

# **Report of the Director of Children's Services to the meeting of the Children's Services Overview & Scrutiny Committee to be held on 26 July 2016.**

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**Subject:**

**Schools Forum Update**

**Summary statement:**

**Children's Services Overview and Scrutiny Committee has asked for a regular update on the work of the Schools Forum.**

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**Overview & Scrutiny Area:**  
**Children's Services**



## **1. SUMMARY**

- 1.1 The Committee has asked for regular updates to be provided on the work of the Schools Forum.
- 1.2 The last update was presented to the Committee on 12 January 2016. The Schools Forum has met 3 times since on 16 March, 18 May and 20 July.
- 1.3 Due to the timing of the preparation of reports, the decisions list from the 20 July meeting is not available to attach to this report. The key outcomes from the 20 July meeting will be presented verbally to the Committee.
- 1.4 5 key items have been / are being considered by the Schools Forum across these meetings. These are:
- Redevelopment of the Outdoor Education Centres
  - Maintained School Surplus Balances
  - The financial implications of the conversion of a significant number of maintained schools to academy status
  - SEND places sufficiency and Dedicated Schools Block High Needs Block financial pressures
  - National Funding Formula

This report focuses on these key items and more information on each is provided in section 3 of this report.

## **2. BACKGROUND**

- 2.1 Under national Regulations, every local authority is required to operate a Schools Forum. The primary function of a Schools Forum is to recommend to the Council's Executive how the funding, which the Government provides for schools and individual pupils (known as the Dedicated Schools Grant), is managed. The Forum also has some specific technical decision making powers.
- 2.2 The Schools Forum meets every half term. The next meeting is scheduled for Wednesday 21 September 2016.
- 2.3 As a quick reminder for Members, we reported to the Committee on 12 January 2016 the following summary of key proposals, activities and changes announced by the Chancellor in the 25 November Autumn Statement:
- The Government's intention to consult on the implementation of a national funding formula for schools and academies from April 2017.
  - Funding for the universal infant FSM is to be "maintained".



- The Pupil Premium is to be “protected at current rates” for the rest of the Parliament.
- Average childcare funding rates are to be increased from 2017/18 alongside the extension to 30 hours for working parents and the introduction of an Early Years National Funding Formula.
- The 16-19 base funding rate is protected “in cash terms”, but other non-base rate funding is expected to be reduced e.g. bursary funding; deprivation funding Post 16 funding formula.
- There is to be a significant focus on greater efficiency, with the DfE to provide detailed “actions and guidance” in 2016 to support schools and academies to make savings, including better use of economies of scale.
- There is to be a review of statutory duties alongside a £600m reduction (3/4 reduction) in Education Services Grant. This reduction will affect both academy and local authority budgets. A very clear statement in the Chancellor’s report about furthering the Government’s goal of “ending local authority running of schools”.
- There is to be an Apprenticeship Levy at 0.5% of the annual pay bill.

### **3. OTHER CONSIDERATIONS**

#### **3.1 Redevelopment of the Outdoor Education Centres**

- The report to the Schools Forum on 18 May outlined that the refurbishment works at Ingleborough Hall and Buckden House have been completed and that works at Nell Bank (at the time of the report) were progressing (to a completion date of the end of May). The anticipated capital overspending of £181,000 is being underwritten by the Council, with the expectation that Council will recover this from the Centres in the future.
- The report highlighted that recent financial activity clearly evidences the positive impact that refurbishment works have had on the profitability of the Centres that have been refurbished and that the position for the future is encouraging. Ingleborough Hall and Buckden House are being managed together and the Council is seeking now to establish a Task and Finish Group to explore a range of future options, including the possibility of a single trust arrangement across the 3 Centres.
- Forum Members agreed that the transformation of the Outdoor Education Centres into sustainable assets for the District is a good news story and that the Outdoor Centres are a fantastic resource for children, including children with SEND, and their families. Members expressed a view that they would now like to see the Centres available more for families e.g. at weekends and it was explained that expansion for weekend opening is currently being developed. Seeing the value of



money of the £1.5m investment from the DSG, Members agreed that the Forum's discussions on this matter are now concluded.

### 3.2 Maintained School Surplus Balances

- The Forum received a report on 18 May, which outlined the position of surplus revenue balances held by maintained schools at the close of the 2015/16 financial year. The position of balances by phase is summarised in the table below:

	<b>March 2016</b>	<b>March 2015</b>	<b>£ Difference</b>
Nursery	£634,274	£865,874	- <b>£231,600</b>
Primary	£13,192,865	£13,280,694	- <b>£87,829</b>
Secondary	£3,306,510	£4,302,442	- <b>£995,932</b>
Special	£692,554	£773,431	- <b>£80,877</b>
PRUs	£1,041,564	£1,841,198	- <b>£799,634</b>
<b>Total</b>	<b>£18,867,767</b>	<b>£21,063,639</b>	- <b>£2,195,872</b>

- Please note that these totals are affected by the reduction in the number of maintained schools, as schools convert to academy status. Balances held by academies are not included within the Authority's reporting. At 31 March 2016, 2 fewer secondary schools were maintained by the Local Authority than at 31 March 2015. These 2 schools held revenue balances in total of £0.448m at 31 March 2015.*
- The gross value of total surpluses held at 31 March 2016 is £20.03m. The gross value of deficits is £1.16m (across 6 schools). The gross value of deficits at 31 March 2015 was £0.51m (across 4 schools). The table above shows a mixed picture:
  - A larger reduction in total balances held by Secondary schools. Within the Secondary schools' balances figures, £1.12m of the £3.31m total is held to cover Building Schools for the Future (BSF) contract liabilities. 3 secondary schools hold revenue deficits with a total value of £0.95m. In comparison, at March 2015, 1 secondary school held a revenue deficit.
  - A small reduction in the total value of balances held by Primary schools, but a mixed picture, with 67 schools reducing and 70 schools increasing their balances. 1 school holds a revenue deficit.
  - A sizeable reduction in the total value of balances held by Nursery schools. This however, is mostly explained by the separation of accounting during 2015/16 of the external DfE funding held by 1 school as a Teaching Alliance School. 1 nursery school holds a small deficit balance.
  - A sizeable reduction in the value of balances held by the PRUs, mostly explained by the reduction in the balance at 1 PRU with the progression of building works (and the related revenue contribution to capital).
  - A small reduction in the total value of balances held by Special schools, but with 4 of the 6 schools increasing their balances. 1 Special school holds a revenue deficit.
- In terms of the control of surplus balances, at 31 March 2016, 51 schools (+6 schools on March 2015) are holding balances above their Thresholds, at total value of £4.13m (-£1.20m on March 2015). After legitimate adjustments have been made, 33 schools (-3 schools) are holding what the Council's Surplus Balances Protocol



defines to be an 'excess' balance, at a total value of £2.38m (-£1.33m). 36 schools (-9 schools) have returned 37 schemes, with the total value of schemes adding up to £3.66m (-£1.65m). A breakdown of schemes by type is shown in the table below:

Type of Scheme	No. of Schemes	Total Value of Schemes
1 Revenue Contribution to Capital Scheme	25	£1.977m
2 Revenue Contribution to Spend to Save	0	£0.000m
3 Contracts Review (including BSF)	4	£1.115m
4 Managing Places Expansion	2	£0.136m
5 Managing Budget Reduction	5	£0.412m
6 Managing Exceptional Circumstances	1	£0.020m
<b>Total</b>	<b>37</b>	<b>£3.660m</b>

- Our conclusion from a simple analysis of the balances and Intended Use of Balances reporting positions at 31 March 2016 is that the Council's revised Surplus Balances Protocol continues to have an impact:
  - Although the number of schools above their Thresholds at 31 March 2016 has increased from 45 to 51, the value of balances held by these schools above their Thresholds has significantly reduced.
  - No schools have breached their Thresholds without having assigned an appropriate value of balance to schemes, suggesting that the quality of financial planning and monitoring is continuing to improve.
  - The total value of balances held by all schools has reduced. It is expected that balances will reduce further during 2016, especially where the sums currently being held for specific commitments are spent.
  - We must also recognise that the tighter financial climate is having / will have an impact on the values of balances held. The position of the secondary sector especially must be carefully monitored.

### 3.3 The financial implications of the conversion of a significant number of maintained schools to academy status

- This was a main agenda item at the 18 May meeting and will continue to be a priority discussion area for the Schools Forum, and for Council, going forward.
- On conversion, the debt associated with a deficit held by a maintained school that is a 'sponsored' academy reverts back to the Local Authority. The Council's School Funding Team supports and challenges schools on their budget positions and works to identify and resolve issues early. We have not previously had to write off any deficit associated with a sponsored academy conversion. However, the opportunity for debt relating to deficit balances to arise is greater in 2016 due to the expected larger number of academy conversions and because budgets are becoming tighter due to the full year impact of increases in employer staffing costs (National Insurance and pension contributions).
- We currently 'know about' 65 possible conversions between now and the end of this financial year, or which approximately 18 may be deemed sponsored conversions.



- Sponsored conversions to academy status have other potentially very significant financial implications for the Council on top of the cost of deficit budgets, including where liabilities relating to contracts held by or with maintained schools, such as Building Schools for the Future, crystallise at conversion and revert back to the Council. Buildings conditions issues and staffing restructure costs associated with future year deficit budgets are also being raised as financial issues that are being viewed, by the Regional Schools Commissioner, as barriers to achieving successful conversion by strong sponsors. Pressure is increasing from the Regional Schools Commissioner on the Council to meet the cost of such issues and to finance indemnities against liabilities in order to successfully achieve the conversions of 4 secondary schools.
- The Council must agree and set out its stance on these issues. The Schools Forum for its part, at its meeting on 18 May, agreed that:
  - A collaborative approach should be established, which may mean that financial support is provided from the Dedicated Schools Grant (DSG) alongside contributions from other parties, but that the Authority should not automatically assume that the DSG will provide such financial support.
  - The Schools Forum should establish a framework and a set of guiding principles. To this end, that a working group is established to further investigate the principles of, and options for, how liabilities can be prevented and managed. The working group met for the first time on 15 July.

#### 3.4 SEND places sufficiency and High Needs Block financial pressures

- The Schools Forum has been presented with, and has considered, a number of important strategic matters relating to High Needs Block funding and SEND provision since September 2014. Discussions have been gathering pace and have also extended to other groups, including the Education Improvement Strategic Board. These discussions will continue to feature strongly in the work of the Forum over the coming 12 months, incorporating:
  - The sufficiency of places in SEND and behaviour provisions
  - How our provisions are re-shaped in the context of academisation and the development of sector-led delivery
  - Possible significant issues with the financing of provisions, in the context of the growth in need in Bradford and impact of the National Funding Formula.
  - Our SEND and Behaviour support strategy in the context of raising pupil outcomes across Bradford.
- The Schools Forum received a presentation on 18 May, which explained that a further 68 places in specialist provisions are needed to meet current demand at September 2016 and then a further 360 places are needed by September 2018 (roughly 120 per year) simply to meet forecasted demographic growth. The financial implications of this will be considered by the Forum during the autumn term. For reference, the DSG High Needs Block is currently overspending by £5.5m on the DfE allocation, with this £5.5m being financed by contributions from the Schools and Early Years Blocks. Our High Needs Block funding has most clearly not kept pace with the cost of our growing need. Simply, we do not have the on-going DSG



funding currently to provide the additional 68 plus 360 places. We expect the National Funding Formula to resolve this and, if the proposals do not do so, this will be a key area of challenge in our response to the 2<sup>nd</sup> stage consultation (see below).

- A key piece of work for the Forum will be evaluating at the value for money of our current High Needs Block allocations, investigating where we can save money, including looking for 'spend to save' early intervention approaches. The Forum has been asked to support a proposal to enter into a Social Impact Bond to finance a new service to help young people with learning disabilities and behaviours that are at high risk of residential education and / or care entry to achieve better outcomes, but also to reduce / control increasing costs of residential placements, by supporting these young people to remain at home. This was considered by the Forum on 20 July.

### 3.5 National Funding Formula

- The DfE published its awaited consultation on National Funding Formula (NFF) on 7 March 2016. Our response to this consultation is attached at Appendix 1. Members of the Committee will see from this the key proposals and our main areas of challenge and concern.
- The 1st stage consultation gave no indication (or figures) on which to assess the impact on funding levels for the Bradford District or individual schools and academies. However, it did give a very clear steer on the reducing role of the Local Authority and Bradford's Schools Forum in deciding on local funding matters.
- A consultation on Early Years Funding has not yet been published; a 'parallel' process will be published in due course. As a result, there is still much for the Schools Forum to consider regarding the impact of the NFF and our response to this.
- We currently await the 2<sup>nd</sup> stage consultation (the stage which should give us figures to work on), which is imminently anticipated. This will trigger a significant amount of work and further discussion. An update will be provided verbally if this is published before the Committee meeting.
- As set out in paragraph 3.4, one of the key watch areas is proposals for the High Needs Block (HNB); the value of our HNB funding under new arrangements and the status of the original proposal to not allow local authorities to take any further contributions from the Schools Block to help meet HNB pressures and to afford the expansion of places.

## 4. **FINANCIAL & RESOURCE APPRAISAL**

Not applicable – this is an update for information.



## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

Not applicable – this is an update for information.

## **6. LEGAL APPRAISAL**

Not applicable – this is an update for information.

## **7. OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

Not applicable – this is an update for information.

### **7.2 SUSTAINABILITY IMPLICATIONS**

Not applicable – this is an update for information.

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

Not applicable – this is an update for information.

### **7.4 COMMUNITY SAFETY IMPLICATIONS**

Not applicable – this is an update for information.

### **7.5 HUMAN RIGHTS ACT**

Not applicable – this is an update for information.

### **7.6 TRADE UNION**

Not applicable – this is an update for information.

### **7.7 WARD IMPLICATIONS**

Not applicable – this is an update for information.

### **7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

Not applicable – this is an update for information.

## **8. NOT FOR PUBLICATION DOCUMENTS**

None





## **9. OPTIONS**

Not applicable – this is an update for information.

## **10. RECOMMENDATIONS**

**10.1 Committee Members are asked to consider and to note the information provided in this update.**

## **11. APPENDICES**

Appendix 1 – National Funding Formula Consultation Response

## **12. BACKGROUND DOCUMENTS**

None

