

Meeting:	Schools Forum
Meeting date:	Tuesday, 22 January 2019
Title of report:	Schools Budget 2019/20
Report by:	Strategic Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To agree final budget proposals for recommendation to the cabinet member for children and families for school budgets, central school services and early years within the Dedicated Schools Grant (DSG) for 2019/20. The Budget Working Group (BWG) meets on 11th January and their proposals will be set out in a supplementary report.

Recommendation(s)

That:

The local implementation of the National Funding Formula (NFF) for 2019/20 as set out in the consultation document and recommendations (a)-(f) as below, be approved for recommendation to the Cabinet member for children and families as follows;

- (a) 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, including the adoption of the NFF sparsity taper, 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	Primary	£440
5.	Deprivation per free school meals	Secondary	£440
6.	Deprivation per ever-6 free school meals	Primary	£540
7.	Deprivation per ever-6 free school meals	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	£1,022
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 NFF taper basis, over 2 miles and less than an average year group size of 21.4 pupils		£15,625
29.	Secondary sparsity, on a NFF taper basis, over 3 miles and less than an average year group size of 120 pupils		£40,625
30.	English as additional language per primary pupil (year 1 basis)		£515
31.	English as additional language per secondary pupil (year 1 basis)		£1,385
32.	PFI contract		£286,824
33.	Business rates		£1,224,807
34.	Exceptional premises factor (Eastnor)		£8,764

(b) the options as supported in the schools' consultation paper be agreed at a cost of £281k, as follows;

- (i) Funding of £10 per pupil additional to the national funding formula as set out in (a) above be recommended**
- (ii) That the Minimum Funding Guarantee be set at 0.33% to ensure those schools on the guarantee also receive the £10 per pupil additional funding as in (b)(i) above be recommended**
- (iii) The transfer of £112,000 equivalent to 0.12% of the total schools block to the high needs block for 2019/20 to help fund the primary Special Educational Needs (SEN) protection scheme and ensure the current cap of 130 pupils continues for 2019/20 be recommended**

(c) The additional funding within the schools block of £197k be allocated as follows;

- (i) An additional £5 per pupil for primary and high schools and a further increase 0.17% in the MFG i.e. a total of the maximum permitted 0.5%.**

- (ii) **An additional £103,000, equivalent to a further 0.10%, be transferred to the high needs block in support of the increase in special school places**

(d) the protected funding level be adopted in order to pass through to all schools the government's 0.5% increase this year on 2017/18 baselines;

(e) 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) and admissions (£132k – reduced by £10k) and the remaining £56k is transferred to the high needs block for 2019/20;

(f) For the early years block:

- (i) **There is no change in the early years funding formula for providers in Herefordshire**
- (ii) **Central expenditure of £335k for early consultants and NEF payment costs be approved for 2019/20**
- (iii) **The pass through percentage to 3 and 4 year old providers be approved at 97.5%**

(g) local authority maintained school members of Schools Forum, approve the delegation in 2019/20 of funding, and advise the Cabinet member for children and families for information, as follows;

- (i) **trade union facilities (primary schools only) at £2.90 per pupil**
- (ii) **ethnic minority support at £1.12 per pupil plus £6.60 per "Ever 6" free school meals (Ever-6 FSM) plus £107 per English as an additional language (first year only) pupil**
- (iii) **software licence costs for financial planning at £350 per school**
- (iv) **education functions for local authority maintained schools at £13.50 per pupil**
- (v) **that the free school meals administration be transferred to a service level agreement through the schools portal from April 2019.**

Alternative options

1. Given Schools Forum approval in October 2017, of the strategy to implement the NFF from 2018/19, it is unlikely there will be any substantial alternatives. There may be a number of possible variations. There may be a number of possible variations which can be considered in detail by the Budget Working Group (BWG) on 11th January 2019, and any alternative proposals will be published in a supplementary report.

Key considerations

2. The BWG will advise on any necessary amendments should changes to the proposed school budget, previously set out in the autumn schools budget consultation, be required. The DSG funding assumptions underlying the proposed budget are set out below.
3. The final DSG 2019/20 settlement was announced on 17 December 2018. The recommendations in this report are based on the final DSG settlement of 22,277 pupils as follows;

a. Schools block

	£'000
13,455 pupils at £4067.27	54,725
8,822 pupils at £4,991.32	44,033
Add historic fixed costs	1,619
Formulaic share of national growth funding	344
Total Schools block (distributable)	100,722
Proposed: to schools via NFF	100,507
Proposed: to high needs block	215

b. High needs block

	£'000
2018/19 baseline	14,577
Addition formula funding	646
High needs total	15,223

c. Early years (initial settlement)

	£'000
Universal funding for 3 and 4 year olds at £4.30 per hour	5,805
Indicative allocation for 30 hours at £4.30 per hour	2,224
Two year old funding	890
Early years pupil premium	81
Disability access fund	31
Initial early years block 2019/20	9,031

d. Central school services block

	£'000
2018/19 baseline	685
Additional formula allocation	8
Final central block 2019/20	693
Final total DSG 2019/20 (prior to recoupment)	125,669

4. All DSG funding blocks are now funded on a formula basis. The recommendations in this report are based on an actual gross DSG (i.e. before recoupment) of £125.7m. The BWG will consider the proposals in this report and will make additional recommendations as necessary.

Schools budget

5. The government published the NFF in September 2018 and the autumn budget consultation with Herefordshire schools proposed implementing the national formula applying the funding floor protection in order to pass through to schools the government's commitment of a further 0.5% increase per pupil on the 2017/18 baseline school funding.
6. At that time the additional funding above that required to implement the NFF was estimated to be around £0.3m and the school budget consultation proposed that this should be allocated in three ways as follows:
- £0.1m growth funding to transfer to the high needs block to fund special school growth
 - £0.1m primary school low prior attainment to transfer to the high needs block to fund the primary Special Educational Needs (SEN) protection scheme
 - £0.1m to be distributed at £5 per pupil to all schools.
7. The consultation responses favoured allocating the growth funding direct to schools at £5 per pupil rather than supporting growth in special schools. The transfer of £0.1m to support the SEN protection scheme for primary schools was supported as was the additional allocation of £5 per pupil to secondary and primary schools. The views of schools are reflected in the recommendations.
8. The DfE have included an option to replicate the national funding formula sparsity taper in the school budget model for 2019/20. This provides for a small primary school that is less than 76 pupils and a high school that is less than 326 pupils to receive the full sparsity lump sum and for primary schools between 76 and 150 pupils and high schools between 326 and 650 pupils to receive a taper based on reducing down from half the sparsity lump sum. Schools forum has previously agreed to fully implement the national funding formula and as this option is now available in the DfE budget model it is proposed to adopt the NFF sparsity taper method. Some adjustment to the previous sparsity lump sums are required which are set out in recommendation (a) of the national funding formula. The small additional cost of £46,000 is covered in the £100.244m cost of implementing the national funding formula.

9. The schools block DSG for 2019/20 is confirmed as £100.722m and the implementation of the NFF costs £100.244m giving an additional £0.478m to be allocated. The schools budget consultation paper anticipated schools block funding of £100.544m and proposed options for allocating the additional £0.3m. Additional growth funding was notified as part of the DSG settlement and accounts for the extra £0.2m in the schools block. The schools block funding (including the growth fund) is ring-fenced within DSG and can only be transferred to other funding blocks within DSG with the agreement of Schools Forum (up to 0.5%) or with the approval of the secretary of state (over 0.5%). It is proposed that the options favoured by the responses the consultation paper be agreed at a cost of £281,000 as follows;

- Add £10 per pupil to primary and high schools – more than promised in the schools consultation paper at a cost of £40,000
- Set the MFG at 0.33% which is broadly equivalent to ensuring that schools on the MFG also receive the same £10 per pupil additional funding - at a cost of £129,000
- Transferring £112,000 from the schools block to high needs to fund the primary SEN protection scheme.

10. It is proposed that the remaining funds of £197,000, i.e. the additional growth funding, is split as equally as possible between per pupil funding for schools and the high needs block as follows;

- Adding an additional £5 per pupil to primary and high schools and a further addition of 0.17% to the MFG so that schools on the MFG also received the extra £5 per pupil at a cost of £94,000
- £103,000 is transferred to the high needs block in support of increased special school places as this was a proposal that received a good measure of support in the consultation paper

11. Allocating the additional funding to schools for 2019/20, particularly setting the MFG at 0.5% brings a risk that the schools budget for the following year may be unduly constrained by the MFG and it may be difficult to set the national funding formula within the available schools block funding. If this occurs then there may have to be an MFG disapplication request to the DfE in order to create sufficient budget flexibility in 2020/21.

De-delegation

12. The BWG considered the outcome of the autumn schools' budget consultation at its meeting on 7 December and accepted the council's de-delegation proposals for trade union facilities (primary schools only), support for ethnic minority pupils and school budgeting software. It was proposed in the autumn budget consultation that the free meals de-delegation would cease and be replaced by a common service level agreement for both academy and local authority schools as this would avoid the issuing of many very small invoices by Hoople and simplify the transfer of funding from the council to Hoople. It is recommended that the free school meals de-delegation is ceased and replaced by a service level agreement from April 2019 as it will be more administratively efficient for everybody.

13. 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.

High needs block

14. The secretary of state has announced an additional £350m funding for high needs nationally. This is split £125m in 2018/19, £125m in 2019/20 and £100m capital to create more specialist places in special and mainstream schools. This announcement is most welcome and relieves some of the immediate pressure on high needs expenditure and, specifically reduces the need to seek a transfer of the full 0.5% funding from the schools block to high needs in 2020/21. However, this will very much depend on future demand pressures and the future extent to which additional income is received from the DfE. Additional revenue funding of £0.375m will be received by Herefordshire for each year. Given the small forecast underspend the amount for 2018/19 will be added directly to DSG balances.
15. Cost pressures of £0.55m have been identified within the high needs block for 2019/20. The council has a duty to meet the cost of individual pupil needs and has consulted schools on changes to the charges for secondary intervention places in the Pupil Referral Unit (PRU) and for some SEN support services to operate on a trading basis with schools from April 2019. To date savings of £110,000 have been identified in the SEN support services. The additional transfer of £103,000 from the schools block to support special school places, to help cover the phasing in of the PRU proposals and the SEN support services is judged prudent for 2019/20.
16. If demand continues to increase in the high needs block, Herefordshire will overspend in common with many other local authorities in England. It is necessary to keep the high needs expenditure forecasts under constant review and ensure that Schools Forum is regularly updated. Much will depend on the level of additional funding received from DfE and it is proposed that the need for a transfer to the high needs block is reviewed annually with Schools Forum.
17. Prior to the announcement of the DSG settlement on 17 December 2018, the BWG received a three year forecast of high needs expenditure that showed without a transfer of £0.5m from schools to the high needs block in both 2020/21 and 2021/22 the high needs block would be in deficit. The forecast has been updated to include the additional high needs funding announced by government and the revised forecast is set out in the table below. This shows that the transfer of the full £0.5m from schools may not now be required in the next two years. Much will depend on future high needs block allocations as determined by the government's Comprehensive Spending Review although the continuation of the primary SEN protection scheme does depend on a modest transfer as proposed. The financial forecasts will need to be reviewed annually.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Notes
Consultation Assumptions				
Cost pressures	814	700	600	Cost pressures will continue but more difficult to forecast further ahead.
Increase in High Needs Block income	-257	-257	-257	Assumed same each year
Additional high needs income	-375	0	0	Not sure if more income will be received in future –

				depends on government spending review.
Original savings target	182	443	343	
On-going overspend	250			DSG forecast is £56k under budget for 2018/19 but supported by £300k one-off early years monies
Roll Forward from previous year (A-B)		118	451	Excludes annual transfers from Forum
Revised savings target (A)	432	561	794	
Planned savings				
Discretionary PRU places	-64	-110	-36	Phased over three years
SEN support services	-200			Savings of £110,000 identified to date.
Reduction in primary SEN protection scheme	0			Although agreed by Schools Forum Jan 2018 to reduce the cap to 140 pupils, given the funding transfer it is proposed to continue at 130 pupils.
Reduction in Complex Needs funding	-50			
Total planned savings (B)	-314	-110	-36	
Transfer from schools re SEN protection scheme	-112	-112	-112	As per consultation proposals – assume each year in future
Transfer from Central Services block	-56	-56	-56	To be reviewed annually
Total Savings/income	-482	-278	-204	
Surplus(-) /Shortfall(+) from Balances	-50	283	589	
Impact on Balances				
DSG balances c/fwd	1,631	1,681	1,395	£56,000 underspend and the extra £0.375m income added to C/fwd from 2018/19
Less in year surplus(+) deficit(-)	+50	-283	-589	
DSG balances c/fwd	1,681	1,395	796	Balance provides sufficient cover for 2022/23 if necessary

18. The consultation with schools supported a modest transfer of £112,000 from the schools block to high needs to help fund the primary SEN protection scheme. This is recommended for approval.

19. The Schools Revenue Funding 2019 to 2020 operational guide sets out the evidence that Schools Forum must consider in order to approve the transfer of funding from the schools block to the high needs block, i.e. the transfer of £215,000 (i.e. 0.22%) from the schools budget to the high needs block set out in recommendation (b)(iii) and c(ii).

20. The DfE advise that any proposal to transfer funding from the schools block should be presented along with a range of evidence to back up the proposal, both to schools as part of the local consultation, and to the schools forum in seeking their approval. Schools Forum discussions should include appropriate representation from special schools and other specialist providers. The DfE expect the evidence presented to the schools forum to include the following:

- details of any previous movements between blocks

A transfer of £324,000 was agreed by Schools Forum for as a one-off for 2018/19

- a full breakdown of the specific budget pressures that have led to the requirement for a transfer.

This is set out in detail in the schools consultation paper and mainly arises from a significant increase in top-up payments to mainstream, special schools and the Pupil Referral Service and H3 Hospital Service. Unfunded pay rises also add to costs.

- a strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels.

The three year forecast for high needs indicates that the transfer of £112,000 to the high needs block is a necessary contribution to avoiding a high needs deficit. The alternative is a further cut to the primary SEN protection scheme.

- as part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded.

Collaborative working is through the BWG and joint working with schools to undertake the fundamental high needs service review. Joint working with placements is through the existing long standing Section 75 joint agreement whereby both health and social care budgets contribute towards the cost of specialist places

- how any additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools.

Herefordshire's SEN Protection scheme has been restricted to primary schools in the future and this will be subject to further review and consultation with schools to deliver an affordable scheme.

- details of the impact of the proposed transfer on individual schools' budgets as a

result of the reduction in the available funding to be distributed through the local schools funding formula

There is no impact on school budgets for 2019/20. Indeed it is recommended that schools receive a funding allocation £15 per pupil in excess of the national funding formula and improvements are proposed for increased sparsity funding for smaller schools. The transfer is from Herefordshire's new formulaic share of national growth funding. The council's autumn consultation with schools set out plans to enhance the national schools funding formula for 2019/20 and the final budgets issued to schools met this commitment.

- the extent to which schools more generally support the proposal, including the outcome of local school consultations

Of 18 responses received from schools 12 were in favour and 3 against this proposal. Three responses declined to give a view.

20. If the proposed transfer to the high needs block is not accepted by Schools Forum for 2019/20 further savings in the high needs block will be necessary to ensure the budget remains in balance. The cost of the SEN protection scheme will be reduced by £112,000.

Central Services Block

21. The central services block is £0.693m with proposed expenditure of £0.637m in 2019/20 due to the completion of improvements to the schools payroll system and SEN payment system. The need for further payroll improvements will be reconsidered for 2020/21 when the current improvements have been consolidated and their use been reviewed. The release of this previously committed budget and the increase in the central services block due to the national funding formula provide an unallocated budget of £56,000 in 2019/20. Given the uncertainty in the high needs budget it is proposed to transfer the £56,000 to the high needs block for 2019/20. This will be reviewed for future years.

Community impact

22. 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. The school funding formula must meet the national requirements of the DfE. Within these national 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. 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 is £2,300 per qualifying pupil and will be better targeted to provide greater help to Looked after Children.

Equality duty

23. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
24. 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 on back office functions, we do not believe that it will have an impact on our equality duty. 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

25. The recommendations, if agreed, aim to meet high needs provision within the available funding whilst if necessary to meet need permitting expenditure in excess of budget to be drawn down from DSG balances. DSG is determined by the government and paid to the council according to the national funding formula for schools, high needs and early years. 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

26. The Schools Forum Regulations 2012 provides that 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.
27. The decision-making powers of Schools Forum are limited, as detailed in the Education and Skills Funding Agency guidance sheet 'School Forum Powers and Responsibilities' published in September 2017.
28. For the purposes of this report the schools forum, its decision making power is engaged for item (g) in the recommendations. The remaining recommendations are to be considered by

the schools forum, the final decision on these points to be made by the Cabinet Member, in line with section 3.3.10 of Part 3 of the Council's constitution.

29. Section 42 Children and Families Act 2014 provides that where a council maintains an EHC plan for a child or young person, the council must secure the specified special educational provision. Therefore the council must comply with this statutory duty.

Risk management

30. 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 by the Children and Families directorate jointly with Schools Forum.

Consultees

31. All maintained schools and academies in Herefordshire have been consulted on the final budget proposals for 2019/20. The Herefordshire Association of Secondary Headteachers received a briefing in November 2018. 18 responses were received from schools prior to the 3 December 2018 response deadline. This is a poor response rate of 19% from the 93 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.

32. Table of responses received:

Question number	Question Topic	Yes	No
A(i)	Allocate growth funding to basic need, new school set-up costs or KS1 class sizes	2	11
A(ii)	Allocate to fund growth in special schools	5	8
A(iii)	Allocate to primary and secondary schools at £5 per pupil	9	6
B(i)	Allocate primary low prior attainment savings to restore the LPA to £1,050	5	7
B(ii)	Allocate primary low prior attainment savings to the high needs block to support the SEN protection scheme for primary schools	12	3
C(i)	Allocate the £0.1m surplus to primary and secondary schools at £5 per pupil	14	4
D(i)	High needs – reduction in complex needs budget by £50k	3	10
D(ii)	High needs – confirm reduction in primary schools protection as agreed by Schools Forum March 2018	4	8

D(iii)	High needs - reduction in statutory PRU places by £220k	5	7
D(iv)	High needs – reduction in SEN support services by £200k	7	6
E(i)	De-delegation – primary trade union duties at £2.90 per pupil	12	3
E(ii)	De-delegation – Ethnic minority support for primary and secondary at £1.12 per pupil +£6.60 per “ever-6 FSM” pupil +£107 per first year EAL pupil	13	1
E(iii)	De-delegation – school budgeting system at £350 per school	12	3
E(iv)	De-delegation - to transfer the free school meals service to an SLA with Hoople at an estimated £0.09 per pupil + £2 per FSM pupil	14	0
E(v)	De-delegation – there is no change in the £13.50 per pupil cost for the LA’s education management services	9	4

33. All schools will be advised of School Forum’s final budget recommendations

Appendices

National school funding formula 2019/20 – consultation for Herefordshire schools

Background papers

None identified