

MEETING:	SCHOOLS FORUM
MEETING DATE:	24 OCTOBER 2014
TITLE OF REPORT:	REPORT OF THE BUDGET WORKING GROUP
REPORT BY:	SCHOOL FINANCE MANAGER

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide.

Purpose

To consider the report of the Budget Working Group (BWG) on the following matters: National School Funding Formula proposals for 2015/16, Early Years Funding, Department for Education (DfE) High Needs Review and School Balances.

Recommendation(s)

THAT:

- (a) the Forum be recommended to approve the proposals for the local application of the funding Formula for 2015/16 as set out at Appendix 1 to the report for recommendation to the Director for Children’s Wellbeing; and**
- (b) the interim funding formula values, as set out in Appendix 1, be submitted to the Education Funding Agency by the deadline of 31st October marked “pending the Director’s approval” as necessary.**

Alternative Options

- 1 There are a number of possible alternative options. The alternatives were considered in detail by the Budget Working Group (BWG) and are listed in this report. The Private Finance Initiative is also included as a full item on this agenda.

Reasons for Recommendations

- 2 Local authorities are required to submit provisional 2015-16 school budget formula and funding values to the EFA by 31st October 2014.

Key Considerations

- 3 The BWG has met on two occasions since the Forum's last meeting: 11 September and 13 October. The meeting on 11 September was principally concerned with discussing the draft consultation paper on the National School Funding Formula 2015/16. The meeting on 13 October focused in the main on discussing the outcome of the consultation exercise. It also considered Early Years Funding, a DfE High Needs Review and School Balances.

NATIONAL FUNDING FORMULA 2015/16

- 4 A consultation paper was issued on 15 September 2014. The closing date for responses was 3 October 2014.
- 5 The BWG considered the response to the consultation exercise on 13 October 2014. Its recommendations are set out at Appendix 1.
- 6 A summary of responses to the consultation paper is set out in appendix 2.
- 7 The presentation slides from the consultation meetings provide a useful summary and are set out in appendix 3.
- 8 The BWG was concerned by the low response rate to the consultation and low attendance at the consultation meetings that had been arranged.
- 9 Eight secondary schools had responded. The BWG noted that Primary Schools had faced a challenging few weeks and that this may have had an impact on responses from that sector. In addition the overall financial strategy had been explained in detail to schools in last year's consultation exercise and no significant changes were proposed for 2015/16. It was considered that the detailed work previously undertaken had generated a consensus amongst schools in support of the strategy. As the proposals for 2015/16 represented a continuation of the strategy most schools had not seen the consultation exercise as controversial, or a priority. Two letters had been received from schools that were unhappy with their individual situation.
- 10 The responses showed support for the continuation of the main elements of the strategy:
 - to increase pupil funding values by 2.9%. in accordance with the DfE's fairer funding announcement;
 - to increase the primary secondary funding ratio by reducing primary lump sum values, increasing secondary lump sums and for qualifying primary schools an increase in sparsity funding for a second year;
- 11 The BWG noted in addition the support for the proposed change to increase funding for low prior attainment, with a corresponding reduction in funding for deprivation, and support for continued budget protection for high needs in primary schools. The

consultation paper had contained options for the amount to be transferred to fund low prior attainment. Responses to the proposal suggested no overwhelming wish to move at a faster pace. It was therefore proposed that it would be a consistent strategy to proceed on the basis of transferring the lower sum offered for both primary and secondary sectors

- 12 The SFM suggested in response to concerns expressed in correspondence from a school that the relationship between the funding provided via the pupil premium, funding for deprivation and funding for low primary prior attainment might be worth considering in preparing the 2016/17 budget. However, he saw no reason to change the basis of the strategy set out in the consultation for 2015/16.
- 13 In the BWG's discussion the funding pressures for small rural schools were highlighted. The BWG as a whole supported the budget strategy. There was, however, some difference of view as to how far Herefordshire would be able to move towards the average funding ratios, given the characteristics of the county. There was general acceptance that in some locations small schools would need to be supported. However, there was also a view that schools should be doing much more to explore shared leadership, teaching and support services options with other schools and organisations. It was also noted that there were practical limitations on the range of opportunities small schools were able to offer their pupils.
- 14 The BWG also discussed de-delegation. There was a view that this rather arcane term could obscure the fact that money was being deducted from schools budgets without consideration of whether they needed the services in question, which could instead be obtained by individual service level agreements if required, or whether those services represented value for money. It was acknowledged that the sums involved were comparatively small and that if the Forum were to decide not to de-delegate this would increase the administrative burden on the local authority. However, it was thought there were issues of principle involved and that it would be timely to review and clarify the position, perhaps involving a further, clearer consultation exercise solely on this aspect.
- 15 The Forum does not have to make a decision on this aspect until January 2015. The BWG therefore recommends that consideration of de-delegation be deferred pending further consideration by the BWG and a recommendation to the Forum in January.
- 16 In order to streamline the decision making process regarding the approval of the submission of the interim national funding values to the Education Funding Agency by 31st October 2014, it is considered more appropriate that the interim values are formally approved by the Director of Children's Wellbeing and that only the final national funding values as submitted in January 2015 will be subject to Cabinet Member decision.

EARLY YEARS FUNDING

- 17 The BWG was informed that early years representatives had expressed reservations about the agreement that early years funding in Herefordshire should be on a par with neighbouring counties. It had been suggested that comparison with the relevant statistical comparators would be a fairer approach. They had also highlighted that

Devon County Council had shared funding received for being a low funded authority with early years settings as well as schools.

- 18 This issue will be explored and a report made to a future meeting of the BWG.

DfE – HIGH NEEDS REVIEW

- 19 The BWG was informed that the local authority had agreed to participate with 11 other authorities in a DfE review of High Needs funding. It was noted that this would place some demands on schools to participate in meetings with the DfE's consultants.

SCHOOL BALANCES

- 20 School balances have increased from £5.5 million at the end of 2012/13 to £6.3m at the end of 2013/14. This development is contrary to what might have been expected given funding pressures and at a time when balances held by schools converting to academies have been subtracted from the total balances.
- 21 The BWG acknowledges that all schools have their own individual circumstances and rationales for the level of balances they are holding. However, the BWG considers balances of up to 10% of a schools revenue budget seem a reasonable level to hold. It therefore appears that excessive balances are being held by a number of schools.
- 22 The BWG was advised that it was open to the Forum to reintroduce a balance clawback scheme if it were considered appropriate to do so, noting that it would be important to provide schools with adequate notice of such a policy.
- 23 The BWG considers that the issue is a matter of strategy and principle. At a time when educational performance in the County is under scrutiny from Her Majesty's Inspectorate with schools performing in the lower quartile nationally for some attainment targets there needs to be a clear justification for not spending available resources to improve pupil attainment.
- 24 The BWG agreed to inform the Forum of its concern and its intention to undertake research into the position. As part of this work it has requested the Schools Finance Manager to write to all schools holding balances greater than 10% of their revenue budgets seeking clarification and justification. The BWG will report to the Forum as appropriate with any recommendations.

Community Impact

- 25 There is no significant community impact. The school funding formula must meet the national requirements of the Department for Education. Within these national funding guidelines the funding is targeted to support the achievement of improved outcomes for all Herefordshire pupils in accordance with a carefully considered strategy that is subject to annual consultation with schools and governors. The governing bodies of schools are responsible for decisions to commit expenditure according to meet pupils' individual needs.

Equality and Human Rights

26 There are no implications for the public sector equality duty.

Financial Implications

27 The recommendations, if agreed, are required to ensure that expenditure on school budgets does not exceed the funding available within the Dedicated Schools Grant. The proposed funding changes will pass directly between school budgets and be contained within the DSG funding available.

Legal Implications

28 To ensure Legal compliance with Schools Forum Regulations 2012. School Forums generally have a consultative role. However, there are situations in which they have decision-making powers. Regulations state that the Local Authority must consult the Schools Forum annually in connection with amendments to the school funding formula, for which voting is restricted by the exclusion of non-schools members except for PVI representatives.

29 The decision-making powers of Schools Forum are limited as follows

- to decide on the central spend and criteria for growth fund and falling rolls fund for outstanding schools
- De-delegation
- Central spend on equal pay back-pay, early years expenditure, significant pre-16 growth
- Central spend on admission and schools forum up to the 2013-14 level
- Central spend on some other items up to the 2013/14 level – which is zero

30 In all other cases the final decision will be referred on for decision by the Cabinet Member.

Risk Management

31 The BWG reviews proposals in detail prior to making recommendations to the Schools Forum. This two stage process helps to ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified.

Consultees

32 All maintained schools, FE providers, academies and free schools in Herefordshire have been consulted on the final budget proposals for 2015/16.

Appendices

Appendix 1 – Recommendations from the Budget Working Group

Appendix 2 – Summary of Responses to the Consultation Paper

Appendix 3 – Summary of Consultation presentation slides

Background Papers

- None identified.