

Decision maker:	Cabinet member young people and children's wellbeing
Decision date:	30 January 2018
Title of report:	Schools Budget 2018/19
Report by:	Senior finance manager schools

Classification

Open

Decision type

Key

Wards affected

All Wards

Purpose

To approve schools forum's recommended budget proposals for school budgets, central school services and early years within the Dedicated Schools Grant (DSG) for 2018/19.

Recommendation(s)

THAT:

the local application of the National Funding Formula (NFF) for 2018/19 as set out in the consultation document and below, be approved as follows:

- (i) the final school funding values be agreed, subject to a minimum total funding per pupil of £3,500 for primary schools and £4,800 for secondary schools, as follows:

1.	Basic entitlement per pupil		Primary	£2,747
2.	Basic entitlement per secondary pupil		Key stage 3	£3,863
3.	Basic entitlement per secondary pupil		Key stage 4	£4,386

4.	Deprivation per free school meals pupil		Primary	£440
5.	Deprivation per free school meals pupil		Secondary	£440
6.	Deprivation per ever-6 free school meals pupil		Primary	£540
7.	Deprivation per ever-6 free school meals pupil		Secondary	£785
8.	Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)			
9.	Band A (3% of pupils)		Primary	£575
10.			Secondary	£810
11.	Band B (8% of pupils)		Primary	£420
12.			Secondary	£600
13.	Band C (7% of pupils)		Primary	£390
14.			Secondary	£560
15.	Band D (8% of pupils)		Primary	£360
16.			Secondary	£515
17.	Band E (9% of pupils)		Primary	£240
18.			Secondary	£390
19.	Band F (10% of pupils)		Primary	£200
20.			Secondary	£290
21.	Band G (55% of pupils)		Primary	£0
22.			Secondary	£0
23.	Low Prior Attainment per pupil		Primary	£1,050
24.	Low Prior Attainment per pupil		Secondary	£1,550
25.	Lump sum		Primary	£110,000
26.	Lump sum		Secondary	£110,000
27.	Looked after children, primary and secondary			£0
28.	Primary sparsity, on a taper basis, over 2 miles and less than an average year group size of 21.4 pupils			£25,000
29.	Secondary sparsity, on a taper basis, over 3 miles and less than an average year group size of 120 pupils			£65,000
30.	English as additional language per pupil		Primary	£515

31.	English as additional language per pupil		Secondary	£1,385
32.	PFI contract			£278,200
33.	Business rates			At cost
34.	Exceptional premises factor (Eastnor)			£8,500

- (ii) that the Minimum Funding Guarantee (MFG) be set at 0.5% for 2018/19 in order to pass through to all schools the government's 0.5% increase per pupil;
- (iii) the central school services block be used to fund the former Education Services Grant retained duties (£360k), national licences for schools (£131k), Schools Forum (£12k), admissions (£142k) and computer developments to complete the early years Nursery Education Funding (NEF) payment system (up to £25k) and develop access to real-time school payroll and staffing reports through the schools portal (£15k); and
- (iv) for the early years block:
 - (a) there is no change in the early years funding formula for providers in Herefordshire
 - (b) central expenditure of £335k, for early years consultants and NEF payment costs, be approved for 2018/19
 - (c) the pass through percentage to 3 and 4 year old providers be approved at 97.5%
- (v) that with regard to the 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 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, be deferred until schools forum can provide further advice on the high needs budget following their meeting on 16th March 2018.

Alternative options

1. A number of budget variations were considered in detail by the Budget Working Group (BWG) on 5 January 2018, and their additional proposals were accepted by schools forum and are included in the recommendations.

Key considerations

Dedicated Schools Grant (DSG) and final schools budget 2018/19

2. Schools Forum and the Budget Working Group have advised on necessary amendments to the proposed schools budget, as previously set out in the autumn schools budget

consultation and these are included in the report. The DSG funding assumptions underlying the proposed budget are set out below.

3. The final DSG 2018/19 settlement was announced on 19 December. The recommendations in this report are based on the DSG settlement of 22,106 pupils as follows:

a) Schools block

	£'000
13,466 primary pupils at £4,054.57	54,599
8,640 secondary pupils at £5,006.78	43,258
Add historic fixed costs	1,484
Total schools block (distributable to schools)	99,341

(Note: By comparison, the previous 2017/18 pre-national funding formula methodology would have funded the schools block at 22,106 pupils x £4,463.11 i.e. £98,662k - £300k central schools block = £98,362 i.e. the national formula has delivered a 1% increase)

b) High needs block

	£'000
2017/18 baseline	14,201
High needs formula funding – additional	376
Total high needs (provisional)	14,577

c) Early years

	£'000
Universal funding for 3 and 4 year olds at £4.30 per hour	6,353
Indicative additional entitlement for 30 hours (full year i.e. 2017/18 £1.15m x 12/7)	1,973
Two year old funding	1,006
Early years pupil premium	71
Disability Access Fund	27
Total Early Years Block 2018/19	9,430

(Including central expenditure of £352k)

d) Central school services block

	£'000
2017/18 baseline	658
Additional formula funding allocation	27
Total central block allocation 2018/19	685
Total DSG 2018/19	124,033

5. All DSG funding blocks are now funded on a formula basis. The recommendations in this report are based on an estimated DSG of £123.8m. Actual DSG is £124m as listed above.

Schools budget

6. The government published the NFF in September 2017 and the autumn budget consultation with Herefordshire schools, proposed implementing the national formula in 2018/19, with an MFG of 0.5% in order to pass through to schools the government's commitment of a 0.5% increase for all pupils. The final DSG settlement was published on 19 December and the BWG have advised further on final adjustments for the schools budget. Full details of the implementation of the national funding formula are set out in the schools consultation document in the appendix.

De-delegation

7. Schools forum considered the outcome of the autumn schools budget consultation, advice from the BWG and approved the council's de-delegation proposals regarding trade union (TU) facilities agreement (for primary schools only), free school meals administration, support for ethnic minority pupils and the licence fee costs for the school budgeting software should continue to be de-delegated for 2017/18. School forum's de-delegation decision continues the current de-delegation arrangements into 2018/19 with the exception of a reduction in the cost of the TU facilities agreement from £3.50 per pupil to £2.90.
8. The schools consultation paper proposes no change in the £13.50 per pupil top-slice for statutory education services provided by the council to non-academy schools. Academies are required to provide the same services from their general annual grant.

Budget Working Group

9. 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 has considered the following options:
 - 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)
10. 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 in some cases the funding will be locked into schools or alternately provides for a bigger budget reduction when the extra, and potentially temporary, funding is removed.
11. 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 schools forum in March. Both the BWG and schools forum are clear that work must continue to urgently reduce the growth in high needs costs and bring expenditure back in line with available funds.

High needs block

12. The BWG reported to Schools Forum in October that the high needs block is forecast to overspend by £300k this financial year and that many councils were overspending on their high needs block; most by considerably more than Herefordshire. The BWG was very clear that action needed to be taken to address the projected overspend and that proposals should be considered further by Schools Forum in March 2018. There are limited choices to balance the high needs budget and most require difficult decisions given their sensitivity. An initial discussion with BWG in November suggests a further consultation with schools will be advisable prior to the March school forum meeting.
13. The new NFF provides for the council to seek approval from the forum to transfer up to 0.5% from the schools funding block to high needs. The council does not intend to pursue this option for 2018/19 but it is possible, if high needs spending cannot be reduced, that it will be necessary in 2019/20 and in particular to fund the high needs protection scheme.

Statistical neighbours

14. A 1% increase in schools block funding was disappointing because the f40 group campaigned extensively and the council had anticipated a better settlement. However when viewed against our closest statistical comparators Herefordshire can be seen to be generally better funded.

County (in order of statistical comparability)	Primary unit funding (£)	Secondary unit funding (£)
Herefordshire	4,055	5,007
Shropshire	4,047	4,883
Somerset	3,854	4,755
Devon	3,880	4,884
Cornwall	3,957	4,993
Dorset	3,703	4,763

Early years

15. No changes for 2018/19 are proposed in the funding values for the early years funding formula; the three and four year olds formula will continue to be £50 per week for rurality (pro-rata if less than 100 hours) plus £3.90 per hour plus a deprivation supplement of £0.30 per hour. Two year old funding will remain at £5.20 per hour. As the early years funding formula is fully funded by the DSG, no increases will be possible without a

corresponding increase in the national early years formula used by the Department for Education (DfE) to determine Herefordshire early years block.

16. The central early years expenditure will be £335k, which includes a small increase of £6k to cover additional costs arising from the extension of nursery education entitlement to 30 hours, for 2018/19. After taking account of the early years special educational needs (SEN) inclusion fund of £130k in the high needs block, the pass through rate to providers for three and four year olds is calculated at 97.5%, which is above the DfE's minimum requirement of 95% for 2018/19.
- 17.

2018/19	£'000	£ per hour
Illustrative 3 and 4 year old funding	6,353	3.31
Illustrative extended 30 hour funding	1,973	0.99
Less central spend	-335	-0.18
Add SEN inclusion fund	130	0.07
Planned allocation to providers	8,121	4.19
Pass through percentage of DfE grant allocation i.e. £4.30 per hour		97.5%

Central services block

18. There is a small increase in the central services block due to the national funding formula and it is proposed the available funding of £40k is allocated to firstly, any necessary development of the early years NEF payment computer system (up to £25k) and the extension of the schools online portal to provide payroll and staffing reports (£15k), so that schools can download real time information and reduce the administrative burden on the schools payroll/staffing service. The remainder of the central block will continue to fund the same services as in previous years i.e. former ESG retained duties for all schools (£360k), Schools Forum (£12k), national licences for all schools (£131k) and admissions (£142k).

Community impact

19. There is no significant community impact. The school funding formula must meet the national requirements of the DfE. 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. The government's national funding formula determines the allocation of funding to schools and the DSG is essential in helping the council achieve its priority to keep children and young people safe and give

them a great start in life. Funding for Looked after Children is no longer included in the national funding formula and is now fully included in the pupil premium plus grant for Looked after Children. The pupil premium plus has increased to £2,300 per qualifying pupil (up from the previous £1,900) and will be better targeted to provide greater help to Looked after Children.

Equality duty

20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
21. A public authority must, in the exercise of its functions, have due regard to the need to –
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
22. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision to implement the government's national funding formula for schools, we do not believe that it will have an impact on our equality duty.

Resource implications

23. The recommendations, if agreed, are required to ensure that expenditure on school budgets does not exceed the funding available within the DSG. DSG is determined by government and paid to the council according to the national funding formula. The DSG grant income is noted within the council's Medium Term Financial Strategy but is not included in the council's forward financial planning. DSG is planned jointly with Schools Forum.

Legal implications

24. As set out in the Schools Forum Regulations 2012, School Forums generally have a consultative role. However, there are situations in which they have decision-making powers, as detailed in Regulation 10. The 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 Private, Voluntary, Independent representatives. Voting on de-delegation and the education functions for maintained schools is restricted to maintained school members only.
25. The decision-making powers of Schools Forum are limited, as detailed in the Education and Skills Funding Agency guidance sheet "Schools Forum Powers and Responsibilities" published in September 2017.

26. Schools forum's decision making power is engaged for de-delegation. The remaining recommendations are to be considered by the School's forum, the final decision on these points to be made by the relevant Cabinet member, in line with section 3.3.10 of Part 3 of the Council's constitution.

Risk management

27. 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. Any identified risks will be monitored and managed through Schools Forum.

Consultees

28. Schools forum was consulted on 12 January 2018 and their recommendations are set out in this report for cabinet member approval. 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
4 - 1A	Sickness scheme – de-delegation at £37.50 per pupil for sickness and maternity benefits	4	5
4 - 1B	Sickness scheme – de-delegation at £30.50	2	5

Question number	Question topic	Yes	No
	per pupil for maternity benefits		
4 - 1C	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)

Appendices

National school funding formula 2018/19 – consultation for Herefordshire schools

Background papers

None identified.