



<b>Meeting:</b>	<b>Schools Forum</b>
<b>Meeting date:</b>	<b>12 January 2018</b>
<b>Title of report:</b>	<b>Supplementary Report of the Budget Working Group</b>
<b>Report by:</b>	<b>Senior finance manager schools</b>

This report includes additional recommendations to the Forum and should be read in conjunction with the papers originally issued.

The Budget Working Group (BWG) met on 5 January 2018. The report to the Schools Forum on the Dedicated Schools Grant 2018/19 includes details of the final DSG settlement as published by government on 19 December 2017. However, it does not include any comment from the BWG referring only to the submission of a supplementary report from the Group. This is set out below and includes comments from the BWG together with two additional recommendations to the Forum.

The notes of the Group's meeting have been circulated separately to members of the Forum for information.

### **The Schools Block 2018/19**

Final DSG for 2018/19 is largely as expected (£124m compared with £123.8m expected) however following a reduction in the number of pupils qualifying for low prior attainment funding there is now a surplus in the schools block of £324k for 2018/19 because less funding is allocated to schools for low prior attainment through the national funding formula values. The BWG was asked to consider the following options for use of the surplus:

- a. Option (i) (to increase the lump sum) and option (ii) (to increase the per pupil funding value) to distribute the £324k surplus in the schools block and the implications for the MFG in 2019/20; and
- b. Option (iii) to retain the schools block surplus to help with the potential impact of a high needs overspend in 2019/20. The BWG also considered the use of the surplus in 2018/19 as an additional option (iv).

### **Available Options**

The interaction of the funding factors with the MFG means that for many schools additional funding simply reduces the MFG rather than provides an increased budget. The MFG provides future funding problems both for schools and the DSG as the additional funding will be locked into schools and may be unaffordable in future years. Alternatively there will be a budget reduction for many schools when the extra, and potentially temporary funding is withdrawn.

**i) Increase the primary lump sum to £114,900 and the secondary lump sum to £143,000**

This option keeps the high school lump sum at the same value as the Herefordshire formula in 2017/18 and provides for an increase in the primary lump sum of £4,900 above the national value, which is already a £23k increase above the Herefordshire value in 2017/18. Typically this option gives an extra £20k to a secondary school and an average of £500 to a primary school but with smaller primaries receiving more.

This option is the only reasonable way of allocating additional funding to all schools without significantly distorting the MFG and school budgets. The Spend is £99.341m. The MFG is reduced in 2018/19 from £2.13m to £1.97m, however the £160k reduction in MFG will be locked into school budgets for 2019/20.

**ii) Increase the per pupil funding amount by £65 per pupil**

This increase in per pupil funding spends £99.35m however 49 schools would receive no increase, 36 school a small increase between 0 and 0.75% whilst 9 schools would receive between 0.75% and 1%. This option will also create problems with the MFG in future when the funding is removed. This is not an option that is fair to all schools.

**iii) Retain the unallocated £324k in the schools block in 2018/19**

This option provides for a transfer from the schools block in 2019/20 to fund high needs thresholds in schools but without the need to reduce school budgets in 2019/20. School Forum's approval will still be required but the money is already available. It avoids the "double" reduction implicit in options (i) and (ii) whereby the additional temporary funding is removed in 2019/20 and a further top-slice to provide for the 0.5% transfer to the high needs block. More importantly it avoids future funding complications with the MFG.

**iv) apply top slice of 0.5% to schools block for 2018/19 and transfer to high needs block**

Although the consultation in the autumn stated that the council did not expect to seek agreement to a transfer for 2018/19 this option was available. The unexpected surplus would allow for a 0.5% transfer to the high needs block for 2018/19 without reducing school budgets. Work to reduce demand and hence expenditure on high needs would continue but the transfer would allow more time to assess options and avoid the need to make sudden cuts. However DfE regulations require schools to be consulted on this option so that a final decision would have to be made by Schools Forum in March.

Overall, and taking into account the forecast high needs overspend and the "hard" national funding formula promised by the DfE from April 2020, this is the council's preferred option and provides the most sound basis for forward planning for school, high needs and DSG finances.

**On balance there was support to use the top slice option for 2018/19, with specific use of these funds to be set out in the high needs budget to be discussed by the BWG in February and agreed by the schools forum in March. The BWG was clear that work must continue to urgently reduce the growth in high needs costs and bring expenditure back in line with available funds.**

**Consultation with schools**

All maintained schools, academies and free schools in Herefordshire have been consulted on the final budget proposals for 2018/19. 14 responses were received from schools prior to the 30 November response deadline. This is a poor response rate of 15% from the 94 mainstream schools and academies. Previously Schools Forum has taken a low response rate to mean that schools are broadly in favour of the national funding formula and de-delegation proposals given the support of the Budget Working Group.

Regarding the proposal to fund the sickness scheme through de-delegation the responses are much more varied and the balance of opinion prefers the “schools buy from the market” option. This option will be discussed further with the council’s insurance broker and the BWG to provide a recommendation to the forum. The responses to the consultation paper are as follows:

Question number	Question topic	Yes	No
1A	Implement the National Funding Formula	11	0
1B	Set the MFG at 0.5%	14	0
2A	De-delegation – Trade union facilities at £2.90 per primary pupil	11	2
2B	De-delegation ethnic minority support	13	1
2C	De-delegation free school meals	12	1
2D	De-delegation – school budgeting software	13	0
3	Statutory Education Management Services at £13.50 per pupil	13	0
4A	Sickness scheme – de-delegation at £37.50 per pupil for sickness and maternity benefits	4	5
4B	Sickness scheme – de-delegation at £30.50 per pupil for maternity benefits	2	5
4C	All schools buy their sickness insurance in the market as required	7	1
4 - 2	Schools claim milk subsidies direct from the Department of Health and Rural Payments Agency from January 2018	12	0
4 - 3	Schools who insure through the council contract for 18 months from 1 April 2018 to 30 September 2019, prior to receiving revised options in the summer term 2018	9	3 (not taking council insurance)

## **ADDITIONAL RECOMMENDATIONS TO SCHOOLS FORUM**

### **DSG Rec (iii) part f**

**The BWG recommends that with regards to de-delegation in relation to the sickness absence insurance scheme, the following be applied for 2018/19:**

**£0 per pupil with all schools to buy absence insurance direct from the market**

### **DSG Rec (vi)**

**The BWG recommends that with regards to unallocated funds in the schools block arising from a reduction in pupils qualifying for low prior attainment funding:**

- a) The unallocated funding be held in the Schools Block and not distributed to schools in 2018/19; and**
- b) pending a further consultation with schools, a decision on a transfer of 0.33% (£324k) from the schools block to the high needs block for 2018/19, to provide high needs protection funding for schools with a higher than average number of pupils with high needs, be deferred until the meeting of Schools Forum on 16 March 2018.**