

Meeting:	Schools forum
Meeting date:	10 March 2017
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:

- Special school funding;
- National school funding formula consultation draft response;
- Education services grant transitional funding;
- High needs budget proposals for 2017/18 and the impact on the early years hourly rate for 3 and 4 year olds;

Recommendation(s)

THAT:

- a) that the conclusions of the independent review of special school funding as set out by Mr Whitby in his report be endorsed and in particular that the low funding allocated to Westfield school be investigated further;**
- b) subject to comments from forum members, the draft response to the DfE consultation on the national school funding formula be approved for submission to the DfE by the 22 March closing date; and**
- c) the response to the high needs formula consultation be based on the f40 draft and finalised by officers prior to submission to the DfE.**

d) The proposals for the allocation of the ESG transitional funding of £372k be recommended to the Cabinet Member for Young People and Children's Wellbeing as follows:

- a) Exceptional redundancy reserve, £210k**
- b) School Improvement for the period April 2017 to August 2017, £50k**
- c) HR / payroll improvements, £20k**
- d) Improvements to SEN payments computer system, £20k**
- e) Bring forward savings from Kielder Centre from 2018/19 to boost high needs block funding in 2017/18, £55k**
- f) Cost of undertaking the tariff review costs – up to £17k**

e) The budget working group recommends to the schools forum that the Cabinet Member for Young People and Children's Wellbeing be asked to approve the following :

- a) the integrity of the three funding blocks remains a key principle and the early years block should not take on additional high needs costs currently funded from the high needs block;**
- b) the remaining £243k of high needs funding be allocated as follows:**
 - i. £50k be reserved to meet the cost of any tariff amendments arising from the review at Westfield and the other special schools; and**
 - ii. £193k be allocated to increase the tariffs (rounded) as follows:**
 - Tariff A: £1,360 (+£50)**
 - Tariff B: £3,340 (+£90)**
 - Tariff C: £5,700 (+£200)**
 - Tariff D: £9,170 (+£540)**
 - Tariff E: £12,950 (+£550)**
 - Tariff F: £17,260 (+£470)**

Alternative options

1. Alternative options were fully considered by the BWG and included funding early years tariffs from the early years block and allocating funding for outreach services from special schools. Alternative options for spending on outreach services, varying levels of expenditure on high needs tariffs and whether early years tariffs should be funded from the high needs or early years block were considered. These alternative options are all set out in Appendix 4.

Reasons for recommendations

2. The BWG has no decision making powers and reports to Schools Forum for consideration of any recommendations and proposals that BWG believes warrant further action. Recommendations involving expenditure will be referred to the Cabinet Member for approval.

Key considerations

Special school funding

3. Mark Whitby of Acuity Education gave a presentation on the work he had carried out regarding benchmarking data for each of the four Herefordshire special schools. Mr Whitby was a headteacher working in SEN and also with PRUs; he currently works as a consultant on projects such as free school start-ups and academy conversions. He was also a non-executive director of an academy trust. A copy of his report and the accompanying presentation are attached as appendix 1.
4. In summary the BWG noted that:
 - data collection had been mainly desk based
 - it was important to be clear about all the income a school received in order to make meaningful comparisons with other schools e.g. whether the pupil premium was included in the base budget or as an additional figure
 - staffing was the largest item of expenditure for all schools but especially for special schools, reducing the proportion of income spent on staffing was therefore the most effective way of delivering efficiencies
 - a figure for income per pupil was delivered by using the revenue data provided by schools to the Local Authority and numbers of students
 - national benchmarking was done separately for maintained schools and for academies to compare schools with statistical neighbours
 - designation of need was not one of the parameters used for comparing special schools, parameters used included phase, level of FSM eligibility and urban/rural setting
 - there was a lag in the data used for national benchmarking, data in report referred to 14/15 for Barrs Court and 15/16 for Blackmarston and Westfield
 - there was no national benchmarking for Brookfield as the first set of data post academy conversion has not yet been released, data had therefore been compared with other SEMH schools known to Mr Whitby
 - the per pupil income and percentage of revenue spent on staffing were compared to statistical neighbours to judge if figures were high, low or efficient, the study also had reference to national guidance to academies that staffing costs should be around 75% of income
5. It was noted that Blackmarston had provided updated figures which had been incorporated into the report and presentation (see blue text). The ability to increase pupil numbers with minimal adjustment to staffing bore out the original judgement that staffing was high compared to income. The new figures moved the judgement on income from low to reasonable and reduced the percentage spend on staffing.
6. It was noted that Westfield had a low level of income compared to statistical neighbours. Relatively small cross phase schools often struggle to deliver economies of scale because of the range of provision to be covered.
7. The national benchmarking was felt to be useful, even with the acknowledged caveats.

National school funding formula

8. The BWG were briefed on the content of letters written by the Cabinet Member for Young People and Children's Wellbeing to the county's two MPs. The letters were identical with the exception of the example schools used, which were chosen to reflect each constituency. The letters would be circulated to schools through Spotlight. The letters are attached as appendix 2.

9. The BWG also considered the proposed response to the stage 2 consultation on the National School Funding Formula. This was based on the F40 group response, which had also informed the content of the letters to the county MPs. The draft response is attached as Appendix 3. The response to the high needs formula consultation will be based on the draft prepared by F40.
10. In summary the main points raised were:
 - there was a general lack of evidence base for many of the factors used in the formula, particularly in relation to the lump sum set for schools
 - costs pressures were rising for all schools, increased staffing costs would have particular impact on special schools as they had higher staffing levels
 - Herefordshire had historically looked to make sensible choices and live within its means, the integrity of the three funding blocks had been maintained
 - the rural nature of the authority posed particular challenges, the authority and its schools had worked hard to keep small schools viable through collaboration and shared management arrangements
 - the larger lump sum proposed might encourage small schools to appoint teaching heads, which were considered a luxury and an inefficient use of resources
 - the largest schools represented 67% of Herefordshire pupils but would lose under the proposed formula
 - the pupil teacher ratio of the larger schools was higher than in the smaller schools, the proposed formula would exacerbate this
 - the use of lagged pupil figures to derive growth funding seemed appropriate
 - there should not be a cap on budget reductions under the new formula, this locked in historic additional funding for London and metropolitan schools, the minimum funding guarantee should be allowed to moderate losses over time until all areas reached the same level
11. The BWG were advised that the F40 group met with over 60 MPs on the proposals and it was apparent that many conservative MPs were concerned that schools in their constituencies would lose funding through the proposed formula and that there was support for adjustments to be made. The F40 group would continue to lobby.
12. Herefordshire schools are encouraged to make their own individual responses in addition to the combined response from the schools forum and the Local Authority. Schools were advised not to copy the LA response directly but to select those parts that had particular resonance to them and customise the wording. The consultation response as agreed with schools forum will be circulated to schools for information prior to submission to the DfE by 22 March. Schools will be encouraged to make their own individual responses before 22 March.
13. The DfE has undertaken to produce the final funding values in the summer 2017 but no specific date has been given. If the announcement of the final values was delayed it would make it difficult to implement the new formula for 2018/19.

Proposals for unallocated ESG transitional funding

14. At its meeting on 6 January the BWG considered proposals for the use of the ESG transitional grant. The total grant is £372k; £210k has been set aside for exceptional redundancy costs and £50k for school improvement leaving £112k which remained unallocated. It had been suggested that this sum be used to support those schools which would be required to pay the apprenticeship levy. The Local Authority had considered this proposal but felt that it would prefer to use the funds for one-off investments which could deliver longer term benefits.
15. The BWG considered the four proposals which in summary were:

- a) To make improvements to the HR/payroll systems to allow electronic input of data by schools into web forms, reducing paper transfer, lost forms and duplication. It is intended that these improvements will provide a sound base for delivering further efficiencies. The SLA costs would be frozen for 2018/19 due to the efficiencies delivered. Cost £20k.
- b) To make improvements to the SEN payments system. Currently payments are calculated using a spreadsheet which is old and not easily maintained. Again improvements to the system would allow for the SLA costs to be frozen or reduced for 2018/19. Cost £20k
- c) Bring forward the planned savings from the phasing down of the grant to the Kielder Centre at the Bishop of Hereford's Bluecoat School. These savings had been planned for delivery in 2018/19. Using the £55k grant money would provide additional funds for use in 2017/18 in the high needs block.
- d) To fund a review of the tariffs at Westfield school. The work done by Mark Whitby highlighted that Westfield had a low level of income per pupil compared to statistical neighbours. A review of the pupils at the school and some selected spot checks elsewhere would ensure that the school was providing for the pupils it was designed to cater for and that pupils were appropriately banded. Cost up to £17k.

Proposals for high needs budget 2017/18

- 16. The BWG was informed of the items which formed the High Needs Budget for 2016/17 and the proposed values for 2017/18. Many items were unchanged and would be required to absorb increased costs and that where adjustments had been made this reflected previous spend and/or forecasted demand.
- 17. Hospital and Home Teaching team costs had risen due to rising numbers of pupils accessing the service. 10% growth would be funded for 2017/18; with a planned move to a formula funding model in future which would ensure funding reflected the level of demand.
- 18. The budget for fees to independent schools was forecast to be overspent for 2016/17. This was largely but not exclusively down to tribunal decisions against the Local Authority.
- 19. It was noted that the £100k allocated to the high needs project had been a one off for 2016/17. Work had begun which would continue into 2017/18 but no further funding was sought. A report on the outcome of this project would be brought back to the BWG at a future meeting.
- 20. Income from other authorities placing pupils in Herefordshire schools was now formally included in the budget.
- 21. The BWG considered inflationary pressures and where the high needs tariffs would need to be increased to in order to meet these pressures. It was noted that the tariffs for special schools should have increased by around 22% since 2014 to keep up with inflation. This is, in part, due to the fixed nature of the £10,000 place funding set by DfE.
- 22. It was not possible to fund 100% of the inflationary costs but a number of different permutations had been put together to partially meet the increase while also considering the following other factors:
 - a) need to reserve funds to address any adjustment of tariffs following review at Westfield – suggested cost £50k
 - b) the high needs task and finish group were due to report back to the schools forum a range of proposals, included within these was a need for an SEN outreach service

– suggested cost £100k

- c) whether the early years block should fund some or all of the high need costs of early years pupils, regulations allowed for these costs to be met by either the high needs block or the early years block or both.

23. In discussing the available permutations the following points were made:

- that the integrity of the funding blocks should be maintained as this was a key principle of the budget working group and had been adhered to for many years
- early years funding should go to early years providers
- that in the past areas which had received increases had been capped to support less well funded parts of the system
- that the early years block had been increased due to difficulties with the implementation of the increase to 30 hour provision and that further increases were unlikely in the short to medium term
- that hourly rates needed to be confirmed to providers very shortly, so a decision needed to be made
- that there were high needs costs associated with the increase to 30 hours, estimated at around £30k
- that the £50k for tariff adjustments would not include the cost of the review itself, which would be funded from the ESG transitional fund
- that outreach work was needed to reduce future demand on special school places; without an outreach service pressure could continue to build
- that mainstream schools had proved unwilling to pay for an outreach service when approached by the special schools
- that the £100k estimate was based on one primary and one secondary teacher plus travel costs
- that there would be a new formula for funding the high needs block from April 2019 and Herefordshire was expecting to see an increase of around a 3%.

24. A compromise position was considered by BWG which included:

- a) high needs tariffs to be indexed at 91.06%;
- b) £50k allocated to meet costs of tariff amendments following review;
- c) £100k for outreach service;
- d) costs of high needs in early years pupils to be split 50/50 between the early years block and high needs block, with costs of the 30 hour extension met by early years block.

25. This position was rejected by the budget working group in favour of the integrity of the three funding blocks; schools, high needs and early years being maintained. Given that the proposals for outreach are a new commitment on the budget, these should be deferred until funding was available and the £193k now available be used to increase the tariffs. It was agreed £50k should be retained to cover potential re-assessments of tariffs following Mark Whitby's funding review. The high needs budget and proposals as considered by the BWG are set out in Appendix 4 for information.

26. The content of a letter to Dr Ian Tait, chair of the CCG about the need for school nurses in special schools was noted.

27. Subsequent to the BWG meeting on 24 February and given the changes in funding recommended by the BWG, it is proposed that in addition to the £50 fixed weekly sum and the 30p per hour deprivation supplement for early year pupil premium pupils (i.e. claiming pupils) the basic hourly rate would be increased to £3.90 per hour. This is a 10p increase on the hourly rate that was set out in the pre-Christmas consultation paper.

Community impact

28. Increasingly school and education funding is directed by government and the council can only allocate funding given by government. School governing bodies retain the responsibility to spend the school budget on meeting pupil needs.

Equality and human rights

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

Financial implications

30. There are no direct financial implications expenditure on school budgets, early years and high needs will not exceed the funding available within the Dedicated Schools Grant.

Legal implications

31. The purpose of this report is to update the Schools Forum on the recent meeting of the Budget Working Group in planning for the 2017/18 high needs budget within the dedicated schools grant.
32. Section 10 of the Schools Forums (England) Regulations 2012 sets out the local authority's duties to consult with the Schools Forum on school funding issues in relation to the DSG.
33. 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 authority.

Risk management

34. 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

35. All maintained schools, academies and free schools in Herefordshire have been consulted in autumn 2016 on the school budget proposals for 2017/18.

Appendices

Appendix 1 - Independent report on special school funding and accompanying presentation

Appendix 2 - Letters to county's MPs re national school funding consultation

Appendix 3- Draft joint response from council and schools forum to DfE national funding consultation

Appendix 4 - High needs funding proposals for 2017/18

Background papers

- None identified.