

Meeting:	Schools forum
Meeting date:	21 October 2016
Title of report:	Budget working group
Report by:	School finance manager

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide.

Purpose

To consider the report of the budget working group (BWG) on the following matters:

- Consultation proposals for the 2017/18 schools budget;
- Maintained schools five year budget planning;
- The government's early years funding consultation;
- Dedicated schools grant (DSG) outturn for 2015/16 and a funding bid for social, emotional and mental health work with NEETS (young people not in education, employment or training);
- Five maintained schools which are in excess of the 25% balance cap

Recommendation(s)

THAT:

- a) all schools be asked to set a balanced budget by March 2021 and a joint letter from the schools forum and director for children's wellbeing, should be sent to schools in line with previous 'looking to the future' letters;**
- b) that the DSG outturn for 2015/16 be noted and in particular that without the one-off £335k rates funding, DSG would have been £60k overspent**

and that subject to (c) below the balances be carried forward to support future years DSG;

- c) the £30k bid for SEMH (social emotional mental health) funding for NEETS for 2016/17 be approved as a one off sum in view of the pressure on high needs budgets;and
- d) It is noted that a report on special schools funding would be submitted to the BWG
- e) no further action be taken in relation to those schools previously in excess of the 25% balance cap given the progress made and the forecast budget pressures faced by schools in the medium term.

Alternative options

- 1 No alternative options were proposed by the BWG. Further work on the 2017/18 schools budget will consider options as the national school funding formula proposals are developed for the schools forum in January 2017.

Reasons for recommendations

- 2 The BWG has no decision making powers and reports to the schools forum for consideration of any recommendations and proposals that it believes warrant further action.

Key considerations

National School Funding Proposals / National Funding Formula

- 3 No further information had been received from the Department for Education (DfE) following the stage 1 consultation exercise in March 2016, relating to the National Funding Formula. The stage 2 school funding consultation is now expected in autumn 2016. Hence the budget proposals for 2017/18 are an interim measure intended to maintain financial stability prior to consideration of the government's detailed proposals for future years. The BWG was advised It would be counter-productive to make changes at this stage that would potentially need to be undone. This means that for 2017/18 school budgets will only change if pupil numbers change. The BWG was informed that draft budgets would be circulated to schools to support the consultation papers.

Education Services Grant (ESG)

- 4 The BWG was informed that government had announced a cut in the ESG given to all local councils to fund statutory education duties. For Herefordshire Council, this meant a reduction of £1.1million. There would be a similar reduction for academies, although some protection would be offered unlike for the local council. The grant as it stood was not sufficient to fund the council's statutory duties. A cut of £1.1m could not be made without an impact on services.
- 5 The ESG savings proposals are set out at section 5.10 of the schools budget consultation paper for 2017/18, which is attached as appendix 1.

1. £600k reduction in the council's corporate services and in education and commissioning services
 2. £200k school redundancies for maintained schools either to be:
 - a. charged directly to the maintained schools that incur them; or
 - b. top sliced from maintained schools budgets to be retained by the council to meet costs
 3. £200k budget top slice of £15 per pupil for maintained schools only to support effective school management and cover statutory duties carried out by the council
 4. £200k service level agreement (SLA) proposals for all schools, covering safeguarding and pupil wellbeing, including data analysis
- 6 The BWG was informed that the ESG cut had to be viewed in the context of a situation where the council itself was seeking to make further budget savings of £23m over the next three years. The proposals involved a shared approach by the council and schools with a reduction in the council's corporate services and education and commissioning services, some savings from maintained schools budgets and some from all school budgets.
- 7 The BWG discussed the following principal points:
- It was noted that proposal 4 in relation to safeguarding and pupil wellbeing provided for support for the Multi Agency Safeguarding Hub (MASH). The alternative to an SLA was to purchase services at a consultancy rate. This was not considered to be as effective as the MASH, which appeared to command the support of schools.
 - It was suggested that reports should be made to the BWG on the actions being taken by other local councils and de-delegation including a value for money statement.
 - The proposals were considered to present a responsible and reasonable balance between making cuts, protecting essential services and charging schools. However, any better ideas would be gratefully received. Question 3 in the consultation paper specifically invited those who disagreed with the proposals to suggest practical alternatives.
 - Views were also sought on how the proposals could best be explained to other headteachers and governing bodies. In response, it was suggested that this would be best done via Herefordshire Association of Secondary Headteachers and the primary heads forum.
 - Reference should be made in the consultation document to the position of academies to demonstrate that they were not immune from financial pressures, were subject to different requirements, for example they already had to fund redundancies themselves, and were held to account by the Education Funding Agency.

- It was suggested the consultation paper should be expanded to include options around funding redundancies including carry forward arrangements for any overspend or underspend. To date the DfE has provided no clarity on this point but stated that local councils could top slice with the agreement of the schools forum.
- No consultation meeting with schools was required at this stage, but some would be arranged to discuss DfE stage 2 national funding proposals when published.
- It was noted that if agreement could not be reached with schools, the matter would ultimately have to be referred to the Secretary of State, although plainly it was hoped that such a step would be avoided.

Early years

- 8 The BWG expressed disappointment that under the government's new proposals the council would receive an increase of only 25p per hour on the current allocation. This moved the council from being the 16th lowest funded area to the second lowest, with only Shropshire receiving less funding.
- 9 It was of particular concern that this outcome suggested that the council may not benefit from additional funding following the introduction of the National Schools Funding Formula, to the extent that had been expected. Given the methodology used for the early years formula is the same as that proposed for the schools formula, it was not considered that there were grounds to challenge the DfE's methodology and the council's intention was to contribute to the f40s consultation response.
- 10 An early years representative commented that the funding did not cover the costs of providing a service and this is particularly true for the extension to 30 hours, as there will be no opportunity to charge top-up fees. The importance of all early years providers responding to the current consultation exercise was emphasised.
- 11 It was noted that proposals for the use of the early years underspend, which had arisen as a result of a lower than expected take up of additional government grant for places for two year olds, would be made to the schools forum in October.

Maintained schools five year budget projections

- 12 The BWG received a presentation on the five year budget projections for maintained schools. The analysis showed that half of the 65 maintained schools would be in deficit by March 2021. Action was required for September 2017 to correct this situation. It was the council's view that on the whole the difficulties schools faced were not considered to be a result of a lack of awareness and planning.
- 13 In discussion, the BWG was advised that academies were facing a similar situation. However, it was commented that their budgets were subject to closer scrutiny by the Education Funding Agency.
- 14 A concern was expressed that the financial modelling was open to misuse in that the entry of unrealistic pupil numbers into the model could show a balanced budget where in reality one did not exist. This was considered not to be a big risk, as there

was a rolling programme of audits and the finance team monitored budget plans closely and were taking action as necessary.

- 15 There was support for a further letter to schools highlighting the issues and containing case studies for a range of school sizes to highlight the perilous financial situation a number of schools faced and the stability that others could demonstrate. However, the letter should clearly stand out from the predecessor letters to ensure that it received attention and schools took the necessary action.

Agreed to recommend to the schools forum

That all schools are asked to set a balanced budget by March 2021 and a joint letter from the schools forum and director for children's wellbeing should be sent to schools in line with previous looking to the future letters.

Dedicated Schools Grant (DSG) Outturn 2015/16 and bid for funding

- 16 There was a DSG underspend of £275k for 2015/16. However, without the one-off £335k rates funding, DSG would have been £60k overspent. With the exception of an allocation of £30k, which Herefordshire Council wishes to use to support the existing SEMH (social emotional mental health) project at The Brookfield School and Specialist College for a further year, BWG accepted that the underspend sum should be retained to support future pressures on the DSG. It was noted that budget plans were available for three special schools and that two of these schools were predicting deficits and that a report would need to be prepared on funding options for the future.

Agreed to recommend to the schools forum

(a) that the DSG outturn for 2015/16 be noted and in particular that without the one-off £335k rates funding, DSG would have been £60k overspent and that subject to b) below the balances be carried forward to support future years DSG as minuted.

b) to approve the £30k bid for SEMH (social emotional mental health) funding for NEETS for 2016/17, as a one off sum in view of the pressure on high needs budgets.

(c) it be noted that a report on special schools funding would be submitted to the BWG.

Maintained school balances – to report on the 25% balance cap

- 17 The BWG was informed that five maintained schools currently exceed the 25% balance cap. However, this was by a very small amount for three schools and the other two schools had included capital in their revenue balances and were committed to pending capital schemes. In view of the financial pressure on schools the BWG accepted that no further action be taken.

Agreed to recommend to the schools forum

That no further action is necessary given the progress made by those schools previously in excess of the 25% balance cap and the forecast budget pressures faced by schools in the medium term.

- 18 Further to a survey of high needs expenditure by the f40 group, the BWG noted the relatively good position of Herefordshire in addressing high needs funding pressures by comparison with other f40 council areas. The survey was to be sent by f40 to the Secretary of State.

Community impact

19. Increasingly school and education funding is directed by government and the opportunity to consult with schools and the wider community is significantly reduced. Consideration of the impact on communities in Herefordshire is being undertaken at a national government level.

Equality duty

20. The implications for the public sector equality duty are .
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the act
 - Advance equality of opportunity between people who share a protected characteristic and those who do not
 - Foster good relations between people who share a protected characteristic and those that who do not.

These will be met by the continuation of the funding to support the Social Emotional mental health (SEMH) project for NEETs and the further report on special school funding.

Financial implications

21. The £30k expenditure on the SEMH project will be contained within the DSG underspend from 2015/16. All other proposals relating to the 2017/18 DSG i.e. expenditure on school budgets, early years and high needs will not exceed the funding available within the Dedicated Schools Grant which will be announced by government in December 2016.

Legal implications

22. The purpose of this report is to update the schools forum on the recent meeting of the budget working group in planning consultation with schools for the 2017/18 DSG budget.

Section 10 of the Schools Forums (England) Regulations 2012 sets out the local council's duties to consult with the schools forum on school funding issues in relation to the DSG.

The Education Funding Agency provides a summary of powers and responsibilities of schools forums, which includes decisions it can make on proposals put forward by the local council.

Risk management

23. 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

24. All maintained schools, academies and free schools in Herefordshire are currently being consulted on the school budget proposals for 2017/18 and the responses will be reported to Schools fourm in December. The consultation paper is set out in Appendix 1.

Appendices

- Appendix 1- Schools Budget consultation 2017/18

Background papers

- None identified.