Meeting:	**Schools forum**
Meeting date:	**15 April 2016**
Title of report:	**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: summary of school budget proposals and special school funding.

Recommendation(s)

THAT: the schools forum review the common issues and possible solutions as summarised in paragraphs 7 and 8 and considers whether further action is necessary, and in particular it is recommended:

a) that the Herefordshire Association of Secondary Headteachers (HASH) and the primary heads forum be asked to make the offer of further support to those schools who have not responded and to consider whether the offer should be further extended by a direct communication to schools through the Spotlight schools briefing;

b) that the schools forum consider whether the support provided should also include educational support through a colleague headteacher e.g. a National Leader of Education in addition to the support offered by the schools finance manager; and

c) that in accordance with principle six of the schools capital investment strategy, officers be asked to make contact with the relevant schools and in particular those schools with a deteriorating financial position.

Alternative options

1 No alternative options were considered by the BWG. Further work on the 2017/18 schools budget will need to consider any necessary steps as the national school funding formula proposals are developed.

Reasons for recommendations

2 The BWG has no decision making powers and reports to the schools forum for them to consider the recommendations and proposals that BWG believes warrant further action.

Key considerations

School budget plans

3. Schools Forum received a presentation on "Looking to the future" in June 2015 setting out a five year funding strategy in light of increasing cost and demand pressures. Schools Forum responded by establishing four task and finish groups on outcomes, high needs, capital and early years. These groups will present interim proposals to Schools Forum in June 2016 and final recommendations in June 2017. Additionally, and jointly with the council, Schools forum has written to all schools offering practical advice on actions schools should consider in order to deal with the continuing cost pressures. To ensure that schools are responding to the financial pressures a further letter was sent requesting that schools inform the schools forum of their proposed actions.

4. The BWG met on 22 February 2016 and considered replies received from schools in response to an invitation to all schools to submit outline action plans and savings proposals on a pro-forma as part of a third letter on the "looking to the future" theme. Forty replies had been received, about half of the county's schools: three academy primary schools, 26 local authority maintained primary schools, five academy high schools, and three local authority maintained high schools. There had also been three returns from schools which were included in a joint school response. Since the BWG meeting a further twelve responses have been received.

5. The BWG considered that it was disappointing that more schools had not replied. However, the consensus was that no purpose would be served by pursuing the matter by writing to schools again and it was not the Group's role to do so. However, there was a concern that the reason why some schools might not have replied was that they were unaware of their financial predicament or were putting off the necessary financial actions. The BWG recommended that an offer of support should be made to those schools who had not replied, offering them the opportunity to discuss any concerns they might have by telephone with the School finance manager. This offer could be communicated through the Herefordshire Association of Secondary Headteachers (HASH) and the Primary heads forum.

6. The School finance manager noted that it would be apparent when local authority maintained schools submitted their five year financial forecasts in May/June whether any school was facing significant financial difficulty and had not taken appropriate action. The new financial software all local authority schools are required to use would identify any deficits. The Education Funding Agency has responsibility for academies.

Summary of common issues

7. In writing to schools one of the aims had been to identify any trends in schools' experiences and any good practice that could be shared. The following common issues have been identified from the replies:

- The difficulty presented by fluctuating numbers of pupils on roll, particularly for primary schools.
- The numbers and associated higher cost of employing upper pay scale (UPS) staff. In some schools most teachers were on UPS.
- How few schools considered that they were in a strong financial position.
- Reducing the numbers of teaching assistants was a common theme.
- The use of newly-qualified teachers when a vacancy needed to be filled.
- To review all vacancies and consider the needs of the school – as opposed to simply replacing like with like.
- Fewer options offered at key stage 4
- Fewer options offered for the sixth form.

Summary of possible solutions

8. The following possible solutions were identified from the summary of schools replies and in discussion by the BWG:

- Sharing headteachers.
- Reviewing class sizes and structures.
- A number of schools had identified that securing more pupils on roll would be a solution. However, the BWG noted that the expectation that new housing developments would generate significant additional pupils was often a false hope because the developments did not materialise in the time expected or did not generate the number of pupils expected by a school.
- The suggestion that employing newly-qualified teachers (NQTs) was a solution was flawed. It assumed that only NQTs would apply. Salaries of those appointed would rise in time. It might depart from the principle of appointing the best person for the job. Research has shown that class size did not have an impact on educational attainment. The quality of the teaching was the critical factor.
- Space constraints meant that a number of schools could not accommodate larger class sizes even if they wished to do so. It was noted that in February 2016 Cabinet had agreed a schools capital investment strategy setting out the principles that should underpin capital investment. Officers are now working to produce a detailed financial plan.
- Some high schools were working closely with primary schools, particularly where they were on the same site or in close in proximity.
- Permanent variable contracts should be considered as a matter of course as such contracts allowed schools the flexibility to revise staffing in line with changes in pupil numbers.

- The DfE view was that multi-academy trusts would increasingly become the standard school organisation model for the future.

- Schools needed to recognise more readily that the numbers of pupils on roll meant if they were not sustainable as a five class school and despite parental concerns, they had to accept a change to a four class school.

- Some small schools could face a significant budgetary impact for example, if one family with three children of school age enrolled at the school or left the area. Removing those children from school, this could represent a significant proportion of a school's pupils. Such changes could happen almost overnight and no planning could take account of this circumstance.

- The respective roles of governing bodies and head teachers in driving change were discussed. It appeared that there was an underlying "Herefordshire" view that, aside from instincts of self-preservation (although these could not be ignored as a factor in the debate) maintaining the existing structure of provision was good and change was not welcomed by some. The objective should be to ensure the right educational provision across the county, but emphasising that this had to be within the resources available. This meant that federation had to be pursued and promoted where there was a justifiable case. Change would, however, take time.

- It was suggested that the provision of examples of successful federation models to governing bodies would be helpful.

Conclusion

9. The BWG concluded that they did not appear to have overlooked any major issues or options. However, it seemed in the main that schools were seeking to manage the financial situation individually by making marginal ongoing reductions in their budgets rather than considering strategic options. Whilst the possibility of exploring options such as academy trusts and federation had been identified there was little evidence of any firm proposals emerging and a number of previous examples of reluctance to take such a course in practice. However, there are a number of examples currently under active consideration. Schools appeared to be working and managing well at the moment but it was clear that further consideration needed to be given to available strategic options to meet future challenges. It was easier to do this from the current stable position and BWG commented that the opportunity should be taken to explore options now in advance of any deterioration of the overall financial position.

Special school funding

10. The School Finance Manager highlighted that special school funding was a particular concern and this would need to be addressed prior to the next financial year. Whilst special school budgets for 2016/17 had been balanced by transferring funding from the high needs block he considered a further increase in funding would be necessary in 2017/18. The DfE may provide some additional growth in the high needs block, however this could not be relied upon and it may be necessary to transfer funding from the schools block to enable special school budgets to be balanced in 2017/18.

11. The BWG discussed the following principal points:

- An individual view was expressed that federation of the special school provision in the county was not a feasible option as no additional funding would be available. Instead consideration needed to be given to linking special needs provision in with mainstream provision.

- There was discussion of whether funding blocks should be kept distinct or merged. The consensus was that maintaining the separate funding blocks was the better course to ensure effective financial management of schools funding.

- The national funding formula may, over time, provide some additional funding for high needs provision within the county. However, the allocation of additional funding to Herefordshire would mean a reduction in funding to other authorities, a number of whom had already begun lobbying against any reduction in their budgets. The imminent DfE consultation paper should include national proposals for improving high needs funding. The local authority will need to identify possible options for discussion with the BWG in advance of setting the 2017/18 budgets.

- It is requested that consideration be given to what other authorities were doing to meet the challenge of funding high needs and in particular if there were examples of the successful integration of special school provision with mainstream provision.

- The early years task group has met twice and was considering proposals to increase the high needs funding available for early years children as early intervention would bring real benefits in meeting need.

- It was noted that the high needs task group is developing proposals that will provide for long term restructuring high needs provision. The work of all the task groups needs to be shared to inform a strategic co-ordinated way forward before the task groups reported to Schools Forum in June 2016. It was proposed that a BWG meeting should be convened to which the chairs and co-chairs of the current task groups should be invited to discuss options, in the context of the need to find a long term solution to special needs funding in advance of setting the 2017/18 budget.

BWG work programme

12 The School finance manager suggested that it would be useful for the BWG to consider the work of the f40 group and how Herefordshire could support the group, for example through MPs.

Community impact

13. 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 accordingly to meet pupils' individual needs. If however schools are not planning strategically for the future financial sustainability of their provision, this could put the education provision at avoidable risk.

Equality and human rights

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

Financial implications

15. Schools Forum and the council have jointly taken the "Looking to the Future" initiative to ensure that all schools take appropriate and timely actions to deal with future cost pressures of approx. 15% over the next four years. Effective planning by individual

schools now will enable sensible plans to be in place to mitigate the cost pressures and ensure the continued viability of Herefordshire's schools whilst avoiding deficit budgets.

Legal implications

16. The purpose of this report is to update the Schools Forum on responses received from schools outlining financial action plans and savings proposals and the BWG's comments on the same. This is in line with the Schools Forums (England) Regulations 2012.

Risk management

17. The failure of some schools to respond, and the patchy response of those who have, requires further follow-up as set out in the recommendations to mitigate both the known and unknown financial risks in Herefordshire's school system. Further analysis work will be undertaken for maintained schools when school budget plans for 2016/17 have been signed off by governing bodies and submitted to the local authority later in the summer term.

Consultees

18. All maintained schools, academies and free schools in Herefordshire have been sent the "looking to the future" letters and have been consulted.

Appendices

None

Background papers

- None identified.