meeting in response to a letter from the DfE. They have written stating that, from April 2013, the DfE will manage a national Copyright Licensing Agency schools licence for all state maintained schools in England and a Music Publishers Association licence for the copying of sheet music. The funding for these specific licences should be held centrally for both maintained schools and recoupment Academies. Authorities will need to remove the budget provision they have made for these licences from school budgets before submitting their school funding proformas (due on 22 January). For Herefordshire the sum involved is £38,604 and this has been deducted from the Schools Block as shown in the appendix.
- 10.10 The Education Funding Agency requires confirmed national formula funding values by the 22 January – which is 3 days before School Forum. Given the timings, if necessary, these values will have to be submitted pending School Forum and Cabinet Member approval.
- 10.11 The BWG gave particular consideration to the DfE award of an additional £149k for special schools growth. The BWG agreed with the allocation of this £149k to the Schools Block on the basis that this sum had been transferred out of the schools block in the planning of the budget and it was therefore equitable to return it. This addressed a shortfall of some £41k due to increases in business rates that had been identified in the draft 2013/14 budget presented to the BWG.
- 10.12 The BWG also took note of the extent to which officers emphasised the complexity of estimating the funding requirement for the High Needs Block. Proposals for the 2013/14 budget therefore included the provision of a substantial contingency in the High Needs Block; the possible allocation of a reasonable amount of any underspend on the 2012/13 DSG to protect the High Needs budget; and a detailed review of the expenditure on services within that block and its management.
- 10.13 The settlement contained a one off sum of £127k for Early Years to provide for a nursery provision level of 90% for 3 and 4 year olds. It was not expected that this sum would be required given the level of take up of places in previous years. It was proposed to the BWG to add this entire one-off sum to a contingency within the High Needs Block making a contingency of £182,820.
- 10.14 Some concern was expressed about the need to ensure that funding was available to support the funding of Early Years places should these be taken up. The BWG noted that the contingency in the High Needs Block would be available to support funding in other

blocks including the Early Years Block if required. However, it concluded that it would be more appropriate if half of the £127k were placed in the High Needs Block contingency and half allocated to the Early Years Contingency.

- 10.15 The BWG also requested that given the uncertainty over the funding of the High Needs Block regular updates should be made to the BWG.

FUNDED EARLY EDUCATION FOR 2 YEAR OLDS – 2013-14 FINANCIAL YEAR

- 10.16 The BWG received a report on the detail of the Early Years block budget requirement. It has requested that updates on progress be made to the BWG. There are no particular issues to report to the Forum. A copy of the report to the BWG is available to Members of the Forum on request.

SCHOOLS ICT NETWORK – CROSS-SUBSIDISATION AND FUTURE DEVELOPMENT OPTIONS

- 10.17 The BWG was informed that ICT Services had received a number of enquiries about the costs to individual schools of the Schools ICT network, owned by the Council and managed by Hoople Ltd on the Council's behalf.
- 10.18 The BWG was presented with a chart describing the current service provided to individual schools and the actual costs; the current charging method and the extent to which this involved some schools subsidising others; and a possible alternative charging method - described as a minimum cross subsidy model. The BWG was also informed of planned developments of the Network.
- 10.19 The BWG noted the position and the planned developments of the Schools ICT network which were to be communicated to schools. It concluded that it therefore did not wish to recommend any consideration of this issue at this stage. A copy of the report to the BWG is available to Members of the Forum on request.

Proposed use of DSG underspend 2011/12

- 10.20 On 6 July 2012 the Schools Forum resolved that working with officers of the authority the Budget Working Group be requested to comment on and develop options for the prioritisation of the DSG underspend (£840k carry forward and £256k extra 2012/13 DSG) with their conclusions being presented as a series of options for consideration by Schools Forum prior to recommendation to the Cabinet Member.
- 10.21 Three proposals were presented to the BWG:
- A provision for deficits of Aylestone, Broadlands and Withington Schools - £900k
 - Music Service Deficit – £75 k
 - The appointment of a 'School Safeguarding Officer' for two years to support schools as part of the development of the multi-agency safeguarding hub, a central element of the Improvement Plan responding to the weaknesses in Safeguarding identified by Ofsted - £121k.

Sponsored Academy Deficits £900k

- 10.22 In November a report was circulated to Members of the Forum under the provisions for an

urgent decision to be taken by the Forum proposing that the 2011/12 DSG underspend be used to meet the Aylestone Business and Enterprise College deficit that remained within the DSG. This formed part of the proposed agreement with the DfE to transfer Aylestone, Broadlands and Withington Schools to academy status. This proposal was not accepted by Members of the Forum.

- 10.23 It had been originally expected that the outcome of academy status for Aylestone, Broadlands and Withington schools would have been resolved by the Department for Education by now. However, prior to Christmas the DfE withdrew their proposals for Aylestone as a converter academy but Broadlands is still progressing as a sponsored academy. Withington is expected to convert with Aylestone in due course.
- 10.24 The DfE has indicated that all three schools will now progress as sponsored academies during the next 12 months. The Academies Act 2010 stipulates that all three schools will close and open as new academy schools thus leaving any deficit behind. School finance regulations provide for any such deficits to be treated as DSG central expenditure. The deficits of the three schools are projected to be Aylestone £600k, Broadlands £226k and Withington £38k as at March 2013 although the actual deficits will depend on the final date of conversion.
- 10.25 The BWG was informed that until the DfE's intentions for the three schools are irrevocably confirmed the Authority proposed not to commit any DSG underspend to any other purpose but simply to make a DSG provision of £900k for the expected cost of the deficits of the closing schools. The provision would not be used without School Forum's approval when the deficits crystallise and, if the provision was not required, i.e. the DfE does not proceed with the sponsored academy proposals, then further consideration of how the £900k would be spent would be brought back to Schools Forum and the Budget Working Group for another discussion. This was felt to be preferable than to have to cut school budgets in future by £900k if the sponsored academies proceed.
- 10.26 The BWG was most dissatisfied with the proposal to set aside a provision for the deficits for the three schools which the Department for Education had now indicated would progress as sponsored academies. The BWG noted the advice that the Academies Act 2010 stipulated that all three schools would close and open as new academy schools thus leaving any deficit behind and that school finance regulations provided for any such deficits to be treated as DSG central expenditure. However, the BWG felt this approach did nothing to encourage good financial management and questioned why the other schools should have to make good a deficit for which they were not responsible. One other school currently has a significant deficit. This is being managed in accordance with an agreed plan that it is on target to meet. The BWG was assured that there were no other schools currently facing significant deficits and the local authority had measures in place to ensure schools had proper financial plans.
- 10.27 The BWG noted the assurances that if the deficits were to crystallise, the proposed provision would not be used without School Forum's approval. If the DfE did not proceed with the sponsored academy proposals a further report on the use of the £900k would be brought back to Schools Forum and the Budget Working Group for another discussion. This was considered to be preferable to having to cut school budgets in future.
- 10.28 The BWG reluctantly accepted that making the provision for sponsored academies deficits was the best option at the moment, allowing time for further options to continue to be explored.

Music Service Deficit £75,000

- 10.29 Schools Forum committed expenditure of £25k p.a. for five years as part of the proposals to restructure the Music Service. Given the implementation of the new national school funding formula for schools from April 2013 it was considered that the best course was to make use of the DSG underspend to meet the outstanding £75,000 commitment rather than complicate the new funding formula with additional spend of £25k for three years. If the proposal to use DSG underspend was not accepted then the per pupil funding value for primary and secondary pupils will need to be reduced by approximately £1.20 per pupil and pro-rata for special school and PRU pupil top-ups for the next three years.
- 10.30 The BWG acknowledged that the contribution to the music service deficit had been previously agreed by Schools Forum. Given that three annual payments of £25k remained outstanding the BWG accepted the proposed settlement of this issue by a one-off payment given the new funding formula.

Multi Agency Safeguarding Hub £121,000

- 10.31 The development of the multi-agency safeguarding hub is a central element of the Improvement Plan responding to the weaknesses identified by Ofsted.
- 10.32 It was proposed to make an appointment of a 'School Safeguarding Officer' to support schools during the next 24 months using part of the DSG underspend. A provisional cost is £50k per year excluding on costs, telephones, travel etc.
- 10.33 The role for dedicated experienced educational professional has been developed by representative heads, the outcomes would be improved understanding of the role of schools in child protection; a strengthening of education advice as part of early help and child protection approaches and process; an improvement in the quality and effectiveness of child protection process, particularly where this affects schools and to feedback directly to schools both individually where required; and to groups for example Primary Forum and HASH. In addition to provide advice and support to schools in order to improve their ability to address early help and child protection needs.
- 10.34 The post will be located as part of and based within the Multi Agency Safeguarding Hub (MASH).
- 10.35 The BWG supported this proposal.

Request From Fairfield High School – Low Prior Attainment Funding And Underfunding Of Pupils From Outside Herefordshire

- 10.36 The BWG considered letters from Fairfield High School requesting a recalculation of the Additional Educational Needs Funding, in the context of unallocated funding due to be discussed by the Forum, because the calculation had been based on an estimate of 61 students in year 7 in September 2011 when the actual intake had been 89.
- 10.37 The BWG's view was that this was a common occurrence. As the communication from the School acknowledged, other schools may well also be affected and the BWG could not support a recalculation of school budgets.

11. Community Impact

- 11.1 None

12. Equality and Human Rights

12.1 No implications

13. Financial Implications

13.1 The schools, high needs and early years budgets are fully funded by the authority's allocation of Dedicated Schools Grant.

14. Legal Implications

14.1 None

15. Risk Management

15.1 A detailed budget consultation was held with schools and early years providers during the autumn term and the BWG and Schools Forum have considered a wide range of potential budget options both during the preparation of the consultation paper and afterwards. School Forum has responded to concerns regarding the funding of high needs pupils in schools by introducing a funding scheme limiting the addition cost to schools in line with the Minimum Funding Guarantee.16. Consultees

16.1 All schools, governors and early years providers were consulted in detail during the autumn term.

17. Appendices

17.1 Proposed DSG Budget 2013/14

18. Background Papers

18.1 None identified