

Meeting:	Schools forum
Meeting date:	13 January 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 agree the following matters:

- Special school funding
- School budget consultation responses
- Commissioning approach for the early years two year underspend

Recommendation(s)

THAT:

- i. funding values for schools are maintained at the same values as 2016/17**
- ii. primary maintained school trade union facilities, ethnic minority support, free school meals administration and the school budgeting software licence are de-delegated at the rates set out in the consultation paper**
- iii. to reduce the cost of council's corporate services and education and commissioning services, by the amounts set out in the consultation paper with regards to the reduction in the education services grant (ESG)**
- iv. redundancy costs be charged directly to the maintained schools that**

incur them; with loans available from the council to assist in spreading the cost

- v. **maintained school budgets be top sliced by £15 per pupil to cover statutory duties carried out by the council**
- vi. **to carry out further work to develop proposals for special schools funding for 2017/18**
- vii. **new service level agreements (SLAs) for all schools are introduced to cover safeguarding and pupil wellbeing, including data analysis; these will be for a period of one year and will be reviewed on an annual basis before being agreed for the following year; and will be between the council and all schools**
- viii. **schools forum confirms its support for the commissioning of a targeted 0-5 speech and language service, an infant mental health project (and agree that in the event the infant mental health project is not in a position to be commissioned by September 2017, the funds allocated to the project be redirected to the targeted speech and language project) and the provision of training and/or conferences to early years practitioners and parents by the early years improvement team**

Alternative options

1. Alternative options were fully set out in the schools consultation paper as at appendix 2. The BWG accepted the recommended proposals based on the schools consultation responses and the need to avoid undue funding changes which might be subsequently reversed by the national schools funding formula.

Reasons for recommendations

2. To ensure the best use of the funds available to meet local priorities.

Key considerations

Special school funding proposal

3. The BWG received a presentation on the current position of and future pressures on special school budgets. A copy of the slides used are set out in Appendix 1.
4. The following points were highlighted:
 - similar financial concerns were raised by most special schools
 - there was increasing pressure on the high needs budget
 - special schools faced similar pressures to mainstream schools, such as rising pension costs
 - around 90% of special school income was spent on staffing costs, this was not typical of mainstream schools
 - half of special school budgets were driven by the fixed place value, currently £10,000, which was fixed by the Department for Education (DfE)
 - the council had increased tariffs to help meet increasing costs but there had not been any increase in the fixed place value
 - the same pressures and issues with fixed income applied to the pupil referral unit (PRU)

5. The BWG has previously considered individual maintained school budget plans as submitted to the council in June 2016. All special schools were projecting in-year deficits over the next five years.
6. The council was exploring long term options to achieve savings for the special schools such as increased sharing of resources, shared management structures and possible conversion to a Multi Academy Trust (MAT). These options would require time to explore and implement. It was noted that a bid had been submitted to open a 16-19 free school on the Broadlands site. A decision was still awaited from the DfE.
7. Details of the potential funding available was shared with the BWG and which may be available to provide an uplift to the tariffs for 2017/18. This was based on a conservative estimate of the additional high needs block funding expected from the DfE, reallocation of other funding and potential savings.
8. It was noted that this option was a rough but even handed solution based on inflation of costs. The proposed solution would meet 97% of the inflationary increase. It was unlikely that the council would receive enough additional funding from the DfE to fully meet the rising costs. An announcement was expected in December.
9. It was stressed that the council and BWG wanted to continue to adhere to the principle of keeping each funding block separate. The proposal put forward did not require money to be taken from mainstream schools or from early years although the proposed option would not resolve the underlying funding issues. It would buy time to allow schools to find more efficient operating procedures.
10. In discussion the following points were made:
 - Westfields and Barrs Court are in quite old buildings that are costly to run.
 - An independent review had been commissioned in 2015. Some savings had been identified but not all of the suggestions had been implemented. The Head of Additional Needs noted that the council had been disappointed with the report as it had given few examples of comparable schools elsewhere in the country. However, it was likely that other council areas were facing the same pressures and were considering similar solutions.
 - There was discussion as to whether a further report should be commissioned, but there was doubt that a new report would identify any options that had not already been noted.
 - It was suggested that the special schools needed to look at shared leadership arrangements and that opportunities had been missed when staff retired or moved on. This was felt to be the only remaining avenue to deliver significant savings.
 - The amalgamation of the PRU under a single management structure reduced costs by around £100,000 per annum by eliminating areas of duplication. However, the PRU was still under budgetary pressure.
 - It was noted that there was a lack of input from health for children with medical needs. School nurses had been withdrawn leading to teaching assistants, by necessity, being trained in complex medical interventions. The HAN reported that this was being escalated with the Herefordshire Clinical Commissioning Group (CCG) as new arrangements were supposed to have been in place from September 2016.

- Meetings had taken place between the special school heads, but that these had not been as productive as hoped. It was suggested that all the special school heads be invited to attend a meeting of the budget working group early in 2017, to discuss options for shared management structures and any other proposals they wished to put forward.
11. The BWG agreed to invite the heads of all the special schools to attend an additional meeting of the budget working group in January 2017, to present options on how to address the budgetary pressures on special schools; the outcome of this meeting will be presented to schools forum at a subsequent meeting.

Schools budget consultation

12. The response to the 2017/18 schools budget consultation, attached as appendix 2, is summarised as follows:
- the majority of respondents supported maintaining funding values at the same level as 2016/17
 - the majority of respondents supported the de-delegation as proposed
 - the proposed cuts to the council's corporate services were supported
 - there was a preference for redundancy costs to be charged directly to the maintained schools that incur them with support for the provision of loans from the council to help spread the cost
 - the majority of respondents supported the top slice of £15 per pupil for maintained schools to cover statutory duties carried out by the council
 - the majority of respondents supported the new SLA proposals for all schools that cover safeguarding and pupil welling
 - the council would make clear what the statutory safeguarding elements were and what is chargeable additional help and support
13. The announcement on Dedicated Schools Grant on 20 December 2016 confirmed the ESG reduction.

Commissioning approach for the early years two year underspend

14. At its meeting in October, schools forum approved in principle the allocation of the two year underspend of £890,000 to three services. It is intended to have the services running by September 2017. If the underspend is not used by then it remains open to schools forum to reallocate the underspend.
15. Service 1 – targeted speech and language support for 0-5 years budget working group recommended that the service be commissioned through the open market to secure best value. The contract price would include any redundancy costs to avoid any additional expenditure at the end of the project.
16. Service 2 – delivery of training to early years practitioners and parents around specific identified gaps – budget working group recommended that the service be centrally retained and managed through the early years improvement team.
17. Service 3 – the benefits of the infant mental health project are still being explored and that value for money has still to be demonstrated. The project would require match funding from other sources, which had not yet been identified. Although the evidence base did support such a project being delivered, it is recommended that if by September 2017 the project was not in a position to be commissioned, the £100,000 funding be redirected to the speech and language project to avoid the risk of clawback.

Community impact

18. Increasingly, school and education funding is directed by government and the opportunity to consult with schools and the wider community has significantly reduced. Consideration of the impact on communities in Herefordshire is being undertaken at a national government level.

Equality duty

19. The Equality Act 2010 established a positive obligation on local councils to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics'. In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.
20. Where a decision is likely to result in detrimental impact on any group with a protected characteristic, it must be justified objectively. This means that attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance this detrimental impact against the strength of legitimate public need to pursue the service remodelling to deliver savings. Equality impact assessments will be carried in the effected areas depending on the outcome of this decision.

Financial implications

21. There are no direct financial implications and in any case expenditure on school budgets, early years and high needs will not exceed the funding available within the Dedicated Schools Grant. The council has a long standing scheme of providing loans to maintained schools for both capital and revenue purposes that is self-funded from school balances.

Legal implications

22. 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.
23. 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.
24. In all other cases the final decision will be referred on to the relevant Cabinet member.

Risk management

25. 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. To ensure that the underspend is used promptly schools forum will re-allocate any surplus funding.

Consultees

26. All maintained schools, academies and free schools in Herefordshire have been consulted in autumn 2016 on the school budget proposals for 2017/18. The BWG developed and approved the consultation paper prior to distribution and the outcome of this consultation is appended at appendix 2.

Appendices

- Appendix 1 – Special school funding overview
- Appendix 2 - Schools budget consultation 2017/18 - responses

Background papers

- None identified.