

ITEM 7 - SCHOOLS BUDGET 2019/20

AMENDED / NEW RECOMMENDATIONS

That Cabinet amends Recommendation 1 in the report as follows and agrees:

To apply the disapplication approval notified by the Education and Skills Funding Agency on 7 February 2019, to transfer £3,499k from the Schools Block to enable an in year balanced Dedicated Schools Grant (DSG) Budget for 2019/20 to be set (as set out in paragraphs 1 to 4 of this addendum).

That Cabinet deletes the existing Recommendation 8, and replaces it with a new Recommendation 8 as follows:

Request that the Chairman of the Executive Scrutiny Committee considers waiving the scrutiny call-in period on the amended recommendation 1 and recommendations 2-7 so they come into immediate effect in order allow for sufficient time to submit school budget figures to the Education and Skills Funding Agency.

That Cabinet agrees a new Recommendation 9 as follows:

In the event any new information is received requiring further changes to the Schools Budget following Cabinet's decision, delegate authority to the Leader of the Council and Cabinet Members for Finance, Property and Business Services and Education and Children's Services, in consultation with the Corporate Director of Finance, to agree any amendments to the Schools Budget for 2019/20 under urgency provisions.

Note: all the other recommendations numbers 2 through to 7 remain as set out in the original report.

Reason for Recommendations

The Secretary of State agreed the disapplication request referenced in the report, which allows the Council to transfer £3,499k from the Schools Block and by doing so allows an in year balanced DSG Budget for 2019/20 to be set.

Alternative Options

- i) To ignore the Secretary of State's decision and agree to set a £3,499k deficit DSG Budget for 2019/20.
- ii) To partially apply the disapplication approval.

Supporting information

The published Schools Budget 2019/20 Cabinet report, seeks agreement to set a Dedicated Schools Grant Budget for 2019/20 with a deficit of £3,499k, acknowledging that on the date

of publication, the Council had not received any communication from the Education and Skills Funding Agency (ESFA) with regards to the Council's disapplication request. This request had sought authority to transfer £3,499k from the Schools Block to enable the Council to set an in year balanced DSG Budget for 2019/20.

On the 7 February 2019, the Council received notification from the ESFA that Hillingdon's disapplication request had been approved. As a result, Schools Forum were asked to convene an emergency meeting to discuss the implications of this decision and to provide them with an opportunity to feedback to the Council their views before a final decision is made. This meeting took place on 12 February 2019.

At this meeting, Schools Forum made the following comments:

They appreciated the opportunity to comment on the decision made by the ESFA, but after careful consideration they still had the view that they would not wish to support the transfer of £3,499k from the Schools Block for the following reasons:

- i) They wished to reiterate that this is not addressing the fundamental issue that there is insufficient funding in the DSG and that any transfer of funds would have a direct and detrimental impact on the education of children in the Borough.
- ii) They recognised that a significant proportion of the pressure in the DSG was as a direct result of the introduction of the Children and Families Act 2014 and the extension of the provision to include young people aged 19 to 25, which the National Funding Formula does not appropriately fund. They felt very strongly that pressure needs to be put on the DfE to address the underfunding of this range of young people.
- iii) They expressed concern that they felt more schools would fall into financial difficulties, especially the smaller schools, with a high probability that more schools would be unable to set a balanced budget in 2019/20 and would be seeking to set licensed deficits with little opportunity to recover.

However, Schools Forum did recognise that they had a part to play in trying to address the funding shortfall and proposed to look into the following:

- i) Schools Forum did consider a compromise position and voted on a proposal to transfer 0.5% from the Schools Block, which was not agreed.
- ii) To undertake a review of the range of per pupil funding provided to schools, the link to Minimum Funding Guarantee protection and the level of balances that these schools have including the changes in those balances and consider whether there are any options that will allow the Council and Schools Forum to address this.
- iii) To review the potential to operate a clawback of surplus balances mechanism for all schools including academy schools. This would require lobbying of the DfE, as this approach is not possible under the current Regulations.
- iv) To review the impact of school surplus places and pupil place planning.
- v) To consider opportunities for schools and the Local Authority to work together to procure services at a preferential rate. Schools indicated that their biggest challenge was teacher recruitment, retention and use of agency staff.

Proposed DSG Budget for 2019/20

1. The approval received from the ESFA allows Cabinet to set an in year balanced budget, resulting in a requirement to amend a number of the tables in the original Schools Budget 2019/20 report.
2. The following table summarises the final DSG Budget by funding block for 2019/20 and highlights the changes that need to be made should Cabinet agree to transfer £3,499k from the Schools Block:

		Published Budget £000	Proposed Amendments £000	Revised Budget £000
Schools Block	Income	(218,649)	0	(218,649)
	Expenditure	218,649	(3,499)	215,150
	Net Total	0	(3,499)	(3,499)
High Needs Block	Income	(39,512)		(39,512)
	High Needs Recoupment adjustment	7,879		7,879
	High Needs Recoupment	(730)		(730)
	Expenditure	35,963		35,963
	Net Total	3,600		3,600
Early Years Block	Income	(24,824)		(24,824)
	Expenditure	24,627		24,627
	Net Total	(197)		(197)
Central School Services Block	Income	(2,818)		(2,818)
	Expenditure	2,914		2,914
	Net Total	96		96
Total		3,499	(3,499)	0

3. The following table details the final DSG Budget for 2019/20:

Funding Block	Cost Centre description	Proposed Budget £'000	Proposed Amendments £000	Revised Budget £000
Schools	Schools Block Funding	(218,649)		(218,649)
Schools	Individual Schools Budget	217,195	(3,499)	213,696
Schools	Growth Fund Contingency	1,454		1,454
	Schools Block Total	0	(3,499)	(3,499)
Early Years	Early Years Block Income	(24,824)		(24,824)
Early Years	Early Years Single Funding Formula	17,191		17,191
Early Years	Early Years Single Funding Formula (additional 15 hrs)	3,881		3,881
Early Years	Maintained Nursery School Supplementary Funding	239		239
Early Years	Disability Access Fund	104		104
Early Years	SEN Inclusion Fund	200		200
Early Years	Core Childcare & Early Years (FIS)	251		251
Early Years	Early Years Advisory Teachers	185		185
Early Years	Provision for Vulnerable Children Placements	139		139
Early Years	Early Years Overheads	96		96
Early Years	Early Years Pupil Premium	123		123
Early Years	2YO Funding	2,218		2,218
	Early Years Block Total	(197)		(197)
High Needs	High Needs Block Income	(39,512)		(39,512)
High Needs	High Needs Block Academy Recoupment	7,879		7,879
High Needs	Estimated HN Recoupment adjustment	(730)		(730)
High Needs	Maintained ASB	3,447		3,447
High Needs	Top-up funding	21,256		21,256
High Needs	Independent placement provision (pre-16)	4,561		4,561
High Needs	Independent placement provision (post-16)	1,002		1,002
High Needs	FE college top up funding	2,730		2,730
High Needs	Hospital Tuition	75		75
High Needs	Spec Contingency Spec Needs	1,076		1,076
High Needs	Non-statemented pupils - exceptional funding	32		32
High Needs	Tuition - SEN out of school	93		93
High Needs	SEN Support Services	1,235		1,235
High Needs	High Needs Overheads	456		456
	High Needs Block Total	3,600		3,600
Central Schools	Central Schools Block Funding	(2,818)		(2,818)
Central Schools	DSG Funded Business Support	30		30
Central Schools	Schools Forum	5		5
Central Schools	Admissions	305		305
Central Schools	Hillingdon Virtual School	487		487
Central Schools	Non-statemented LAC placements	300		300
Central Schools	Education Safeguarding	166		166
Central Schools	Pupils Out of School	327		327
Central Schools	Copyright Licences	230		230
Central Schools	ESG Funded Services	754		754
Central Schools	Central Schools Block Overheads	310		310
	Central Schools Block Total	96		96
	Grand Total	3,499	(3,499)	0

4. The following table details the proposed budget movements between 2018/19 and 2019/20:

Cost Centre description	2018/19 Original Budget £'000	Movement £'000	2019/20 Proposed Budget £'000
Schools Block Funding	(215,472)	(3,177)	(218,649)
Individual Schools Budget	212,732	964	213,696
Growth Fund Contingency	1,662	(208)	1,454
Schools Block Total	(1,078)	(2,421)	(3,499)
Early Years Block Income	(26,307)	1,483	(24,824)
Early Years Single Funding Formula	16,993	198	17,191
Early Years Single Funding Formula (additional 15 hrs)	5,353	(1,472)	3,881
Maintained Nursery School Supplementary Funding	236	3	239
Disability Access Fund	101	3	104
SEN Inclusion Fund	200		200
Core Childcare & Early Years (FIS)	245	6	251
Early Years Advisory Teachers	185		185
Provision for Vulnerable Children Placements	209	(70)	139
Early Years Overheads	293	(197)	96
Early Years Pupil Premium	136	(13)	123
2YO Funding	2,218		2,218
Early Years Centres	138	(138)	0
Early Years Block Total	0	(197)	(197)
High Needs Block Income	(36,259)	(3,253)	(39,512)
High Needs Block Academy Recoupment	6,064	1,815	7,879
Estimated HN Recoupment adjustment	(1,068)	338	(730)
Maintained ASB	3,673	(226)	3,447
Top-up funding	19,052	2,204	21,256
Independent placement provision (pre-16)	4,063	498	4,561
Independent placement provision (post-16)	1,002		1,002
FE college top up funding	2,265	465	2,730
Hospital Tuition	75		75
Spec Contingency Spec Needs	871	205	1,076
Non-statemented pupils - exceptional funding	32		32
Tuition - SEN out of school	128	(35)	93
SEN Support Services	1,179	56	1,235
High Needs Overheads	260	196	456
High Needs Block Total	1,337	2,263	3,600
Central Schools Block Funding	(2,781)	(37)	(2,818)
DSG Funded Business Support	65	(35)	30
Schools Forum	5		5
Admissions	304	1	305
Hillingdon Virtual School	487		487
Non-statemented LAC placements	300		300
Education Safeguarding	165	1	166
Pupils Out of School	132	195	327
Copyright Licences	0	230	230
ESG Funded Services	754		754
Central Schools Block Overheads	310		310
Central Schools Block Total	(259)	355	96
Grand Total	0	0	0

Financial Implications

It should be noted that the Secretary of State's decision is not permanent and only affects the 2019/20 DSG Budget.

Should Cabinet agree to transfer £3,499k from the Schools Block to set an in-year balanced DSG Budget for 2019/20, it is worth noting that the Individual Schools Budget will still increase by £964k. This is on top of the additional funds that schools will receive from the Teachers Pay Award Grant, which is estimated to be £1,983k. Additionally, the DfE are currently consulting on the funding mechanism for the planned increase in the Teachers Pensions contributions that employers will face, where it is understood that any financial impact will be fully funded through a grant.

The latest set of data available (1 April 2018 for Maintained Schools and 31 August 2017 for Academy schools), indicates that schools had total surplus balances of £36,724k (£9,554k for maintained schools and £27,170k for Academy schools). However, there is a wide spread of balances, ranging from a surplus of £5,706k to a deficit of £2,656k. There is currently no mechanism within the Regulations that allows the redistribution of these funds.

The Council have no involvement in setting individual school budgets but the Schools Finance Support Team closely monitors Maintained Schools considered to be at risk of falling into financial difficulty and offers appropriate support and advice. However, it remains the responsibility of individual schools to set a balanced budget.

Papers with Report

Notification from the ESFA
Draft Minutes of the Schools Forum meeting 12 February 2019



Education & Skills
Funding Agency

Education and Skills Funding Agency
Earlsdon Park
53-55 Butts Road
Coventry
CV1 3BH

Tel: 0370 000 2288

www.education.gov.uk/efa-enquiry-form

7 February 2019

By email: pmalewicz@hillingdon.gov.uk; pwhaymand@hillingdon.gov.uk;
aevans2@hillingdon.gov.uk; dkennedy@hillingdon.gov.uk

Dear Colleagues

Request to disapply the Finance Regulations

Thank you for your amended disapplication request to move 1.57% from your schools block to your high needs block.

After consideration of your application and supporting evidence, the Minister has approved your request.

Please make any amendments to your authority proforma tool (APT) immediately, if needed, to ensure there is no delay issuing school budgets.

If you require further information or clarification on this decision, please contact us at LA.Disapplication@education.gov.uk.

Yours sincerely

Keith Howkins
Head of the Funding Policy Implementation Unit

DRAFT HILLINGDON SCHOOLS FORUM

Minutes of the extraordinary meeting held on Tuesday 12 February 2019 at 5pm in the Civic Centre

Voting members

NAME	ORGANISATION	ATTENDANCE
Maintained Nursery (1)		
Ludmila Morris	McMillan Early Childhood Centre	PRESENT
Maintained Primary - Schools (4)		
Lisa Corrigan	Highfield Primary School	ABSENT
Duncan Greig	Breakspear Primary School	PRESENT
Bernadette Lloyd	Harefield Infant & Harefield Junior School	ABSENT
Kris O'Sullivan	Deanesfield Primary School	PRESENT
Maintained Primary - Governors (4)		
Jim Edgecombe (CHAIR)	Whiteheath Junior School	PRESENT
Tony Eginton	Minet Nursery & Infant School and Hillside Junior School	PRESENT
Phil Haigh	Cherry Lane Primary School	PRESENT
Jo Palmer	Hillside Infant School	PRESENT
Maintained Secondary (1)		
Liz Horrigan	Harlington School	PRESENT
Maintained Special (1)		
John Goddard	Hedgewood School	PRESENT
Academies (9)		
Bob Charlton	Charville Primary School	PRESENT
Joan Greening	Northwood Academy	PRESENT
Tracey Hemming	Middlesex Learning Partnership	PRESENT
Robert Jones	Haydon School	ABSENT
Helen Manwaring	Swakeleys School	APOLOGIES
Peter Ryerson	Guru Nanak Sikh Academy	PRESENT
(three vacancies)		-
Special Academies (1)		
Sudhi Pathak	Eden Academy Trust	ABSENT
Alternative provision (1)		
Laurie Cornwell	The Skills Hub	ABSENT
Private Voluntary & Independent Early Years Providers (2)		
Elaine Caffary	4 Street Nursery	PRESENT
Lesley Knee	Ruislip Methodist Preschool	PRESENT
14-19 Partnership (1)		
(vacant)		

Other attendees (non-voting)

Independent Non-Maintained Special School		
Debbie Gilder	Pield Heath School	NOT REQUIRED
Shadow Representative (Maintained Primary - Schools)		
Rachel Anderson	Dr Tiplests School	NOT REQUIRED
Julia Moss	Harefield Infant School	NOT REQUIRED
Sophia Shaikh	Grange Park Junior School	NOT REQUIRED
Shadow Representative (Maintained Primary - Governor)		
John Buckingham	Glebe Primary School	NOT REQUIRED
Mr Graham Wells	Colham Manor Primary School	PRESENT
Local Authority		
Kate Boulter	Clerk	PRESENT
Dan Kennedy	Director of Housing, Environment, Education, Performance, Health & Wellbeing	PRESENT
Peter Malewicz	Finance Manager - Children and Young People Services	PRESENT
Councillor David Simmonds	Deputy Leader of the Council and Cabinet Member for Education and Children's Services	PRESENT

1.	<p>APOLOGIES AND INTRODUCTIONS</p> <p>The Chair welcomed Councillor David Simmonds, Deputy Leader of the Council and Cabinet Member for Education and Children's Services, to the meeting.</p> <p>Apologies were recorded in the attendance list (above). The Chair confirmed the meeting was quorate and could proceed to business.</p>	
2.	<p>OUTCOME OF DISAPPLICATION REQUEST</p> <p>The Secretary of State for Education notified the Council on 7 February 2019 that it had agreed the Council's disapplication request to transfer £3,499k from the Schools Block to the High Needs Block in 2019/20. The Leader and Deputy Leader of the Council had asked Schools Forum to convene this emergency meeting to discuss the implications of the decision on the Individual Schools Budgets for 2019/20 prior to the Council agreeing the Dedicated Schools Grant (DSG) Budget for 2019/20 at the Cabinet meeting on 14 February 2019.</p> <p>The Forum considered a report which set out the background to the disapplication request and provided spreadsheets showing the level of schools balances, the impact on the 2019/20 actual position including impact of pupil number movements, and the impact of the disapplication request on School Budgets using 2018/19 data as the baseline.</p> <p>Cllr Simmonds addressed the meeting and in response to questions from Forum members advised that:</p> <ul style="list-style-type: none"> • At its last meeting the Forum had recommended a deficit DSG budget to Cabinet. This meeting provided an opportunity for the Forum to discuss the matter again, in light of the Secretary of State's decision. The Forum's views would be taken into consideration when the Cabinet made its decision on the 2019/20 DSG budget on 14 February. • Cabinet was the decision-making body regarding the DSG budget and would take into consideration the views of both the Forum and the Secretary of State. • Although ringfenced, the DSG was part of the Council's overall budget and the Council was legally obliged to set a balanced in-year budget. • Pressure had been put on Government to provide more funding for High Needs, and Hillingdon would receive an additional £775K High Needs funding in both 2018/19 and 2019/20. The DfE also had a capital strategy to create more local places for children and young people with high needs. However there was no expectation that funding would increase sufficiently to pay off the deficit in the near future. • There was a choice to be made of whether to live with the deficit, and have a strategy in place to reduce it, or take action to reduce the deficit now. The Secretary of State's agreement of the disapplication request indicated that Government preferred improvement to be made to the deficit position now. • Hillingdon schools had an overall balance in excess of £36.7 million which indicated there was surplus money in the system. Schools Forum needed to exercise its leadership and consider ways in which funding could be distributed more effectively. <p>The Forum discussed and commented on the impact on the proposed transfer from the Schools Block to High Needs:</p>	

- The Forum had no control over the primary cause of the deficit, which was the expansion of High Needs support from 0-18 to 0-25, with no corresponding increase in financial support from Government. Local authorities nationwide were reporting deficits attributed to the rapid increase in demand for high needs support.
- Prior to the Secretary of State agreeing the disapplication request, the Council had acknowledged that the Forum had managed its budget competently prior to the implementation of the Children and Families Act 2014; that the deficit primarily related to DfE funding failing to keep pace with growing demand for high needs, and the Council had expressed an expectation that Government would ultimately provide adequate funding to bring the Schools Budget back into balance.
- Transferring money from the Schools Block masked the reason for the deficit, at the expense of funding for mainstream education. It was important to be transparent about the reason for the deficit, so the cost of providing high needs support could be properly assessed and adequate funding provided by Government.
- Any transfer from the Schools Block to the High Needs Block would only serve to reduce the High Needs Block deficit. It would not make more funding available to support children and young people with high needs. Schools would have less money to spend on educating children, and no child would gain from additional funding in the High Needs Block.
- Pupil numbers had declined and it was possible there could be a 0% increase, or even a reduction, in the 2020/21 DSG. Some LAs were already experiencing 0% DSG funding increases. If Cabinet agreed the transfer for 2019/20, schools could suffer from funding cuts in consecutive years. Some schools would be put at financial risk if funding were to reduce.
- Any transfer would be for 2019/20 only. It was not possible to achieve £3.5million savings in one year, so there would be a further shortfall in 2020/21. It was vital that the underfunding was addressed to prevent recurrence.
- When the National Funding Formula is introduced, Schools Forum would have no control over the Schools Block element of the DSG.

The Forum discussed and commented on actions that could be taken to reduce the deficit:

- The Forum had made difficult decisions, advised and supported by officers, regarding savings that could be made to reduce the deficit. The timing of the Secretary of State's decision, less than a week before the Cabinet meeting, left no time to model any potential savings or implement actions, some of which would require consultation with stakeholders, or be outside the power of the Forum to determine.
- The overall school balances of £36.7 million quoted by Cllr Simmonds was based on maintained school balances as at March 2018, and academies balances as at 31 August 2017. The figure was likely to have changed since then. Of the £36.7 million quoted, around £9.6 million was in maintained schools and the rest was in academies. Academies were limited companies and did not separate capital and revenue. Currently there was no mechanism to claw back schools' surpluses, and any proposal to implement one would require support from the Council and the DfE. If any change were agreed, schools should not be penalised for running budgets efficiently.

	<ul style="list-style-type: none"> • Some schools benefitted disproportionately from the Minimum Funding Guarantee (MFG). If these schools were reporting surplus balances, there may be a need to review the funding formula, to provide fairer distribution. • Primary pupil numbers had decreased this year, which would affect next year's budgets. Some schools had been financially disadvantaged by pupil numbers failing to reach expanded PAN targets. Place planning needed to be more flexible to enable schools to budget with more certainty. Any proposals to relax PANs would require the Council's approval. • Schools were already sharing some services and this could be explored further. For example, agency staff costs were high and unpredictable, and a common recruitment framework for teaching supply staff could potentially achieve savings if all schools agreed to use only that route. <p>It was proposed and seconded that the Forum recommend to Cabinet that 0.5% be transferred from the Schools Block to the High Needs Block, consistent with the transfer agreed for 2018/19. It having been put to a vote, this was NOT AGREED.</p> <p>It was proposed and seconded that the Forum recommend to Cabinet that 0% be transferred from the Schools Block to the High Needs Block, consistent with the decision made by the Forum on 16 January 2019, for the reasons given at the meeting and reiterated above. It having been put to a vote, this was AGREED.</p> <p>It was further AGREED that Forum would explore the following areas with a view to identifying savings towards decreasing the deficit:</p> <ol style="list-style-type: none"> (1) Seek advice from the DfE and Council regarding the implementation of a clawback mechanism for schools with high surpluses. (2) Review the MFG to ensure per pupil funding was fairly distributed. (3) Work with the Council to find a more flexible system for managing place planning to enable schools to manage resources more efficiently. (4) Explore collaborative working between schools to find efficiency savings. 	
3.	<p>DATE OF NEXT MEETING</p> <p>Wednesday 13 March 2019 at 2pm.</p>	

The meeting closed at 6.25pm.