

Meeting:	Schools forum
Meeting Date:	13 January 2017
Title of report:	Dedicated schools grant 2017/18
Report by:	School finance manager

Classification

Open

Key decision

This is not an executive decision.

Wards affected

Countywide.

Purpose

To agree final budget proposals for recommendation to the Cabinet member for school budgets within the Dedicated Schools Grant (DSG) for 2017/18. *(The recommendations below represent the council's preferred option(s) upon which the budget working group (BWG) will be consulted on 6 January 2017. A supplementary report from the BWG will also be issued separately in the week commencing 9 January 2017 to confirm their recommendations.)*

Recommendation(s)

THAT:

The local application of the National Funding Formula for 2017/18, as set out in the consultation document and as below, be recommended to the Cabinet member for young people and children's wellbeing as follows:

- (i) the final school funding values be agreed as follows, unless amended as in (ii) below:
- | | |
|--|--------|
| 1. Basic entitlement per primary pupil | £2,875 |
| 2. Basic entitlement per secondary key stage 3 pupil | £3,843 |
| 3. Basic entitlement per secondary key stage 4 pupil | £4,436 |
| 4. Deprivation per primary ever 6 free school meals pupils | £2,192 |

5. Deprivation per secondary ever-6 free school meals pupil	£1,419
6. Low prior attainment per primary pupil	£615
7. Low prior attainment per secondary pupil	£1,121
8. Primary lump sum	£87,000
9. Secondary lump sum	£143,000
10. Looked after children, primary and secondary	£1,300
11. Primary sparsity, on a taper basis, over two miles and less than 105 pupils	£42,000
12. English as additional language per primary pupil	£505
13. English as additional language per secondary pupil	£1,216
14. Private finance initiative (PFI) contract	£267,500
15. Business rates	At cost

(ii) subject to the final DSG settlement and the BWG proposals, the savings from the national business rates revaluation exercise and the Minimum Funding Guarantee be used to support the implementation of the national school funding formula by choosing one of the options as follows;

- a. increasing the primary lump sum; or
- b. increasing the values of primary and secondary low prior attainment; or
- c. increasing the primary lump sum and a lesser increase in primary and secondary low prior attainment

(iii) local council maintained school members of the schools forum, be asked to approve the de-delegation in 2017/18 of funding for trade union facilities (primary schools only), ethnic minority support, free school meal administration and software licence costs for the financial planning software

(iv) subject to the final DSG settlement and the BWG proposals, that the £1.1m Education Services Grant savings be achieved by:

1) a £600,000 reduction in the council's corporate services and in education and commissioning services, for example:

a. Reduction in corporate overheads	£500k
b. Reduction in education and commissioning central school improvement funds	£47k
c. Efficiency savings in council service and full cost recovery	£53k

2) £200,000 of school redundancies, including the early release of pension costs, for maintained schools to be:

- a. charged directly to the maintained schools that incur them; and
- b. loans from the local council be offered to help spread the redundancy cost over a five year period.

3) a £200,000 budget top-slice of £15 per pupil for maintained schools only to support effective school management and cover statutory duties carried out by the local council

<u>Service for local council maintained schools</u>	<u>£'000</u>
Governor services- support for schools	24
Monitoring national curriculum assessment	20
Internal audit	30
Strategic HR	30
Strategic finance	30
Standing Advisory Council on Religious Education (SACRE)	6
Property landlord duties	30
Exceptional redundancy costs	30
Total	200

4) a £200,000 service level agreement is introduced for all schools to cover safeguarding and pupil wellbeing at a cost of £8 per pupil

(v) that the retained services Education Services Grant of £360,000 be used to provide statutory services to all maintained and academy schools

(vi) that the central school services block of £300,000 be used to meet the costs of national licences for schools, admissions and schools forum in accordance with Department for Education (DfE) guidance.

Alternative options

- 1 Options for the primary lump sum and low prior attainment were considered in detail by the budget working group (BWG) on 6 January 2017 and the BWGs views are set out in the supplementary report. (To follow)

Reasons for recommendations

- 2 The council is required to submit the final 2017-18 school budget formula and funding values to the Education Funding Agency by 20 January 2017. The high needs budget proposals are dependent on further consideration of special school funding by the BWG later in January and subsequently by Schools Forum in March 2017.

Key considerations

- 3 The BWG reported to the schools forum in October, that further work was necessary to determine the funding allocation to special schools for 2017/18. Detailed consideration will be given to the availability of funding and the balance of need within the high needs block by the BWG later in January 2017 and a funding proposal will be developed for schools forum's consideration on 10 March 2017. Much will depend on the extent to which the DfE increases funding in the high needs block. The DSG

settlement is not expected until mid-December and the implications will need to be considered in detail by the BWG.

- 4 The recommendations in this report will be considered by the BWG on 6 January 2017 and the outcome of its considerations will be published as a supplement to this agenda setting out the BWGs recommendations regarding the final school funding values in light of any unexpected consequences arising from the DSG settlement.

Dedicated schools grant and final schools budget 2017/18

- 5 The BWG will advise on any necessary amendments should changes to the proposed schools budget previously set out in the autumn schools budget consultation be required. The DSG funding assumptions underlying the proposed budget are set out below.

- 6 Dedicated Schools Grant 2017/18 was announced on 20 December 2016. The recommendations in this report are based on the final DSG settlement of:

a. Schools block		£'000
21,760 pupils at £4,463.11		97,120
less central schools block		300
National licences	127	
Schools forum	12	
Admissions	145	
Unallocated*	16	
less retained education services grant		350
Available for distribution to schools		96,420

*To fund overspend on schools block reference £8,000 property lease cost

b. High needs block		
Protected at 2016/17 level 1		3,970
Additional allocation for 2017/18		0,360
Less deducted at source by Education Funding Agency (EFA) for places		-2,050
High needs block available to spend		12,280
c. Provisional early years block		
Three and four year olds funding at £4.30 per hour		6,225
Part year funding (7/12 th) for the 30 hour extension		1,109
Two year old funding at £5.20 per hour		1,046
Early years pupil premium		120
Expected total DSG 2017/18		117,923

Further information on the subject of this report is available from Malcolm Green, school finance manager, on Tel (01432) 260818

7. Both the schools block and the early years are funded at set rates on the total number of pupils and the high needs block is a fixed budget with little expected growth. If pupil numbers are different from planned, then both income and costs will vary accordingly and may provide some budget flexibility. The recommendations in this report are predicated on the £117.9m DSG as above.

Schools budget

8. The autumn budget consultation with schools, proposed maintaining the 2016/17 funding values for schools in 2017/18, to maintain budget stability. It is very much recognised that an expected flat DSG settlement for 2017/18 with no increase in funding does not address the cost pressures faced by schools and that this is a matter of increasing concern nationally. The f40 group continues to include Herefordshire's concerns within its approaches direct to government ministers. It is expected that around £300,000 will be available within Herefordshire's schools block to increase pupil funding values due to savings in the Minimum Funding Guarantee of £200,000 and also savings of around £100,000 in business rates mainly due to reduced valuations of Herefordshire's newly built schools. A more detailed assessment will only be possible on receipt of the DSG settlement, expected on 20 December. The budget working group will advise further on final proposals for the schools budget.

De-delegation

9. The BWG considered the outcome of the autumn schools budget consultation at its meeting on 14 November and agreed to recommend to the schools forum that the de-delegation of the trade union facilities agreement (for primary schools only), free school meal 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. The BWGs report sets out the full detail.

Education Services Grant

10. In the 2015 spending review, the government announced a cut of £600m from the Education Services Grant (ESG), which is given to local councils and academies to fund statutory education duties. The £600m cut is 75% of the total ESG funding. Since the announcement of the cut, the DfE has changed its position on the expected role of local councils, as illustrated in the white paper Education Excellence Everywhere and in subsequent briefings i.e. a number of statutory duties now remain in place and the government has advised councils they will have to find alternative sources of funding. However, the financial cut is still going to take place in addition to ongoing reductions in the rate support grant, which the government also provides to councils. For Herefordshire Council, this is a reduction of £1.1m and will adversely impact on the statutory services provided by the council for all children and young people, for all schools and for locally maintained schools. Herefordshire academies will collectively face a similar cut.
11. The DfE has determined that there will be a retained amount of £15 per pupil to recognise some of the duties that a local council performs for all schools. This is the only element of ESG funding that continues for 2017/18 and the DfE will allocate this funding directly to the council through DSG.
12. Herefordshire Council has a strong and productive relationship with all schools and with the schools forum. It is a council that has carried out its responsibilities cost

effectively compared to other local council areas. In terms of costs, in current comparisons, Herefordshire Council services are in the lowest quartile of all councils (i.e. cost the least) and in the bottom three or four of its statistical neighbours. In other words, it spends comparatively little on the same statutory duties that all local councils have to carry out.

13. Herefordshire is a high delegator of resources to schools. It has worked with the schools forum and all schools to move towards the national funding formula. It has taken bold steps to restructure and revitalise our approach to school improvement, working with schools, making the most of our different skills, interests and responsibilities and collectively achieving impressive results. There is a lot to be proud of in Herefordshire and in the way maintained schools, academy schools, the Diocese, the Archdiocese and the council work together.
14. A cut of this size cannot simply be absorbed and national government has explicitly stated that they expect local councils to continue to play a critical part in the lives of children, young people and schools, whatever their status (i.e. academy, free school, maintained school). The government has also stated that it expects councils to find different sources of funding, including schools paying for services.
15. It is important to reflect on this context whilst we consider how to address the significant national cut and expectations. The amount retained by the council will need to be agreed by the maintained members of the schools forum.
16. In addition, local councils can enter into service level agreements (SLAs), contractual arrangements or other forms of organisation (including establishing schools companies, staff mutual, social enterprises) to deliver services in a local area and gain contributions from schools in order to do so.
17. Herefordshire's approach is to keep the cost to schools to an acceptable minimum whilst offering greater choice to schools through SLAs rather than enforced delegation. Without the work during the previous 12 months to prepare schools for reducing budgets, we would have little choice but to seek a much greater top-slice, however unwelcome. The proposals contain work that directly benefits pupils within Herefordshire schools, supports the joint working approach that the council has with all schools, and provides statutory duties to support effective school management for the maintained schools.
18. If the local council and schools forum are unable to reach consensus on the level to be retained, the matter will need to be referred to the secretary of state.
19. A cut of £1.1m per year cannot be achieved without an impact on the range of services provided and our proposals are as follows:

1) £600,000 reduction in the council's corporate services and in education and commissioning services, for example:

- a. Reduction in corporate overheads £500,000
- b. Reduction in education and commissioning
central school improvement funds £47,000
- c. Efficiency savings in council services
and full cost recovery £53,000

2) £200,000 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
- c. Pass the cost of redundancies and any early release of pension costs onto individual maintained schools as they arise, considering each case on its merits, retaining a very small sum for exceptional circumstances, which will be provided through a top slice. Loans from the local council may be a way of helping to spread the redundancy cost over a five year period; or
- d. Top slice the current £200,000 for all maintained schools at a cost of £15 per pupil to meet maintained school redundancy costs. Any under or over spend of actual costs will be carried forward to the next financial year and the top-slice adjusted as necessary.

3) £200,000 budget top-slice of £15 per pupil for education functions, maintained schools only, to support effective school management and cover statutory duties carried out by the council

Service for council maintained schools

£'000

Governor services- support for schools	24
Monitoring national curriculum assessment	20
Internal audit	30
Strategic HR	30
Strategic finance	30
Standing Advisory Council on Religious Education (SACRE)	6
Property landlord duties	30
Exceptional redundancy costs	30
Total	200

4) £200,000 SLA proposals for all schools that cover safeguarding and pupil wellbeing, including data analysis

This includes the consolidation of some existing charges e.g. the current cost of two education advisors within the Multi-Agency Safeguarding Hub (MASH) was approved by the secretary of state for education from central DSG for 2016/17 only.

The cost of the existing staff (£75,000) will be funded through an SLA with schools for 2017/18 and will incorporate MASH operational costs that previously have not been part of the costs.

The work of a school improvement advisor, which is predominantly pupil wellbeing and safeguarding in all schools, will be included in the new SLA.

The MASH SLA will be approximately £10 per pupil and further details will be circulated in due course. The alternative to the SLA will be to purchase MASH services at a consultancy rate of £75 per hour, however this could undermine the collective Herefordshire schools approach to the MASH.

20. Schools forum is asked to note the support the council is proposing to continue to give education and schools by addressing the largest proportion of the cut and significant budget change directly within its own council budget.
21. However, it is important for all schools to appreciate that the government has given local councils little choice, in that by removing the funding whilst retaining the statutory responsibility, the council has no choice but to make further reductions in its spending, whilst also recovering costs from schools.
22. Further information about the removal of the ESG is expected to be available from government as part of the DSG settlement in mid-December. The BWG discussed the consultation responses from schools and in general is supportive and appreciative of the considerable efforts the council has taken to ensure that the ESG proposals were as fair as possible to all parties, given that funding cuts were imposed by government without compensating removal of any of the council's statutory duties. Any change in the ESG reductions that are announced by government will be discussed with the BWG in January and reported to the schools forum in the supplementary report.

Early years

23. No changes for 2017/18 in the funding values for the early years funding formula can be proposed until final confirmation of the new national early years funding formula is determined by the DfE. It is expected that an increased hourly rate will be possible, however this will be subject to wider consultation with early years providers in Herefordshire. Further proposals will be brought to the schools forum following confirmation by the government.

Community impact

24. There is no significant community impact. The school funding formula must meet the national requirements of the Department for Education. 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 accordingly to meet pupils' individual needs.

Equality and human rights

25. 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 decision is based on the national requirements of the Department for Education's funding formula, it is the responsibility of the governing bodies to commit the expenditure according to the individual pupil need.

Financial implications

26. The recommendations, if agreed, are required to ensure that expenditure on school budgets does not exceed the funding available within the Dedicated Schools Grant.

Legal implications

27. To ensure legal compliance with Schools Forum Regulations 2012. School forums generally have a consultative role. However, there are situations in which they have decision-making powers. Regulations state that the council (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 and Independent (PVI) representatives. Voting on de-delegation and the education functions for maintained schools is restricted to maintained school members only.
28. 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. 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.
29. In all other cases the final decision will be referred on to the relevant Cabinet member.

Risk management

30. Approval of the recommendations will permit the council to comply with the DfE's statutory requirements for submitting the school funding pro-forma values to the Education Funding Agency by 20 January 2017. Failure to approve the recommendations (or suitable alternatives) will require the council to determine the school funding pro-forma values in the absence of guidance from the schools forum, if submission by the required date is to be achieved. Failure to meet the submission date risks action by the DfE.

Consultees

31. All maintained schools, further education providers, academies and free schools in Herefordshire have been consulted on the final budget proposals for 2017/18. The results of the consultation supported the council's proposals to maintain school funding values at the 2016/17 values and were reported to the BWG in November 2016. A summary of their November 2016 meeting to the forum is included in the report.

Appendices

None

Background papers

- None identified.