

## HEREFORDSHIRE SCHOOLS FORUM – 13 JANUARY 2017

### SUPPLEMENTARY REPORT OF THE BUDGET WORKING GROUP

(This report which includes additional recommendations to the Forum should be read in conjunction with the accompanying presentation slides).

The Budget Working Group (BWG) met on 6 January. The report to the Schools Forum on the Dedicated Schools Grant 2017/18 includes details of the final DSG settlement as published by government on 20 December 2016. 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 a number of additional recommendations to the Forum.

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

#### 1. PROPOSALS FOR DEDICATED SCHOOLS GRANT 2017/18

Following a presentation of the updated position regarding Dedicated Schools Grant for 2017/18 The BWG was asked to consider the following points:

- a. school funding values for 2017/8
- b. confirmation of Education Services Grant (ESG) proposals for 2017/18 – including the use of one-off transitional funding
- c. confirmation of ESG retained duties and central school services block funding
- d. early years consultation paper – BWG to agree central EY budget proposals.
- e. initial consideration of the implications for Herefordshire schools of the DfE's stage two consultation on the national school funding formula

The presentation re-iterated the BWG's guiding principles as the basis for discussion and agreement of the proposals to be submitted to Schools Forum.

In summary the DSG settlement for 2017/18 was slightly better than expected with an increase of £280k to the schools block, £360k to the high needs block and an increase on the early years hourly rate.

##### a. School funding 2017/18

It was proposed to use the surplus funds in the schools block to move funding rates towards those proposed for the national formula. A range of options were presented to increase the primary lump sum, increase rates for low prior attainment, increase rates for deprivation or a combination of these. The BWG felt the funding should seek to address those factors where Herefordshire spent a lower percentage than the proposed national formula. The BWG agreed to propose that the surplus funds be allocated to increase the factors for deprivation and low prior attainment. The formula calculations (on the basis of a percentage increase) would allow increases as follows:

- Deprivation per primary ever-6 free school meal pupil – increase of £40

- Deprivation per secondary ever-6 free school meal pupil – increase of £41
- Low prior attainment per primary pupil – increase of £95
- Low prior attainment per secondary pupil – increase of £110

Additionally, the DfE has requested that Herefordshire apply for an exceptional premises funding factor to cover the cost of the property lease in relation to Eastnor school following its conversion to academy status. This would not affect any other school and that from 2018 the DfE would pick up the cost as part of the national funding formula. It is proposed to overspend the schools block by £8,460 and underspend the central schools block to account for the cost.

#### **b. ESG proposals for 2017/18**

The ESG transition grant fund has been confirmed as £372k which was more than expected. This is one-off funding which the council proposed to use to reduce the impact of the ESG reduction on local authority maintained schools. It was noted that should any school convert to academy status before August 2017 then the grant would be reduced accordingly.

The proposals were:

- to create a reserve for exceptional redundancies reducing the top-slice on maintained schools from proposed £15.70 to £13.50 per pupil (cost £210k);
- to replace the school improvement funding for maintained schools for the summer term 2017 prior to the DfE/RSC funding kicking in (cost £50k); and
- Retain remainder for school improvement functions in discussion with school improvement partnership (cost £110k).

Regarding exceptional redundancy costs, it was explained that each case would be judged on its merits but that there could be situations where the council would be liable for redundancy costs such as where a small school closed with insufficient funds to meet the redundancy costs.

It was suggested that the £110k retained for school improvement functions be used to support apprenticeship levy costs for LA maintained schools. It was acknowledged that this support would only be for a limited period.

#### **c. ESG retained duties and central school services block**

The ESG retained duties funding was £360k, much as expected and the central school services block was £300k again as expected. Approval had been given from the DfE to increase expenditure for schools forum and admissions costs. It was proposed to increase school forum funding by £7k to £12k pa to better reflect the costs of both schools forum and the budget working group and to increase admissions funding by £15k from £127k to £142k to include software licensing costs.

It was confirmed that the funding for the MASH team was now included within an SLA as directed by the DfE. The previous permission for a top-slice applied for one year only.

#### **d. Early years consultation paper**

The early years consultation paper was summarised as a national increase to the hourly rates which translated to Herefordshire as a proposed average hourly rate for 3 and 4 year olds was £4.01, up from £3.48. The deprivation factor had also increased but eligibility would be more restricted.

The proposed retained central spend was 4.6% (after the extension to 30 hours), being well below the maximum allowed which was 7% for 2017/18 and 5% for 2018/19. The central spend was proposed to cover quality improvement, inclusion support and training, NEF payment admin and marketing & advertising.

The proposed rates were out to consultation with a closing date of 31 January 2017. The new hourly rate would commence from 1 April 2017.

It was proposed to transfer responsibility for some early years high needs costs from the high needs block to the early years block. The cost was projected at £100k but could be higher depending on demand for support for high needs early year's pupils increasing to 30 hours. This would alleviate some pressure on the high needs block.

There was discussion of the proposal which covered the following points:

- that the principle of retaining the integrity of the funding blocks should be adhered to
- if the pressure on the high needs block required additional funding that these should be drawn equally from the early years and schools block
- that the national funding formula restricted the option to take funds from the schools block
- that regulations and guidance from the DfE allowed these costs to be funded from either block
- that the information on special school funding shared at the last meeting of the BWG showed a potential cost of £485k to uplift budgets to meet inflationary pressures
- that there could be seen to be a contradiction in the guiding principles in that to meet the principle of supporting vulnerable pupils it might be necessary to disregard the integrity of the funding blocks
- that the high needs block was intended to cover needs of children and young people aged from 0 to 25
- that there should be consistency across the phases in how high needs costs were met

Following full discussion of the potential implications for both early years settings and schools it was proposed to:

- a) it consider the allocation of the high needs block and early years block further at the BWG meeting on 24 February 2017 when more detail on high needs pressures would be available;
- b) it make recommendations on the allocation of both blocks on that date for the Schools Forum to consider at its meeting on 10 March; and
- c) it review its guiding principles to ensure that they remained sound.

## **2. Initial discussion on National school funding formula – Stage two consultation**

The outcome of the proposed national funding formula was poor overall for Herefordshire. On the currently proposed values Herefordshire would gain by about £1 a pupil in the first year overall and around £10 per pupil by 2021. There would be wide variation on an individual schools basis and not all schools in low funded authorities will see an increase.

A spreadsheet, compiled from data made public by the DfE, was circulated which showed the funding each school would have received for 2016/17 had the national funding formula currently proposed been in effect. It was noted that the pupil premium allocation would be in addition to these figures. Generally small primary schools gained from the higher lump sum and larger primary schools lost due to the lower per pupil funding. Schools with relatively little deprivation and high prior attainment also lost out. It was noted that no Herefordshire school would have lost more than 3% of their budget under the proposed formula.

Further information would be provided following a meeting of the f40 group later in the month where the formula would be discussed with senior staff from the DfE. It was proposed that a joint response be compiled to the stage 2 consultation with views from both the LA and the Schools Forum. The stage 2 consultation closes on 22 March 2017.

### **Summary of recommendations to Schools Forum**

**DSG  
Rec  
(ii)**

**1) The BWG recommended that the surplus funds in the schools block be allocated to increase factors for deprivation and low prior attainment as follows:**

- **Deprivation per primary ever-6 free school meal pupil – increase of £40**
- **Deprivation per secondary ever-6 free school meal pupil – increase of £41**
- **Low prior attainment per primary pupil – increase of £95**
- **Low prior attainment per secondary pupil – increase of £110**
- **An exceptional premises factor for Eastnor school be approved at £8,460**

**DSG  
Rec  
(iv)**

**2) The BWG recommended that:**

- a) the ESG savings be put to the Schools Forum as proposed with the adjustments in part (b) below;**
- b) the ESG transitional grant be used to**
  - i. create a reserve of £210k for exceptional redundancies;**
  - ii. provide school improvement funding of £50k for the summer term 2017;**
  - iii. consider supporting LA maintained schools required to pay the apprenticeship levy for 2017/18**
- c) to reduce the strategic services top-slice for maintained schools to £13.50 per pupil from April 2017**

**DSG Recs (v) &(vi)** 3) **The Budget Working Group agreed to recommend to the Schools Forum:**  
a) **the retained ESG as proposed;**  
b) **the proposed central school services block spend; and**  
c) **the proposed arrangements to cover the Eastnor property lease cost.**

**DSG New Rec** 4) **The BWG recommended that:**  
a) **it consider the allocation of the high needs block and early years block further at its meeting on 24 February 2017 when more detail on high needs pressures would be available;**  
b) **it make recommendations on the allocation of both blocks on that date for the Schools Forum to consider at its meeting on 10 March; and**  
c) **BWG review its guiding principles to ensure that they remained sound.**