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Report title:	The Schools Budget 2017-18 – Key Decisions on Central Retentions and De-delegations	
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Executive Summary

This report considers the proposals for centrally retained and de-delegated budgets and their funding from the Schools Block of the 2017-18 Dedicated Schools Grant (DSG) these are, in general, based on the same approach as in previous years. There are, however, some changes to the approach this year which are highlighted, most notably:

- Some changes to the Growth Fund/ Falling Rolls which will be finalised at the January meeting
- An increase to one of the de-delegations
- The capital funded from revenue item can no longer be centrally retained and will be delegated to schools through the formula

Schools Forum Actions

The Schools Forum is asked to formally consider the options set out in section 4.0, and to:

- Agree by phase to the de-delegated funding, as outlined in 4.1;
- Agree all the Retained Budgets – (to be agreed individually) as outlined in 4.2.
- Agree in principal to the changes to the Growth Fund proposed at Appendix C

There is a separate report on the central retention of Education Services Grant and also on Transport Costs being charged to the DSG on the agenda. Any further issues on central retention on the early years and high needs block will be presented at the January meeting of Schools Forum. These would be for consultation only, although there will be a new limit on early year's central retention as advised at the October meeting (a verbal update will also be given on early years).

To note that from 2018-19 the de-delegations will cease to exist with services either ceasing or moving to buy back or clawback arrangements. The Schools Forum is asked to give its view as to whether any of the de-delegations should move to buy back before then.

1.0 Background

- 1.1 The guidance surrounding central retentions and de-delegations are governed by the EFA publication *Schools Revenue Funding 2017 to 2018 Operational Guide published in July 2016* paras 70 to 107. In addition supplementary guidance has been issued on *2017 to 18 schools funding: historic commitments published in November 2016*. The Authority has sought to comply with this guidance.
- 1.2 As in previous years, the schools block funding can only be held centrally for certain services as specified by the DfE and where Schools Forum agree to:

- de-delegate funding, by phase;
- centrally retain funding before allocating the formula.

- 1.3 The School Funding regulations outline the details of the exceptions where funding can be centrally held from the schools block, where Schools Forum agreement is required and any limitations applicable. Funding can be centrally retained in the form of either:
- De-delegated services – section 2.0;
 - Centrally retained services – section 3.0
- 1.4 When considering the proposals for 2017-18, the LA has made some proposals for change with regard to the Growth/ Falling Rolls Fund and the Summerhouse de-delegation which Schools Forum need to approve as appropriate.
- 1.5 The LA is required to submit to the Education Funding Agency (EFA) the provisional 2017-18 authority pro-forma by 20 January 2017. The pro-forma outlines the details of the local funding formula, including the agreed de-delegated budgets.
- 1.6 This report provides details of the requirements for de-delegated and centrally retained budgets, 2016-17 arrangements in Southwark and proposals for 2017-18. From 2018-19 the de-delegations other than for ESG (noted in a report separately on the agenda) will end and services will need to cease and/ or move to buyback/ clawback arrangements.

2.0 De-delegated Services

- 2.1 This funding is initially allocated to all schools, as part of the Southwark School Funding Formula. Maintained primary and secondary schools can agree, through the Schools Forum, to de-delegate or “return” this funding to the Local Authority to be held centrally. De-delegation is not applicable to academies, special schools, nurseries nor PRU’s.
- 2.2 The Schools Forum agreed to de-delegate funding for the following services in 2016-17:
- Contingencies (including schools in financial difficulty);
 - Behaviour support services;
 - Free school meals eligibility checking (primary schools only);
 - Licences/subscriptions;
 - Staff costs for supply cover (maternity and trade union only).
- 2.3 Details of the 2016-17 de-delegation budgets and proposed 2017-18 Budgets are shown in Appendix A.
- 2.4 At the July 2016 Schools Forum it was proposed that the criteria for eligibility for the Schools in Difficulty funding be widen. This was suggested in the context of the 2015-16 budget having a significant favourable variance, and widening the criteria may allow more schools to access the fund. An addition criterion has been drafted and the Schools Forum are asked to consider its inclusion, however, it should be noted that the level of applications has substantially increased for 2016-17 and the budget is expected to be fully utilised. The proposed criterion is:

A School experiences an unforeseen event causing a financial impact that is beyond what would be reasonable for the Schools Annual Budget Share and their cumulative balances to absorb.

The current definition also includes a falling rolls criteria and it was proposed at the October 2016 Schools Forum to remove this as it would be managed by way of a falling rolls fund. However, as there is limited available budget for a falling rolls it is proposed that this criteria remain within the School in Difficulty remit to allow schools to apply for this should there be insufficient budget within the falling rolls fund.

- 2.5 At the July 2016 Schools Forum it was suggested that the maternity supply cover budget criteria be widen to include cover for paternity leave and shared parental leave. The Schools Forum asked for some financial modeling to be undertaken to understand the potential impact of this. Following discussion of this proposal with the Head of Schools HR it was determined that no data is held centrally as schools manage their payroll separately. A forecast for potential applications for paternity leave is therefore not possible. Given that the Council supports gender equality it is proposed that to extend the scheme to include paternity leave cover would be an appropriate action. Drawing on the experience of another authority which had extended their scheme, they did not find a significant increase in claims on the scheme. Nationally and across all sectors take up has generally been low. The Head of Schools HR also indicated that where both parents/carers are employed in our maintained schools the cost of shared parental leave should not generally exceed the cost of either a paternity or maternity leave claim. The current spend to 30 November 2016 is £297,167.
- 2.5 There is one proposal to change the overall amounts of de-delegation in 2017-18 for Summerhouse. A summary of the proposed rates for 2017-18 is outlined below in table 1, with further details on each of the budgets provided in Appendix A, including a justification for the increase being proposed for Summerhouse (Terry Segarty will be present at the meeting to give a presentation on this). The actual de-delegation rates in 2017-18 will however change based on the October 2016 census data. The approach being taken is to seek the Schools Forum approval to the overall budgets being de-delegated or centrally retained and then the actual rates used to de-delegate will be finalised in January.

Table 1 – proposed 2016-17 de-delegated rates

Budget	Basis*	2016-17 Budget	Proposed 2017-18 Budget**	Estimated 2017-18 Primary School Rate	Estimated 2017-18 Secondary School Rate	Appendix A reference
Contingencies (including schools in financial difficulties and deficits of closing schools)	AWPU	£786,501	£786,501	£39.48	£39.48	(a)
Behaviour support services	FSM Ever 6	£531,317	£531,317	£64.56	£95.00	(b)
Behaviour support services – Summerhouse	FSM Ever 6	£932,717	£1,132,717 Increase of £200k	£125.34	£0	(b)
Free school meals eligibility (primary schools only)	FSM Ever 6	£171,162	£171,162	£18.94	£0	(c)

Licences/subscriptions	AWPU	£22,923	£22,923	£1.15	£1.15	(d)
Staff costs supply cover (maternity scheme)	AWPU	£669,294	£669,294	£32.63	£32.63	(e)
Staff costs supply cover (trade union)	AWPU	£77,634	£77,634	£3.90	£3.90	(f)
Total Proposed de-delegated budget		£3,191,548	£3,391,548			

**Funding is de-delegated on the basis of a formula factor i.e. an amount per pupil or FSM ever 6 pupil*

***Estimated based on October 2016 pupil data for number on roll, and October 2015 pupil data for FSM ever 6.*

- 2.6 The Schools Forum are required to formally agree the de-delegated budgets annually, with members for primary maintained schools and secondary maintained schools required to decide separately for each phase. The decision applies to all maintained schools within that phase. A summary of the decisions is provided in section 4.
- 2.7 Funding for de-delegated services is automatically allocated to academies as part of the schools funding formula and they are able to make their own arrangements for these services. Academies may choose to purchase services from the LA, where they are offered.

3.0 Centrally Retained Services

- 3.1 Funding can be centrally retained for some services with agreement from Schools Forum. The services allowed are set nationally by the DfE with a number of these subject to a limitation of no new commitments nor any increases in expenditure on 2016-17.
- 3.2 The Schools Forum agreed to centrally retain funding for the following services in 2016-17:
- Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy (Growth fund);
 - Places in independent schools for non-SEN pupils (e.g. secure accommodation).
 - Admissions*;
 - Servicing of the Schools Forum*
 - Capital expenditure funded from revenue**;
- *subject to limitation of no increases in expenditure allowed from 2016-17
**subject to limitation of no new commitments or increases in expenditure from 2016-17.
- 3.3 There were a number of historical centrally held combined budgets that have now been delegated to schools.
- 3.4 The proposed 2017-18 centrally retained budgets are outlined in Table 2.

Table 2 – proposed 2017-18 centrally retained budgets

Budget	Approved 2016-17 budget	Proposed 2017-18 budget	Comments	Reference
Growth fund	£700,000	£700,000	LA proposes to continue to top-slice funding of £700k for the 2017-18 growth fund, based on the same rate and	Appendix C

			number of additional classes as in 2016-17. This will include a falling rolls fund. In principal approval is required with further detail brought back to the January 2017 meeting.	
Places in independent schools for non-SEN pupils	£293,879	£293,879	LA proposes to continue to top-slice the schools budget to contribute towards the educational costs of looked after children that Southwark is responsible for.	Appendix B (a)
Admissions	£672,562	£672,562	LA proposes to continue to retain funding at the same level; this is a statutory LA responsibility and therefore funding cannot be delegated to schools to carry out this function.	Appendix B (b)
Servicing of Schools Forum	£15,000	£15,000	LA proposes to continue to retain funding of £15,000 in 2017-18 to cover the costs of servicing the Schools Forum operation including clerking and working groups.	Appendix B (c)
Capital expenditure funded from revenue	£250,000	0	The Schools Forum previously agreed to retain funding to contribute to the costs associated with the Southwark Schools for the Future programme. The overall investment is £200m of capital with delivery costs of circa £10m. The regulations say that this is no longer permitted,	Appendix B (d)
Total	£1,931,441	£1,681,441		

3.5 Recoupment academies contribute to budgets for centrally retained services as this funding is top-sliced from the Southwark Dedicated Schools Grant funding.

4.0 Schools Forum Actions

4.1 The Schools Forum is asked to vote by phase to agree to the de-delegation of the Proposed 2017-18 budgets and the basis of de-delegation shown in Table 1 above.

4.2 The Schools Forum is asked to agree that the proposed 2017-18 Budgets shown in Table 2 above are centrally retained before allocating funding through the formula:

The Schools Forum is asked to formally consider the options set out in section 4.0, and to:

- Agree by phase to the de-delegated funding, as outlined in 4.1;
- Agree all the Retained Budgets – (to be agreed individually) as outlined in 4.2.
- Agree in principal to the changes to the Growth Fund proposed at Appendix C

To note that from 2018-19 the de-delegations will cease to exist with services either ceasing or moving to buy back or clawback arrangements. The Schools Forum is asked to give its view as to whether any of the de-delegations should move to buy back before then.

Appendix A

Details of proposed de-delegated budgets

a) Contingencies (including schools in financial difficulties and deficits of closing schools) - Estimated 2017-18 budget £786,501

2017-18 Arrangement

The LA proposes to continue to de-delegate funding to support schools in financial difficulties, based on the 2016-17 budgeted amounts.

A breakdown of the estimated budget is:

- Schools in financial difficulty - £515k;
- Schools audit programme - £39k;
- Schools intervention fund - £233k

Schools in difficulty panel process (£515k)

Funding is currently de-delegated to enable the LA to provide support for maintained schools and nurseries in financial difficulty.

Maintained schools are able to make an application for additional support to the Schools in Difficulty Panel if one or all of the following criteria can be met:

- A school moves into deficit, has a robust Deficit Recovery Plan and a new Head teacher is appointed and the deficit is more than 2.0% of the total funds available to the school
- A school moves into deficit, has a robust Deficit Recovery Plan and the deficit is more than 2.5% of the total funds available to the school
- Re-organisation of the school's staffing is required to address school improvement priorities, and/or in order for the school to remain in, or get back into, a balanced budget position
- A school within 1.5km of a major regeneration project in Southwark experiences a roll reduction that requires additional support
- A School experiences an unforeseen event causing a financial impact that is beyond what would be reasonable for the Schools Annual Budget Share and their cumulative balances to absorb.

When applying for support, the school will be required to provide to the panel:

- A detailed analysis of the issues impacting on the school;
- Details of the estimated one-off and ongoing costs associated with the re-organisation for each post potentially affected including any potential pension costs;
- Provide details of the potential savings that are expected to result from the re-organisation;
- 3 year budget plan including a detailed staffing budget for new and old structures.

In addition, the LA's Schools Finance will conduct a review of the school's financial position which will be provided to the Panel when considering providing support.

Redundancy costs are expected to be met from the school's own budget in the following circumstances:

- If a school has decided to offer more generous terms than the authority's policy;
- If a school is otherwise acting outside the LA policy;

- Where the school is making staffing reductions which the LA does not believe are necessary to either set a balanced budget or meet the conditions of an agreed deficit arrangement;
- Where staffing reductions arise from a deficit caused by factors within the schools control;
- Where the school has excess surplus balances and no agreed plan to use these;
- Where a school has refused to engage with the LA's redeployment policy;
- Approval in principle of the re-organisation has not been sought from the panel in advance of the re-organisation.

It should be noted that while there may be one-off redundancy costs associated with a re-organisation, there is also a future ongoing saving which would benefit the school's budget. If a re-organisation is being considered for financial reasons, the school should conduct a cost/benefit analysis to ensure that appropriate savings are achieved from the re-organisation to justify the costs and the changes ensure value for money.

In addition, schools are able to seek support towards the costs of ill health retirements. Any agreed contribution is determined using a formulaic approach based on the schools budget share funding.

School allocations are reported at year end as part of the DSG end of year budget reporting process.

School audit (£39k)

This budget funds the school audit programme, to ensure that all schools in Southwark are audited once every three years. The Schools Forum receive an annual report on the outcomes of the audit. This provides assurances to schools, governing bodies and the Local Authority on the financial controls in place in schools.

School intervention (£233k)

Funding used to support individual "schools of concern" with school improvement support. School allocations are reported at year end as part of the DSG end of year budget reporting process.

b) Behaviour support services – Proposed 2017-18 budget £1,664,034

2016-17 arrangement

The Schools Forum agreed to de-delegate funding for Primary and Secondary schools in 2016-17 for behavior support services.

The budget in 2016-17 consisted of:

- Contribution to early help service (Educational welfare, Educational psychology, family support and early years early intervention);
- Critical incident support
- Summerhouse (primary schools only)

2017-18 arrangement

The LA proposes to continue to de-delegate funding for behaviour support services, based on the 2016-17 budget but with an increase of £200k for Summerhouse (see below for justification for increase).

Contribution to early help service (including critical incident support)

The Schools Forum agreed to de-delegate funding for Primary and Secondary schools in 2016-17 to contribute to the Early Help Service. The total Early Help locality team budget is £5.5m, which is funded from a combination of mainly council core budgets and the Dedicated Schools Grant contributions from the schools block and early years or high needs block.

The Early Help Service works with children, young people and families who are experiencing difficulties. The team provides a service for children who need extra help with their learning, social, emotional, behavioural, developmental and attendance needs. Services provided include:

- Education welfare (attendance and truancy);
- Educational psychology;
- Family Support;
- Early years early intervention;
- Behavioural and mental health advice.

In addition, the Critical Incidents Support service now also operates via the Early Help Team. This was previously a £75,000 combined budget or historical budget item. The Critical Incidents Support Service supports schools in dealing with a critical incident. Examples of critical incidents which may affect schools include for example, the death of a pupil(s) or member(s) of staff or a serious accident involving pupils and school personnel on or off school premises.

Summerhouse

The Schools Forum agreed to de-delegate funding for Summerhouse as part of the Behaviour Support Service.

Summerhouse has 24 FTE places but most children attend on a sessional basis, as agreed with their school. Summerhouse offers a continuum of support which covers:

- Advice to mainstream schools experiencing difficulties in managing challenging behaviours
- Consultations for teaching staff, senior managers and head teachers
- In-school observations by Summerhouse staff
- In-school training delivered by Summerhouse staff
- Work alongside colleagues in mainstream to model best practice
- Contribution to the SEN formal assessment process.
- Advice for parents and parenting programmes
- Support for Year 6 transition
- Behaviour management and de-escalation training
- Invitations to staff from mainstream schools, specialist provisions and students throughout the year who wish to observe and experience how positive behaviour management is used effectively at Summerhouse, so that they might apply it in their own setting.
- Outreach support, where Summerhouse staff working directly with identified children in school alongside school staff
- Support for managed moves to prevent permanent exclusion
- Part-time pupil placements at Summerhouse (up to 4 days) including transport costs

The request for additional funding is to create a new Full-Time Class Teacher post and two FTE Teaching Assistant posts for the new modular classroom at Summerhouse. This new classroom has

been added to meet the increasing need for student placements from the Southwark primary mainstream schools. The additional classroom and staff will at meet the current demand from the mainstream primary schools. The service is reviewing its charging policy for non-maintained schools to ensure that the income it receives covers the cost of pupils from those schools.

c) Free school meals eligibility – Proposed 2017-18 budget £171,162

2016-17 arrangement

The Schools Forum agreed to de-delegate funding for Primary Schools only to fund the staffing and operational costs of the team that confirms eligibility for free school meals. This includes checking eligibility, processing the forms and communicating with parents. The team also collates forms for pupils not eligible for free school meals as part of the Southwark Free Healthy School Meal Programme.

2017-18 proposal

The LA proposes to continue to de-delegate funding for free school meals eligibility, based on the 2016-17 Budgeted amount.

d) Licences/Subscriptions – Proposed 2017-18 budget £22,923

2016-17 arrangements

The Schools Forum agreed to de-delegate funding for Primary and Secondary schools in 2016-17 for licences.

There are three different arrangements currently in place in relation to licences:

- National copyright licences arrangement – a single national licence managed by the DfE for all state-funded schools in England
- Southwark arrangement – funding is de-delegated with licences managed by Southwark for all maintained schools
- Individual school arrangement – schools responsible for any additional licences required

The licences currently funded as part of the Southwark de-delegated funding arrangements are:

- The Educational Recording Agency – ERA licence
- Centre for Education and Finance management – PRS for music licence
- Centre for Education and Finance management – Phonographic Performance Limited (PPL) licence

2017-18 arrangements

The LA proposes to continue to de-delegate funding for licences, based on the 2016-17 budgeted amount.

e) Staff costs supply cover (maternity) – Proposed 2017-18 budget £669,294

2016-17 arrangement

The Schools Forum agreed to de-delegate funding for the Southwark maternity scheme. Under the Southwark maternity scheme, schools can claim funds where a qualifying member of staff takes maternity or adoption leave.

2017-18 proposals

The LA proposes to continue to de-delegate funding for the maternity scheme, based on the 2016-17 budget, and to extend the scheme to include cover for paternity and shared parental leave.

e) Staff costs supply cover (trade union) – Proposed 2017-18 budget £77,6342016-17 arrangement

The Schools Forum agreed to de-delegate funding for staff costs supply cover to reimburse schools for trade union duties. In addition, academies are able to agree to contribute to the cost of trade union facility time. Where academies have decided to make their own arrangements, they are responsible for organising their own trade union facilities arrangements.

2017-18 proposals

The LA proposes to continue to de-delegate funding for trade union reimbursements, based on the 2016-17 budget.

Trade Union Arrangements

A summary of the current trade union arrangements is provided in the table below:

School/Academy	Union	Days
Goose Green	NUT	1.5
Globe	NUT	2.5
Kingsdale	NASUWT	2
TBC	ALT	0.5
Total		6.5

Appendix B

Centrally retained budgets

a) Places in independent schools for non-SEN pupils – Proposed 2017-18 Budget £293,879

2016-17 arrangement

The dedicated schools grant contributes £293,879 towards the education elements of looked after children in residential settings. Note, the DSG also contributes towards the costs of children with SEN in residential settings relating to the educational element within the high needs block.

2017-18 proposal

The LA proposes to continue to top slice the schools budget to contribute towards the educational cost of looked after children that Southwark is responsible for.

b) Admissions – Proposed 2017-18 Budget £672,562

2016-17 arrangement

The Schools Forum agreed to retain funding to fund the LA's statutory functions in relation to the administration of admissions of pupils to schools. The funding is used to cover the staffing costs of the admissions team in relation to admissions and appeals.

The retained budget in 2016-17 was £672,562.

2017-18 proposal

The LA proposes to continue to retain funding of £672,562 in 2017-18; this is a statutory LA responsibility and therefore funding cannot be delegated to schools to carry out this function.

c) Servicing of Schools Forum – Proposed 2017-18 Budget £15,000

2016-17 arrangement

The Schools Forum agreed to retain funding to cover the costs of servicing the Schools Forum operation including clerking and working groups.

2017-18 proposal

The LA proposes to continue to retain funding of £15,000 in 2017-18.

d) Capital expenditure funded from revenue – Proposed 2017-18 Budget £0

Per the new regulations we will not be permitted to centrally retain unless we can demonstrate this is a historic commitments and not a general contribution. Funds should be delegate schools through the formula.

Appendix C

Previously Schools Forum agreed a £700k provision for Growth Fund. Our estimate of requirement for the existing scheme would be £600k (further detail will be provided at the January meeting). This would leave £100k for a falling rolls fund along the lines and criteria outlined at the October 2016 meeting, if necessary this could be topped up by the Schools in difficulty fund. The suggested increase in the Growth Fund lump sum will be put on hold until the January meeting to ensure that it is affordable in the context of the matters identified in the DSG Budget Monitoring report. The Growth Fund will operate on an equitable basis between maintained schools and basic need academies in compliance with the regulations and ensure that there is no over-funding.