

# Agenda

## Herefordshire schools forum

Date: **Tuesday 22 January 2019**

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Time: **9.30 am**

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Place: **The Council Chamber - The Shire Hall, St. Peter's Square, Hereford, HR1 2HX**

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Notes: Please note the time, date and venue of the meeting.

For any further information please contact:

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# Agenda for the Meeting of the Herefordshire schools forum

## Membership

<b>Chairman</b>	Andy Evans	Mainstream Academies
<b>Vice-Chairman</b>	Julie Cohn	Academy Special School Representative
	Sian Bailey	LA Maintained Special Schools
	Christine Bryan	Academies
	Pat Burbidge	Archdiocese of Cardiff
	Nicki Emmett	Academies
	Steven Fisher	Academies
	Edward Gwillim	16-19 Providers
	Kimberly Harley	PRU management committee
	Joe Hedges	Primary Governors
	Martin Henton	LA Maintained Secondary Schools
	Ali Jackson	Early Years Representative
	Steve Kendrick	Local Authority Maintained Primary School (with Nursery)
	Tim Knapp	Academies
	Chris Lewandowski	Trade Unions
	Sian Lines	Church of England
	Rose Lloyd	Early Years
	Norman Moon	LA Maintained Primary Schools
	Paul Deneen	Trade Unions
	Julie Rees	Local Authority Maintained Primary School
	Rachel Rice	Secondary Governors

## Agenda

	<b>Pages</b>
<b>1. APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>2. NAMED SUBSTITUTES (IF ANY)</b> To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.	
<b>3. DECLARATIONS OF INTEREST</b> To receive any declarations of interest by Members in respect of items on the Agenda.	
<b>4. MINUTES</b> To approve and sign the minutes of the meeting held on 19 October 2018.	5 - 26
<b>5. SCHOOLS BUDGET 2019/20</b> To agree final budget proposals for recommendation to the cabinet member for children and families for school budgets, central school services and early years within the Dedicated Schools Grant (DSG) for 2019/20.	27 - 46





**Minutes of the meeting of Herefordshire schools forum held at The Council Chamber - The Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Friday 19 October 2018 at 9.30 am**

**Present:**            **Mr A Evans (Mainstream Academies) (Chairman)**  
                           **Mrs J Cohn (Academy Special School Representative) (Vice Chairman)**

Mrs S Bailey	LA Maintained Special Schools
Ms C Bryan	Academies
Ms N Emmett	Academies
Mr S Fisher	Academies
Ms K Harley	PRU management committee
Mr M Harrisson	Trade Unions
Mr J Hedges	Primary Governors
Mr S Kendrick	Local Authority Maintained Primary School (with Nursery)
Mrs R Lloyd	Early Years
Mr P Deneen	Trade Unions
Ms R Rice	Secondary Governors

**In attendance:**    **Councillors FM Norman and EJ Swinglehurst**

**Officers:**            **Chris Baird, Lisa Fraser, Malcolm Green and Les Knight**

**10.        ELECTION OF CHAIRMAN**

*The vice-chair of the forum opened the meeting and called for nominations for chairman.*

Mrs S Bailey proposed and Mr P Deneen seconded the nomination of Mr A Evans.

**Resolved: that Mr A Evans be elected Chairman of the Forum for the ensuing year.**

**11.        ELECTION OF VICE-CHAIRMAN**

*Mr A Evans, Chairman, in the chair.*

Mr P Deneen proposed and Mrs S Bailey seconded the nomination of Mrs J Cohn.

**Resolved: that Mrs J Cohn be elected Vice-Chairman of the Forum for the ensuing year.**

**12.        APOLOGIES FOR ABSENCE**

Apologies were noted from: Mr P Burbidge, Mr M Henton, Mr P Jennings, Mr T Knapp, Mr C Lewandowski, Mr N Moon, Mrs J Rees.

### 13. NAMED SUBSTITUTES (IF ANY)

The following substituted were noted:  
Mr Harrisson for Mr Lewandowski  
Ms N Emmett for the academies group

### 14. DECLARATIONS OF INTEREST

None.

### 15. MINUTES

It was noted that in relation to item 8 of the minutes of the meeting held 6 July 2018, the cabinet member finance and corporate services had provided additional information in relation to the future operation and funding of children's centres which would be circulated to members of the forum following the meeting.

There were no other matters arising from the minutes.

**Resolved: that the minutes of the meeting held on 6 July 2018 be approved as a correct record and signed by the chairman.**

### 16. LOCAL AND NATIONAL SCHOOL FUNDING UPDATE (Pages 7 - 22)

The Schools Finance Manager (SFM) began with a presentation on national school funding issues.

Key points noted included:

- the f40 group of low funded local authorities continued to campaign for a fairer funding system;
- a presentation had been given to MPs in Westminster to promote the group's briefing paper which identified a number of areas of concern and proposals of how these could be resolved;
- the f40 group promoted an activity led funding model, which should be index linked and move away from reference to historical spending patterns, for example the lump sum allocated to schools was based on an average of historic values across all local authorities rather than an assessment of the costs that funding was intended to meet;
- the national funding formula should not be artificially supported by a minimum guarantee which locks in many historic differences;
- the f40 briefing note reflected many of the issues that had recently been discussed by the schools forum;
- Herefordshire currently ranked around 93<sup>rd</sup> out of 150 local authorities in terms of funding, this improvement on the past position reflected both additional money from central government and prudent decisions taken by the forum;
- the f40 estimated the current funding shortfall to be £2bn per annum, rising to £3.8bn in 2019/20;
- funding per pupil had remained steady over recent years but an increase in pupil numbers had increased expenditure and there were hidden costs such as those relating to national insurance and pension costs for teaching and non-teaching staff;
- it was estimated that the total increase in costs was about 15% over 5 years, while the amount of funding per pupil had barely increased over the same period;
- the comprehensive spending review in 2019 would determine the next 3 – 5 years of funding, until that process was completed the DfE would not be able to commit on future schools budgets;
- the government was aware of the emerging cost pressures in the high needs budget, where demand was outstripping the budget available;

- the national funding formula for high needs was fixed with a 50% factor on historic funding levels, some local authorities had requested significant transfers from their schools budget block to their high needs block to meet pressures;
- there was feedback on early years that with the introduction of 30 hours central provision for some families, providers were more reliant on central funding and this was causing some providers to struggle;
- restraint on council funds was impacting on the availability of school transport;
- the SFM reported that the f40 group remained a good way for Herefordshire to put its views across and that the chair and vice-chair of the group had regular access to ministers.

The members of the forum thanked the SFM for his work with the f40 group.

In discussion of the presentation and f40 briefing note it was noted that:

- some low funded schools in Herefordshire had benefitted from the minimum funding level but the mechanism was applied bluntly across all pupils with no consideration of additional needs, if the formula was doing its job then these artificial floor levels would not be needed;
- the only sensible advice that could be given to schools in projecting their budget for future years was to assume little or no increase in budgets but increasing costs, the council had advised to budget for 2% increase in pay costs for the next 5 years;
- that the f40 briefing paper had been sent to all MPs and 28 had attended the Westminster briefing, it was not known if either of the Herefordshire MPs had attended;
- that the cabinet member for children and families had requested a meeting with the local MP to include discussion of the high needs budgets.

Forum members felt that it would be beneficial to invite the two MPs representing the county to attend a future meeting of the forum, to hear first-hand the financial challenges faced by Herefordshire schools, how these were being tackled and how they could support these efforts.

The SFM then gave a presentation on the projected schools budget for 2019/20. The key points of the presentation were:

- the Dedicated Schools Grant (DSG) was expected to be confirmed in December, past estimates had proved to be quite accurate;
- consultation would take place with schools during the second half of the autumn term with final proposals on schools budgets being put to the forum in January 2019 and the high needs budget in March 2019;
- there was a new growth allocation which was expected to be a recurring factor, the consultation with schools would include some possible criteria which could be used to allocate this fund, this would include the option to fund additional special school places but this would require a transfer to the high needs block;
- allocating any surplus funds as additional funding per pupil was possible but there were risks in doing so due to the impact of the minimum funding guarantee on future years funding;
- other options for use of any surplus in the schools block included transfer to the high needs block to address pressures there, a similar transfer had taken place for 2018/19 although this had only been supported by the forum as a one-off;
- the final option would be to retain the surplus into balances;
- the cost pressures on the high needs budget remained and additional savings would need to be found;
- changes to top up tariffs had been agreed for the 2018/19 budget and no further changes were proposed at this time;
- not all of the savings required were realisable in 2019/20 so balances would be used to smooth the transition, some changes would not kick in until September 2019;

- the future of the primary SEN protection scheme remained a matter for debate - the scheme, which was calculated in the background and distributed to primary schools with higher than average numbers of SEN pupils, was funded from the high needs block even though the costs it mitigated would otherwise have to be met from the schools block;
- the pay increase for teachers who were centrally employed would not be offset by an increase in funding for the central services block so this would need to be absorbed;
- a set of principles had been produced, which were supported by the Budget Working Group (BWG), to guide reduction to the high needs block;
- detailed proposals for making savings in the high needs block would be worked up by the BWG and presented to the forum, with a final decision on the high needs budget for 2019/20 to be made in March 2019;
- the budget situation was disappointing but it was noted that Herefordshire was in a good position compared to many other local authorities.

In summary the forecast was for a modest surplus in the schools block of perhaps £200-300k, which would not be confirmed until December, and the projected allocation for the high needs block was about £550k short of projected need.

In discussion of the points raised in the presentation the forum noted that:

- actions already taken were delivering savings, including in central costs;
- forecasts for the high needs budget identified cost pressures as accurately as possible but demand could fluctuate depending on the needs of pupils that required support from year to year;
- the 2017/18 outturn showed that the high needs budget overspent by £125k, this had been offset by an underspend on early years so overall the DSG for 2017/18 was slightly underspent;
- centrally employed teachers would receive the pay award in line with all teachers but the costs would have to be absorbed by the central services DSG block, while pay costs could be managed there was concern about future teachers' pension costs as these would be more significant;
- the council was under pressure to make savings in its overall budget, with the children and families budget currently predicting a £2m overspend due to increased numbers of looked after children;
- consultation with schools would be based on the information shared in the presentation and responses would be reviewed by the BWG as part of their deliberations on how the funding gap could best be closed.

The SFM summarised a report on options to administer access for schools to the apprenticeship levy fund held by the council. This only applied to those schools whose payrolls were administered through the council. Other schools with independent payrolls of more than £3m had their own levy pot and accessed this independently.

The BWG had considered the options and had recommended option 4 in the report, which would see eligible schools given a specific deadline each year to submit bids for apprenticeship levy funding. Bids received by the deadline would be considered by a panel, which would include headteacher representatives.

It was noted that so far, requests to access funding had been dealt with ad hoc and that the DfE was not involved in the levy and saw it largely as a tax on schools. Forum members felt that the proposed mechanism was a fair way to allocate the funds.



**It was resolved that:**

- a) School Forum invite the Herefordshire MPs to attend a future meeting of forum to be briefed on school funding pressures in Herefordshire and the f40 campaign for fairer funding;
- b) the initial budget proposals for 2019/20 for schools and high needs were considered and feedback provided to inform the local authority's annual school budget consultation process; and
- c) the council be asked to adopt that
  - (i) requests from local authority maintained schools for apprenticeships be made by a given point in the year, for efficient administration of the council's apprenticeship levy fund;
  - (ii) bids be assessed by a panel consisting of the OD Business Partner, HR Services Manager and School Finance Manager with at least three headteacher representatives from LA maintained schools who had paid into the council's digital account;
  - (iii) the deadline for 2018 should be set for a date in December to give time for communication with schools; and
  - (iv) the apprenticeship levy be included on the agenda for the schools leadership conference to be held on 23 November.

## **17. LOCAL MANAGEMENT OF SCHOOLS DIRECTED CHANGES**

The SFM explained the directed change made by the secretary of state to the local scheme for managing schools. The purpose of the change was to ensure that loans agreed by the council with schools in future were for capital purposes only. Budget deficits would not be able to be converted into loans. Any loans in place when a school converted to academy status would not necessarily transfer to the academy.

As this was a directed change there was no alternative option and the LMS needed to be updated to reflect the new regulations and guidance.

**It was resolved that the Herefordshire scheme for financing schools be amended as follows:**

**(a) Add a new para 4.10 (f) as follows:**

**“Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.”**

**(b) Replace the existing paragraph 4.8 as follows**

**“Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes”**

**(c) Add an additional paragraph to Annex F as follows**

**“A local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school**

**members of the school forum agree to a de-delegated budget in accordance with Schedule 2 Part 7, of the Finance Regulations.”**

## **18. REVIEW OF SCHOOLS FORUM MEMBERSHIP**

The clerk to the forum explained the outcome of the annual review of forum membership. No changes were required to the membership of the forum to maintain proportionality. However it was necessary to consider the membership of the budget working group (BWG).

There were no regulations governing the composition of a working group of the schools forum, as such it was a matter for the forum itself to determine the numbers and allocations of seats. The BWG was established to have a broadly proportionate share of seats between maintained primary schools, maintained secondary schools and academies. The present allocation of seats had been determined in 2012 and the proportion of pupils in each type of school had been slowly shifting since then.

It was noted that the forum could choose to retain the current allocation of seats. However to remain proportional the allocation of seats would need to be adjusted by reducing the number of seats for maintained secondary schools and increasing the number of seats allocated to academies.

Members of the forum indicated that it was sensible that the working group remained proportional.

**It was resolved that:**

- a) the allocation of seats on the budget working group be adjusted in line with the outcome of the proportionality review by reducing the number of seats allocated to local authority maintained secondary schools to one and increasing the number of seats allocated to academies to five.**

## **19. WORK PROGRAMME 2018-19 AND DATES OF FUTURE MEETINGS**

The work programme for 2018-19 was considered. It was noted that there were no items of business for the meeting of 7 December. It was proposed that this date be offered to MPs for their visit and that if they could not make that date, the meeting be cancelled.

**Resolved that:**

- a) the county MPs be invited to attend a meeting of the forum on 7 December;**
- b) if the county MPs be unable to attend on 7 December that meeting be cancelled and an invitation extended for any of the future meetings of the forum.**

The meeting ended at 10.55 am

**Chairman**



## Fair Funding for all Schools

Briefing for MPs – 15 October 2018

Margaret Judd  
Sufficiency and Funding Manager  
Dorset County Council

## Fair funding and f40

- f40's goal is a **fair formula** that enables equal chances for all children wherever they live in England.
- We want schools to be equipped to provide a **quality education** for all children to meet the future needs of Britain.
- The introduction of a National Funding Formula (NFF) and additional funding for 2018-19 and 2019-20 were welcomed and f40 viewed the overall outcome as a **positive step towards fairer funding**.
- However, at present the NFF does not deliver true fairness and **locks in existing inequalities**.



## F40's Concerns

- The funding available is **not enough** to deliver education for the modern world
- The formula needs to stand alone without **false protections**
- The formula needs to be **future proof and allow for change**, not be locked into the past.



## f40's Solutions

- Currently the funding requires an injection of around around **£2bn** to meet the needs of schools. An early indication is that for 2019-20, the shortfall will be **£3.8bn for schools** nationally (based on current pupil numbers).
- An **index-linked activity led formula**, so that funding matches what politicians and others expect of the system.
- Move away from **historical** spending patterns which **lock in inequalities** and stifle change and improvement.



## The Funding Shortfall?

“Spending on Education is at its highest level”

Year	Pupils	Funding	£ per pupil
2015-16	6,939,219	£32,168,067,703	£4,635.69
2017-18	7,231,624	£33,523,566,620	£4,635.69
2018-19	7,322,984	£33,979,402,932	£4,640.10

Per pupil funding has remained steady over recent years, but costs have rocketed.



## Cost Pressures - Pay

	Teaching Assistant Salary	Mainscale Teacher (M4)	Upper Pay Scale Teacher	Headteacher (L25)
Sep 2015	16,559	27,927	35,218	69,652
Sep 2016	17,129	28,207	35,571	70,349
Sep 2017	17,435	28,772	35,927	71,053
Sep 2018	18,354	29,780	36,646	72,119
<b>PAY</b>	<b>10.8%</b>	<b>6.6%</b>	<b>4.1%</b>	<b>3.5%</b>

Teaching Assistants increase is as a result of the minimum wage bringing up the pay scales below this and pushing up experienced TA wages as a result.

Differentials in Teachers pay are mostly the result of this year's different pay awards ranging from 1.5% to 3%.



## Cost Pressures - On Costs

% addition to pay	Non Teaching Staff			Teaching Staff		
	NI - avg for pay value	Pension	TOTAL Non Teaching	NI - avg for pay value	Pension	TOTAL Teaching
Sep 2015	7.06%	20.71%	<b>27.77%</b>	10.63%	14.10%	<b>24.73%</b>
Sep 2016	7.29%	19.92%	<b>27.21%</b>	10.66%	16.48%	<b>27.14%</b>
Sep 2017	7.32%	21.53%	<b>28.85 %</b>	10.66%	16.48%	<b>27.14%</b>
Sep 2018	7.45%	22.49%	<b>29.94%</b>	10.62%	16.48%	<b>27.10%</b>
<b>ON-COSTS</b>	5.44%	8.59%	<b>7.79%</b>	-0.13%	16.88%	<b>9.57%</b>

Teachers Pension Employers Contribution is rising to 23.6% from Sept 19, which will give total on-cost of ~34%



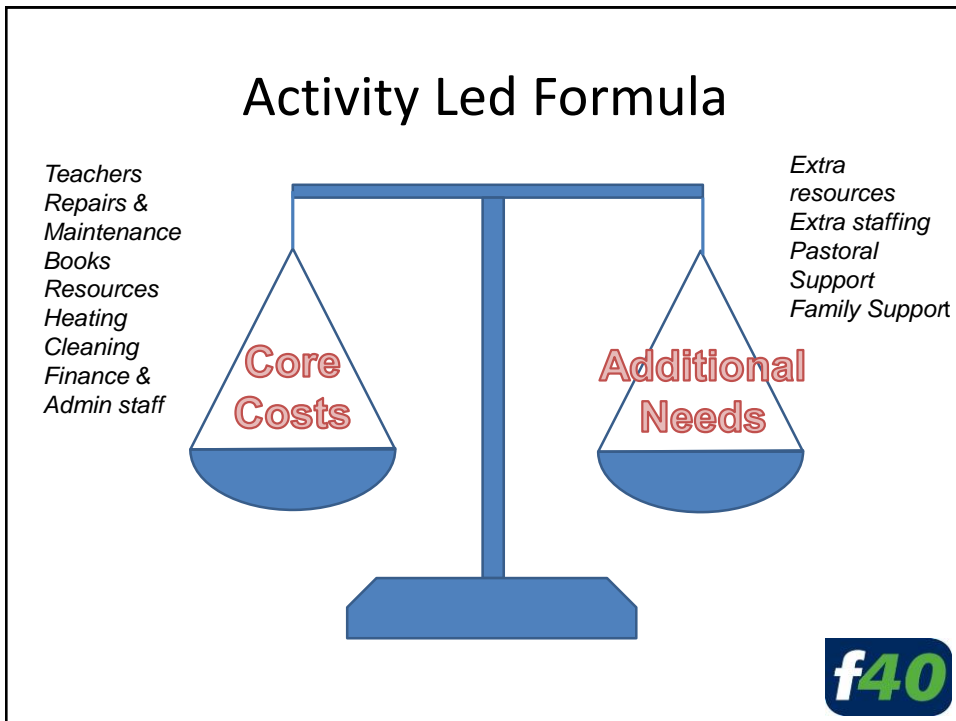
## Activity-led approach is required

~~Historic Costs~~  
Averages



- **Activity-led formula** is the only way to ensure sufficient funding in the system, balanced to meet needs.
- This would allow for
  - future changes of policy direction
  - the creation of a world class system of education to enable our pupils to compete in the post-Brexit age with the rest of the world.





## Financial Planning

- f40 seeks to see plans for the funding formula beyond 2020.
- We require the establishment of rolling 3-4 year budget settlements for schools which are **index linked** and inflation-proofed, including funding for cost-of-living increases.

**f40**

## NFF should be consistent

**CONSISTENCY**  
IS 

- A key principle for the NFF was that pupils of similar characteristics should attract similar levels of funding wherever they are in the country (allowing for the area cost adjustment).
- However, the protections applied, such as the 1.0% funding floor, 'lock in' some of the historical differences.
- Transition to the new formula is sensible but locking in past inequalities is not.



A Minimum Funding Level is unnecessary.

Unfair

Over Protective

Artificial



An activity-led NFF should undertake this role





## Mainstream School Costs

- The NFF needs to cover **all the funding** for mainstream schools, not just the pupil-led elements.
- NFF has elements that are individual to each school e.g. business rates and sparsity. Funding for these cannot continue to be based upon historical costs.
- Exceptional premises should be funded at realistic, not historical levels.
- f40 believes that all schools should be exempted from business rates with a one-off compensating cost adjustment nationally for local government.



## Local flexibility

- f40 seeks continued funding flexibility to support specific local issues or organisational requirements.
- The government should allow an element/percentage of the formula to be targeted using local discretion (via the Schools Forum or similar representative group).



Every **STUDENT** *can learn,*  
just not on the same day,  
or in the same *way.*

## The High Needs Crisis

- High Needs funding supports the most vulnerable pupils in our schools: those with complex SEN, those who are excluded or at risk of exclusion and those that cannot access education for medical reasons.
- Demand for high needs funding is out-stripping the budgets available.
- More accurate medical assessment and improved methods of treatment increase demand still further.



## The High Needs Crisis



- Crisis created in part by the continued use of historic funding levels.
- Short-term attempts to fix the problem are woefully inadequate.
- f40 seeks an immediate injection of new funding, estimated on increased costs and demand since 2015, of at least **£1.5bn** pa. is required. (index linked)
- We need a review of SEN policy and guidance to help manage down demand more effectively.



## The Early Years

- f40 seeks a review of the early years national formula to make it fit for future use.
- An increase in the quantum of funding for early years providers is needed to take account of the pressures of the living wage and the impact of 30 hours.
- Annual index-linked review for this block.



## Other Issues

- f40 seeks clarity on the way that the Central Schools Services Block will work. It should be index linked to meet increasing costs.
- 
- f40 wants Multi Academy Trusts to be held more accountable, especially for senior pay and for distribution of funding between individual academies in the MAT. An NFF means equality for all schools, including those in MATS.
- 



- f40 seeks a review of Home to School Transport funding.
- Government needs to recognise the real impact of reducing school transport on pupil choices.





Questions?

School and High Needs  
Budget Planning 2019-20  
Schools Forum  
19<sup>th</sup> October 2018

## Herefordshire Schools Budget

- Estimated pupil numbers 22,346 = £100.6m
- National Funding Formula  
2018/19 factors + 1/2 % increase = £100.5m
- Hence potentially unallocated £100k
- Reduction in Primary LPA to £1,022 £120k
- New growth allocation £90k
- but need Forum approval re growth criteria and allocated to basic needs, KS1 or new school set-up costs

## Herefordshire Schools Budget

- Already committed to NFF – question is how best to use any possible surplus funding given the £600k cost pressures in the high needs block
- Consult schools on how to use this surplus perhaps
  - Allocate additional to per pupil funding – primary and secondary schools
  - Use surplus growth funding for special schools i.e. a transfer to the high needs block
  - Maintain primary low prior attainment at £1,050 or use surplus from primary LPA to help fund Primary SEN protection in the high needs block – a choice for primary schools?
  - Or simply retain some/all in DSG balances for the future

## High Needs Block 2019/20

Actual 2018/19 allocation	£14.577m
Provisional allocation 2019/20	£14.835m
Potential increase (+1.7%)	£257k
Identified cost pressures	£814k
Savings target	c£550k

### HNB estimated cost pressures 2019/20

- a. One-off funding from schools block = £324k
- b. PRU/H3
- LGPS pension costs PRU/H3 = £62k
- c. SEN Support Services
- teachers pay award average 2.25% = £12k
  - TP increased employer cost (incl H3) = £35k
- d. Potential growth in H3/PRU
- based on 2018/19 PRU = £60k + H3 £20k = £80k
- e. Special school numbers
- 10 places at £10k +£10k top ups = £200k
- f. Independent special places current forecast = £100k
- Increasing pupil numbers

### Annual Expenditure on SEND

Dedicated Schools Grant					
High Needs Block	2014/15	2015/16	2016/17	2017/18	Forecast 2018/19
	£k	£k	£k	£k	£k
Special Schools Places	1,900	2,900	3,400	3,700	3,600
Pupil Referral Places	700	800	900	900	900
Top-up tariffs mainstream	1,800	1,700	1,500	1,800	2,000
Top-up tariffs special	3,400	2,900	3,000	3,300	3,400
Top-up PRU	500	700	300	400	300
Post-16	900	1,100	1,200	1,100	1,100
Independent Providers	1,500	1,900	2,500	2,000	2,400
Central Services	1,400	1,400	1,500	1,300	1,200
Home and Hospital	100	200	200	300	300
Other	500	500	700	600	700
<b>Total DSG</b>	<b>12,700</b>	<b>14,100</b>	<b>15,200</b>	<b>15,400</b>	<b>15,900</b>
Local Authority Budget					
Educational Psychology	300	300	300	300	300
SEN Assessment	300	400	500	500	400
<b>Total LA</b>	<b>600</b>	<b>700</b>	<b>800</b>	<b>800</b>	<b>700</b>

Commentary: Overall expenditure has increased rapidly over the period reflecting increasing demand. In particular, expenditure on special school places and independent providers have shown the most rapid increase.

## High Needs Budget 2018/19

• Special schools	£6.6m
• Independent places/CNF	£2.0m
• Mainstream top-ups	£1.9m
• PRU places & top-ups	£1.2m
• SEN Support Services	£1.2m
• Post-16 top-ups	£1.1m
• Hospital school	£0.3m
• <u>SEN Protection scheme</u>	£0.3m
<b><u>Total HNB</u></b>	<b>£14.6m</b>

## Possible Options

<u>Complex needs funding agreement (CNF)</u>	£50k
(£80k already assumed this year) further	
<u>Reduce SEN protection for primaries</u>	£40k
School forum agreed increase last year in cap to 140 NOR	
<u>PRU (£1.2)</u>	£220k
Reduce to statutory places paid for by LA, increase cost of non-statutory places to schools	
<u>Central LA Services (£1.2m)</u>	£200k
Traded services, vacancy savings, reduce business support & overheads, schools take on some services	



### Principles for making reductions

- Deliver the statutory
- Protect services for the most vulnerable
- Only trade services where it is reasonable for schools to make the decision to deliver themselves or where they will be able to purchase easily
- A fair apportionment of costs between Council and DSG
- Make the HNB sustainable in the longer term – balances only to be used to allow transition





<b>Meeting:</b>	<b>Schools Forum</b>
<b>Meeting date:</b>	<b>Tuesday, 22 January 2019</b>
<b>Title of report:</b>	<b>Schools Budget 2019/20</b>
<b>Report by:</b>	<b>Strategic Finance Manager</b>

## Classification

Open

## Decision type

This is not an executive decision

## Wards affected

(All Wards);

## Purpose and summary

To agree final budget proposals for recommendation to the cabinet member for children and families for school budgets, central school services and early years within the Dedicated Schools Grant (DSG) for 2019/20. The Budget Working Group (BWG) meets on 11th January and their proposals will be set out in a supplementary report.

## Recommendation(s)

That:

**The local implementation of the National Funding Formula (NFF) for 2019/20 as set out in the consultation document and recommendations (a)-(f) as below, be approved for recommendation to the Cabinet member for children and families as follows;**

- (a) The final school funding values be agreed, subject to a minimum total funding per pupil of £3,500 for primary schools and £4,800 for secondary schools, including the adoption of the NFF sparsity taper, as follows:**

1.	Basic entitlement per pupil	Primary	£2,747
2.	Basic entitlement per secondary pupil	Key stage 3	£3,863
3.	Basic entitlement per secondary pupil	Key stage 4	£4,386
4.	Deprivation per free school meals	Primary	£440
5.	Deprivation per free school meals	Secondary	£440
6.	Deprivation per ever-6 free school meals	Primary	£540
7.	Deprivation per ever-6 free school meals	Secondary	£785
8.	<b>Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)</b>		
9.	Band A (3% of pupils)	Primary	£575
10.		Secondary	£810
11.	Band B (8% of pupils)	Primary	£420
12.		Secondary	£600
13.	Band C (7% of pupils)	Primary	£390
14.		Secondary	£560
15.	Band D (8% of pupils)	Primary	£360
16.		Secondary	£515
17.	Band E (9% of pupils)	Primary	£240
18.		Secondary	£390
19.	Band F (10% of pupils)	Primary	£200
20.		Secondary	£290
21.	Band G (55% of pupils)	Primary	£0
22.		Secondary	£0
23.	Low prior attainment per pupil	Primary	£1,022
24.	Low prior attainment per pupil	Secondary	£1,550

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Further information on the subject of this report is available from  
Malcolm Green. email: [malcolm.green@herefordshire.gov.uk](mailto:malcolm.green@herefordshire.gov.uk)

25.	Lump Sum	Primary	£110,000
26.	Lump Sum	Secondary	£110,000
27.	Looked After Children, primary and secondary		£0
28.	Primary sparsity, on a NFF taper basis, over 2 miles and less than an average year group size of 21.4 pupils		£15,625
29.	Secondary sparsity, on a NFF taper basis, over 3 miles and less than an average year group size of 120 pupils		£40,625
30.	English as additional language per primary pupil (year 1 basis)		£515
31.	English as additional language per secondary pupil (year 1 basis)		£1,385
32.	PFI contract		£286,824
33.	Business rates		£1,224,807
34.	Exceptional premises factor (Eastnor)		£8,764

(b) the options as supported in the schools' consultation paper be agreed at a cost of £281k, as follows;

- (i) Funding of £10 per pupil additional to the national funding formula as set out in (a) above be recommended
- (ii) That the Minimum Funding Guarantee be set at 0.33% to ensure those schools on the guarantee also receive the £10 per pupil additional funding as in (b)(i) above be recommended
- (iii) The transfer of £112,000 equivalent to 0.12% of the total schools block to the high needs block for 2019/20 to help fund the primary Special Educational Needs (SEN) protection scheme and ensure the current cap of 130 pupils continues for 2019/20 be recommended

(c) The additional funding within the schools block of £197k be allocated as follows;

- (i) An additional £5 per pupil for primary and high schools and a further increase 0.17% in the MFG i.e. a total of the maximum permitted 0.5%.

- (ii) **An additional £103,000, equivalent to a further 0.10%, be transferred to the high needs block in support of the increase in special school places**

**(d) the protected funding level be adopted in order to pass through to all schools the government's 0.5% increase this year on 2017/18 baselines;**

**(e) The central school services block be used to fund the former Education Services Grant retained duties (£360k), national licences for schools (£131k), Schools Forum (£12k) and admissions (£132k – reduced by £10k) and the remaining £56k is transferred to the high needs block for 2019/20;**

**(f) For the early years block:**

- (i) **There is no change in the early years funding formula for providers in Herefordshire**
- (ii) **Central expenditure of £335k for early consultants and NEF payment costs be approved for 2019/20**
- (iii) **The pass through percentage to 3 and 4 year old providers be approved at 97.5%**

**(g) local authority maintained school members of Schools Forum, approve the delegation in 2019/20 of funding, and advise the Cabinet member for children and families for information, as follows;**

- (i) **trade union facilities (primary schools only) at £2.90 per pupil**
- (ii) **ethnic minority support at £1.12 per pupil plus £6.60 per "Ever 6" free school meals (Ever-6 FSM) plus £107 per English as an additional language (first year only) pupil**
- (iii) **software licence costs for financial planning at £350 per school**
- (iv) **education functions for local authority maintained schools at £13.50 per pupil**
- (v) **that the free school meals administration be transferred to a service level agreement through the schools portal from April 2019.**

## **Alternative options**

1. Given Schools Forum approval in October 2017, of the strategy to implement the NFF from 2018/19, it is unlikely there will be any substantial alternatives. There may be a number of possible variations. There may be a number of possible variations which can be considered in detail by the Budget Working Group (BWG) on 11th January 2019, and any alternative proposals will be published in a supplementary report.

## **Key considerations**

2. The BWG will advise on any necessary amendments should changes to the proposed school budget, previously set out in the autumn schools budget consultation, be required. The DSG funding assumptions underlying the proposed budget are set out below.
3. The final DSG 2019/20 settlement was announced on 17 December 2018. The recommendations in this report are based on the final DSG settlement of 22,277 pupils as follows;

a. Schools block

	£'000
13,455 pupils at £4067.27	54,725
8,822 pupils at £4,991.32	44,033
Add historic fixed costs	1,619
Formulaic share of national growth funding	344
Total Schools block (distributable)	100,722
Proposed: to schools via NFF	100,507
Proposed: to high needs block	215

b. High needs block

	£'000
2018/19 baseline	14,577
Addition formula funding	646
High needs total	15,223

c. Early years (initial settlement)

	£'000
Universal funding for 3 and 4 year olds at £4.30 per hour	5,805
Indicative allocation for 30 hours at £4.30 per hour	2,224
Two year old funding	890
Early years pupil premium	81
Disability access fund	31
Initial early years block 2019/20	9,031

d. Central school services block

	£'000
2018/19 baseline	685
Additional formula allocation	8
Final central block 2019/20	693
Final total DSG 2019/20 (prior to recoupment)	125,669

4. All DSG funding blocks are now funded on a formula basis. The recommendations in this report are based on an actual gross DSG (i.e. before recoupment) of £125.7m. The BWG will consider the proposals in this report and will make additional recommendations as necessary.

### Schools budget

5. The government published the NFF in September 2018 and the autumn budget consultation with Herefordshire schools proposed implementing the national formula applying the funding floor protection in order to pass through to schools the government's commitment of a further 0.5% increase per pupil on the 2017/18 baseline school funding.
6. At that time the additional funding above that required to implement the NFF was estimated to be around £0.3m and the school budget consultation proposed that this should be allocated in three ways as follows:
- £0.1m growth funding to transfer to the high needs block to fund special school growth
  - £0.1m primary school low prior attainment to transfer to the high needs block to fund the primary Special Educational Needs (SEN) protection scheme
  - £0.1m to be distributed at £5 per pupil to all schools.
7. The consultation responses favoured allocating the growth funding direct to schools at £5 per pupil rather than supporting growth in special schools. The transfer of £0.1m to support the SEN protection scheme for primary schools was supported as was the additional allocation of £5 per pupil to secondary and primary schools. The views of schools are reflected in the recommendations.
8. The DfE have included an option to replicate the national funding formula sparsity taper in the school budget model for 2019/20. This provides for a small primary school that is less than 76 pupils and a high school that is less than 326 pupils to receive the full sparsity lump sum and for primary schools between 76 and 150 pupils and high schools between 326 and 650 pupils to receive a taper based on reducing down from half the sparsity lump sum. Schools forum has previously agreed to fully implement the national funding formula and as this option is now available in the DfE budget model it is proposed to adopt the NFF sparsity taper method. Some adjustment to the previous sparsity lump sums are required which are set out in recommendation (a) of the national funding formula. The small additional cost of £46,000 is covered in the £100.244m cost of implementing the national funding formula.



9. The schools block DSG for 2019/20 is confirmed as £100.722m and the implementation of the NFF costs £100.244m giving an additional £0.478m to be allocated. The schools budget consultation paper anticipated schools block funding of £100.544m and proposed options for allocating the additional £0.3m. Additional growth funding was notified as part of the DSG settlement and accounts for the extra £0.2m in the schools block. The schools block funding (including the growth fund) is ring-fenced within DSG and can only be transferred to other funding blocks within DSG with the agreement of Schools Forum (up to 0.5%) or with the approval of the secretary of state (over 0.5%). It is proposed that the options favoured by the responses the consultation paper be agreed at a cost of £281,000 as follows;

- Add £10 per pupil to primary and high schools – more than promised in the schools consultation paper at a cost of £40,000
- Set the MFG at 0.33% which is broadly equivalent to ensuring that schools on the MFG also receive the same £10 per pupil additional funding - at a cost of £129,000
- Transferring £112,000 from the schools block to high needs to fund the primary SEN protection scheme.

10. It is proposed that the remaining funds of £197,000, i.e. the additional growth funding, is split as equally as possible between per pupil funding for schools and the high needs block as follows;

- Adding an additional £5 per pupil to primary and high schools and a further addition of 0.17% to the MFG so that schools on the MFG also received the extra £5 per pupil at a cost of £94,000
- £103,000 is transferred to the high needs block in support of increased special school places as this was a proposal that received a good measure of support in the consultation paper

11. Allocating the additional funding to schools for 2019/20, particularly setting the MFG at 0.5% brings a risk that the schools budget for the following year may be unduly constrained by the MFG and it may be difficult to set the national funding formula within the available schools block funding. If this occurs then there may have to be an MFG disapplication request to the DfE in order to create sufficient budget flexibility in 2020/21.

### **De-delegation**

12. The BWG considered the outcome of the autumn schools' budget consultation at its meeting on 7 December and accepted the council's de-delegation proposals for trade union facilities (primary schools only), support for ethnic minority pupils and school budgeting software. It was proposed in the autumn budget consultation that the free meals de-delegation would cease and be replaced by a common service level agreement for both academy and local authority schools as this would avoid the issuing of many very small invoices by Hoople and simplify the transfer of funding from the council to Hoople. It is recommended that the free school meals de-delegation is ceased and replaced by a service level agreement from April 2019 as it will be more administratively efficient for everybody.

13. The schools consultation paper proposes no change in the £13.50 per pupil top-slice for statutory education services provided by the council to non-academy schools. Academies are required to provide the same services from their general annual grant.

## High needs block

14. The secretary of state has announced an additional £350m funding for high needs nationally. This is split £125m in 2018/19, £125m in 2019/20 and £100m capital to create more specialist places in special and mainstream schools. This announcement is most welcome and relieves some of the immediate pressure on high needs expenditure and, specifically reduces the need to seek a transfer of the full 0.5% funding from the schools block to high needs in 2020/21. However, this will very much depend on future demand pressures and the future extent to which additional income is received from the DfE. Additional revenue funding of £0.375m will be received by Herefordshire for each year. Given the small forecast underspend the amount for 2018/19 will be added directly to DSG balances.
15. Cost pressures of £0.55m have been identified within the high needs block for 2019/20. The council has a duty to meet the cost of individual pupil needs and has consulted schools on changes to the charges for secondary intervention places in the Pupil Referral Unit (PRU) and for some SEN support services to operate on a trading basis with schools from April 2019. To date savings of £110,000 have been identified in the SEN support services. The additional transfer of £103,000 from the schools block to support special school places, to help cover the phasing in of the PRU proposals and the SEN support services is judged prudent for 2019/20.
16. If demand continues to increase in the high needs block, Herefordshire will overspend in common with many other local authorities in England. It is necessary to keep the high needs expenditure forecasts under constant review and ensure that Schools Forum is regularly updated. Much will depend on the level of additional funding received from DfE and it is proposed that the need for a transfer to the high needs block is reviewed annually with Schools Forum.
17. Prior to the announcement of the DSG settlement on 17 December 2018, the BWG received a three year forecast of high needs expenditure that showed without a transfer of £0.5m from schools to the high needs block in both 2020/21 and 2021/22 the high needs block would be in deficit. The forecast has been updated to include the additional high needs funding announced by government and the revised forecast is set out in the table below. This shows that the transfer of the full £0.5m from schools may not now be required in the next two years. Much will depend on future high needs block allocations as determined by the government's Comprehensive Spending Review although the continuation of the primary SEN protection scheme does depend on a modest transfer as proposed. The financial forecasts will need to be reviewed annually.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Notes
Consultation Assumptions				
Cost pressures	814	700	600	Cost pressures will continue but more difficult to forecast further ahead.
Increase in High Needs Block income	-257	-257	-257	Assumed same each year
Additional high needs income	-375	0	0	Not sure if more income will be received in future –

				depends on government spending review.
Original savings target	182	443	343	
On-going overspend	250			DSG forecast is £56k under budget for 2018/19 but supported by £300k one-off early years monies
Roll Forward from previous year (A-B)		118	451	Excludes annual transfers from Forum
<b>Revised savings target (A)</b>	<b>432</b>	<b>561</b>	<b>794</b>	
Planned savings				
Discretionary PRU places	-64	-110	-36	Phased over three years
SEN support services	-200			Savings of £110,000 identified to date.
Reduction in primary SEN protection scheme	0			Although agreed by Schools Forum Jan 2018 to reduce the cap to 140 pupils, given the funding transfer it is proposed to continue at 130 pupils.
Reduction in Complex Needs funding	-50			
<b>Total planned savings (B)</b>	<b>-314</b>	<b>-110</b>	<b>-36</b>	
Transfer from schools re SEN protection scheme	-112	-112	-112	As per consultation proposals – assume each year in future
Transfer from Central Services block	-56	-56	-56	To be reviewed annually
Total Savings/income	-482	-278	-204	
Surplus(-) /Shortfall(+) from Balances	-50	283	589	
Impact on Balances				
DSG balances c/fwd	1,631	1,681	1,395	£56,000 underspend and the extra £0.375m income added to C/fwd from 2018/19
Less in year surplus(+) deficit(-)	+50	-283	-589	
DSG balances c/fwd	1,681	1,395	796	Balance provides sufficient cover for 2022/23 if necessary

Further information on the subject of this report is available from  
Malcolm Green. email: malcolm.green@herefordshire.gov.uk

18. The consultation with schools supported a modest transfer of £112,000 from the schools block to high needs to help fund the primary SEN protection scheme. This is recommended for approval.

19. The Schools Revenue Funding 2019 to 2020 operational guide sets out the evidence that Schools Forum must consider in order to approve the transfer of funding from the schools block to the high needs block, i.e. the transfer of £215,000 (i.e. 0.22%) from the schools budget to the high needs block set out in recommendation (b)(iii) and c(ii).

20. The DfE advise that any proposal to transfer funding from the schools block should be presented along with a range of evidence to back up the proposal, both to schools as part of the local consultation, and to the schools forum in seeking their approval. Schools Forum discussions should include appropriate representation from special schools and other specialist providers. The DfE expect the evidence presented to the schools forum to include the following:

- details of any previous movements between blocks

*A transfer of £324,000 was agreed by Schools Forum for as a one-off for 2018/19*

- a full breakdown of the specific budget pressures that have led to the requirement for a transfer.

*This is set out in detail in the schools consultation paper and mainly arises from a significant increase in top-up payments to mainstream, special schools and the Pupil Referral Service and H3 Hospital Service. Unfunded pay rises also add to costs.*

- a strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels.

*The three year forecast for high needs indicates that the transfer of £112,000 to the high needs block is a necessary contribution to avoiding a high needs deficit. The alternative is a further cut to the primary SEN protection scheme.*

- as part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded.

*Collaborative working is through the BWG and joint working with schools to undertake the fundamental high needs service review. Joint working with placements is through the existing long standing Section 75 joint agreement whereby both health and social care budgets contribute towards the cost of specialist places*

- how any additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools.

*Herefordshire's SEN Protection scheme has been restricted to primary schools in the future and this will be subject to further review and consultation with schools to deliver an affordable scheme.*

- details of the impact of the proposed transfer on individual schools' budgets as a

result of the reduction in the available funding to be distributed through the local schools funding formula

*There is no impact on school budgets for 2019/20. Indeed it is recommended that schools receive a funding allocation £15 per pupil in excess of the national funding formula and improvements are proposed for increased sparsity funding for smaller schools. The transfer is from Herefordshire's new formulaic share of national growth funding. The council's autumn consultation with schools set out plans to enhance the national schools funding formula for 2019/20 and the final budgets issued to schools met this commitment.*

- the extent to which schools more generally support the proposal, including the outcome of local school consultations

*Of 18 responses received from schools 12 were in favour and 3 against this proposal. Three responses declined to give a view.*

20. If the proposed transfer to the high needs block is not accepted by Schools Forum for 2019/20 further savings in the high needs block will be necessary to ensure the budget remains in balance. The cost of the SEN protection scheme will be reduced by £112,000.

### **Central Services Block**

21. The central services block is £0.693m with proposed expenditure of £0.637m in 2019/20 due to the completion of improvements to the schools payroll system and SEN payment system. The need for further payroll improvements will be reconsidered for 2020/21 when the current improvements have been consolidated and their use been reviewed. The release of this previously committed budget and the increase in the central services block due to the national funding formula provide an unallocated budget of £56,000 in 2019/20. Given the uncertainty in the high needs budget it is proposed to transfer the £56,000 to the high needs block for 2019/20. This will be reviewed for future years.

### **Community impact**

22. The government's national funding formula determines the allocation of funding to schools and the DSG is essential in helping the council achieve its priority to keep children and young people safe and give them a great start in life. The school funding formula must meet the national requirements of the DfE. Within these national guidelines the funding is targeted to support the achievement of improved outcomes for all Herefordshire pupils in accordance with a carefully considered strategy that is subject to annual consultation with schools and governors. The governing bodies of schools are responsible for decisions to commit expenditure according to meet pupils' individual needs. Funding for Looked after Children is no longer included in the national funding formula and is now fully included in the pupil premium plus grant for Looked after Children. The pupil premium plus is £2,300 per qualifying pupil and will be better targeted to provide greater help to Looked after Children.

## Equality duty

23. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
24. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty. As this is a decision to implement the government's national funding formula for schools, we do not believe that it will have an impact on our equality duty.

## Resource implications

25. The recommendations, if agreed, aim to meet high needs provision within the available funding whilst if necessary to meet need permitting expenditure in excess of budget to be drawn down from DSG balances. DSG is determined by the government and paid to the council according to the national funding formula for schools, high needs and early years. The DSG grant income is noted within the council's Medium Term Financial Strategy but is not included in the council's forward financial planning. DSG is planned jointly with Schools Forum.

## Legal implications

26. The Schools Forum Regulations 2012 provides that School Forums generally have a consultative role. However, there are situations in which they have decision-making powers, as detailed in Regulation 10. The Regulations state that the 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, Independent representatives. Voting on de-delegation and the education functions for maintained schools is restricted to maintained school members only.
27. The decision-making powers of Schools Forum are limited, as detailed in the Education and Skills Funding Agency guidance sheet 'School Forum Powers and Responsibilities' published in September 2017.
28. For the purposes of this report the schools forum, its decision making power is engaged for item (g) in the recommendations. The remaining recommendations are to be considered by

the schools forum, the final decision on these points to be made by the Cabinet Member, in line with section 3.3.10 of Part 3 of the Council's constitution.

29. Section 42 Children and Families Act 2014 provides that where a council maintains an EHC plan for a child or young person, the council must secure the specified special educational provision. Therefore the council must comply with this statutory duty.

## Risk management

30. 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. Any identified risks will be monitored and managed by the Children and Families directorate jointly with Schools Forum.

## Consultees

31. All maintained schools and academies in Herefordshire have been consulted on the final budget proposals for 2019/20. The Herefordshire Association of Secondary Headteachers received a briefing in November 2018. 18 responses were received from schools prior to the 3 December 2018 response deadline. This is a poor response rate of 19% from the 93 mainstream schools and academies. Previously Schools Forum has taken a low response rate to mean that schools are broadly in favour of the national funding formula and de-delegation proposals given the support of the Budget Working Group.

32. Table of responses received:

Question number	Question Topic	Yes	No
A(i)	Allocate growth funding to basic need, new school set-up costs or KS1 class sizes	2	11
A(ii)	Allocate to fund growth in special schools	5	8
A(iii)	Allocate to primary and secondary schools at £5 per pupil	9	6
B(i)	Allocate primary low prior attainment savings to restore the LPA to £1,050	5	7
B(ii)	Allocate primary low prior attainment savings to the high needs block to support the SEN protection scheme for primary schools	12	3
C(i)	Allocate the £0.1m surplus to primary and secondary schools at £5 per pupil	14	4
D(i)	High needs – reduction in complex needs budget by £50k	3	10
D(ii)	High needs – confirm reduction in primary schools protection as agreed by Schools Forum March 2018	4	8

D(iii)	High needs - reduction in statutory PRU places by £220k	5	7
D(iv)	High needs – reduction in SEN support services by £200k	7	6
E(i)	De-delegation – primary trade union duties at £2.90 per pupil	12	3
E(ii)	De-delegation – Ethnic minority support for primary and secondary at £1.12 per pupil +£6.60 per “ever-6 FSM” pupil +£107 per first year EAL pupil	13	1
E(iii)	De-delegation – school budgeting system at £350 per school	12	3
E(iv)	De-delegation - to transfer the free school meals service to an SLA with Hoople at an estimated £0.09 per pupil + £2 per FSM pupil	14	0
E(v)	De-delegation – there is no change in the £13.50 per pupil cost for the LA’s education management services	9	4

33. All schools will be advised of School Forum’s final budget recommendations

## Appendices

National school funding formula 2019/20 – consultation for Herefordshire schools

## Background papers

None identified



## **NATIONAL SCHOOL FUNDING FORMULA 2019/20**

### **CONSULTATION FOR HEREFORDSHIRE SCHOOLS**

#### **1.0 SUMMARY**

- 1.1 This consultation paper briefly sets out the expected financial position for Herefordshire school budgets for 2019/20. The school funding proposal is to implement the national funding values as set by government and to pass through to all schools the final 0.5% increase on baseline pupil funding (compared with 2017/18 baselines). These proposals continue the local implementation of the national formula from 2018/19 into 2019/20.
- 1.2 In previous years Herefordshire has strictly adhered to the DfE's funding block allocations as this practice has served Herefordshire well since 2013 when individual blocks were first published by DfE. Herefordshire is one of the few local authorities nationally not to have a high needs deficit.
- 1.3 Last year Herefordshire Association of Secondary Heads were clear that the transfer of surplus funding from schools to the high needs block would only be supported as a one-off for 2018/19. This view was not supported by primary schools and not all secondary schools, particularly those with above average numbers of high needs pupils. As such this year there is an option for primary schools to agree to transfer some surplus primary funding from the schools block to help fund the primary SEN protection scheme in the high needs block. This is a departure from previous practice and the views of primary schools are sought. We will not be asking Schools Forum to transfer any funds relating to secondary schools as the general view is that secondary schools have budgets large enough to manage the risk arising from high needs payments whilst for much smaller primary schools a protection scheme is required. There is currently no protection scheme for secondary schools and the cost to the high needs block for the primary scheme is £300k per year.
- 1.4 Herefordshire is expected to receive approx. £90,000 from a formulaic share of national growth funding for the first time in 2019/20. Options are to ask Schools Forum to set up criteria to allocate this growth funding to schools with growth due to basic need, set-up costs of new mainstream schools or to help fund schools with key stage 1 classes in excess of 30. Alternatively it has been suggested that some or all of this growth funding could be transferred to the high needs block to fund growth in places in special schools. Schools forum will need to agree this proposal.
- 1.5 Proposals are included to fund £0.5m of cost pressures in the high needs budget by reducing SEN support costs by £200k and to save £220k by limiting PRU funding to statutory places so that intervention places are directly funded by schools from September 2019. There will be some savings in the Complex Needs budget (£50k) and a reduction in the SEN protection scheme for primaries (£40k).
- 1.6 Once again it is emphasised that strong financial planning will continue to be necessary by all schools to maintain financial viability during the coming years. Small primary schools with less than 100 pupils on roll, and schools that are facing potential challenging budgets

for the next four years in particular should seek advice from the council if they wish to reduce costs.

- 1.7 It is proposed to end the de-delegation of free school meals administration and for 2019/20 to include the service on the schools portal as this will simplify the transfer of funding from schools to the service provider Hoople.
- 1.8 There are no new proposals regarding the £13.50 per pupil top-slice of local authority maintained school budgets to fund the council's statutory education services e.g. governor services, strategic HR and school finance, property landlord duties, monitoring national curriculum assessment and SACRE,
- 1.9 It is important that all schools respond to the budget consultation so that Schools Forum is fully informed of schools' views.
- 1.10 **Consultation key dates:**
- You are encouraged to respond by 12 noon on the 3rd December 2018.
  - Schools Forum's Budget Working Group will consider the responses on 7<sup>th</sup> December and final proposed budgets will be confirmed by Schools Forum in January prior to cabinet member approval and submission to the Education Funding Agency.

## **2.0 SCHOOLS BLOCK STRATEGY 2019/20**

- 2.1 Estimated allocations for the schools block, based on an estimated 22,338 pupils in the October 2018 census, are as follows:

DSG schools funding allocation	£100.6m
National Funding Formula 2019/20	£100.5m
Unallocated school funding available	£0.1m
Reduction in primary LPA from £1,050 to £1,022	£0.1m
Estimated share of national growth fund	£0.1m
Estimated surplus available	£0.3m

- 2.2 As final Dedicated Schools Grant allocations will not be available until mid-December, it is important to have school views on how best to use this potential £0.3m of surplus funding. Options are as follows
- a) Allocate the growth funding of £0.1m to either
    - i. schools with basic need, set-up costs or requiring key stage 1 infant class size funding; or
    - ii. transfer to the high needs block to fund growth in special schools; or
    - iii. allocate to primary and secondary schools at approx. £5 per pupil

- b) Allocate any savings from the reduction of primary low prior attainment funding to either
  - i. restore the primary LPA to £1,050 per qualifying primary pupil or as near as can be achieved; or
  - ii. transfer £0.1m to the high needs block to support the SEN protection scheme for primary schools using funding from the reduction in primary low prior attainment
  
- c) Allocate the estimated £0.1m surplus funding in the national funding formula to both primary and secondary schools at £5 per pupil

### **3.0 HIGH NEEDS BLOCK STRATEGY 2019/20**

3.1 It is forecast that the high needs block faces £0.8m of cost pressures in 2019/20 arising from the withdrawal of the one-off funding transfer from the schools block in 2018/19 (£324k), increasing LGPS pension costs in the PRU/H3 (£62k), unfunded teachers' pay and pension increases for centrally employed SEND teachers (£47k), continued growth in PRU/H3 places (£80k), increasing numbers of commissioned places in special schools (£200k) and increasing pupil numbers requiring places in out county schools (£100k). This is expected to be offset by an increase in DSG high needs funding of £0.25m giving a net increase in costs of £0.55m in 2019/20.

3.2 Options for savings in the high needs budget for 2019/20 are

- a) Reduction in Complex Needs funding                      £50k
  - £80k has already been assumed in 2018/19, a further £50k in 2019/20
  
- b) Reduction in Primary SEN protection                      £40k
  - School forum already agreed an increase last year in the cap to 140 NOR
  
- c) Reduction to statutory PRU places                      £220k
  - Reduce to statutory places paid for by LA, increase cost of non-statutory places to schools
  
- d) Reduction in SEN support services                      £200k
  - Traded services, vacancy savings, reduce business support & overheads, schools take on some services. There is a risk that if schools then do not take up trading options some services may be reduced to the statutory minimum.

Please note that the above options leave a shortfall of £40k which will need to be found from elsewhere in the high needs budget or transferred from the schools block. This will be considered further by the Budget Working Group in December after the consultation has closed.

#### **4.0 EARLY YEARS BLOCK**

4.1 It is not proposed to change the current early years funding formula

#### **5.0 CENTRAL SCHOOL SERVICES BLOCK**

5.1 In addition to the statutory retained duties formerly funded by Education Services Grant (£345k), the central schools block will be used to fund Schools Forum administration costs (£12k), school admission costs (£142k) and national licence costs (£127k) as in previous years. It is not expected that the budgets will change from 2018/19.

#### **6.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS**

6.1 Herefordshire does not intend to change the funding values from the 2018/19 financial year with the exception of mirroring the national change in the Low Prior Attainment value, which is due to reduce from £1,050 to £1,022 in 2019/20. As in previous years, school budgets can only be fully finalised after the October pupil census and confirmation by the DfE of the financial settlement in December. To aid school budget planning, we are committed to maintaining the formula values as published in this consultation paper and changes will be made only if absolutely necessary.

6.2 Herefordshire's school funding proposals for 2019/20 are the national funding formula values supplemented by a 0.5% increase in baseline funding (compared with 2017/18) as follows:

- a) Basic Entitlement per pupil:
  - i. Primary KS1/2 - £2,747
  - ii. Secondary KS3 - £3,863
  - iii. Secondary KS4 - £4,386
  
- b) Low prior attainment (low cost, high incidence special education needs)
  - i. Primary funding - £1,022 per pupil
  - ii. Secondary funding - £1,550 per pupil
  
- c) Deprivation per Free Meal pupil
  - i. Primary - £440
  - ii. Secondary - £440
  
- d) Deprivation per Ever-6 Free Meal pupil
  - i. Primary - £540
  - ii. Secondary - £785
  
- e) Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)

- Band A (3% of pupils) primary £575 secondary £810
- Band B (8% of pupils) primary £420 secondary £600
- Band C (7% of pupils) primary £390 secondary £560
- Band D (8% of pupils) primary £360 secondary £515
- Band E (9% of pupils) primary £240 secondary £390
- Band F (10% of pupils) primary £200 secondary £290
- Band G (55% of pupils) primary £0 secondary £0

- f) English as Additional Language (EAL) for all eligible pupils
  - i. Primary - £515
  - ii. Secondary - £1,385
- g) Lump sums
  - i. Primary - £110,000
  - ii. Secondary - £110,000
- h) Sparsity
  - i. Tapered lump sum of £25,000 for qualifying primary schools with an average year group size of 21.4
  - ii. Tapered lump sum of £65,000 for qualifying secondary schools with an average year group size of 120 pupil
- i) Business Rates – no change, funded at cost with a presumed 2% increase.
- j) Looked After Children – £0 as funding has been transferred to the pupil premium grant
- k) Mobility – not used
- l) Exceptional premises factor – increased by 3.1% RPI to £8,763.50 to meet rent costs for Eastnor Primary School
- m) PFI factor – increased by 3.1% RPI to £286,824 in accordance with the retail prices index
- n) Secondary schools have been guaranteed a minimum of £4,800 per pupil and primary schools a guaranteed minimum of £3,500 by April 2019.

### 6.3 De-delegation Proposals for locally maintained schools

6.4 It is proposed that the de-delegation charge for primary and secondary free school meals will transfer to a Service Level Agreement through the schools portal as this simplifies the purchasing and payment processes for both Hoople and schools. Beyond this there are no proposals to change any other de-delegation arrangements.

6.5 The education management deduction will remain at £13.50 per pupil for local authority maintained schools.

## 7.0 TIMESCALES

7.1 The budget process and expected timeline is:

- Consultation closes 12 noon 3<sup>rd</sup> December 2018
- There is no requirement this year for the submission of an interim budget to the EFA in October
- Schools Forum meets in January 2019 to consider the recommended funding values to be submitted to the Education Funding Agency.
- Budgets issued to locally maintained schools by 28<sup>th</sup> February 2019
- Education Funding Agency to issue budgets to academies for academic year 2019/20.

## 8.0 CONSULTATION RESPONSES BY 3<sup>rd</sup> December 2018

8.1 A separate consultation form is attached and must be returned to [School.funding@herefordshire.gov.uk](mailto:School.funding@herefordshire.gov.uk) by 12 noon on 3<sup>rd</sup> December 2018 in order that your views can be considered by the Budget Working Group on 7<sup>th</sup> December 2018 and Schools Forum at their meeting in January 2019.

8.2 Please respond to this consultation as all views are important and do contribute towards the budget decision which aims to achieve the best possible schools budget for Herefordshire within the funding allocated by government.

## 9.0 FURTHER INFORMATION

9.1 If you have any questions regarding the detailed content of this consultation paper or the calculations and comparisons for your school as set out in the appendices, please contact either Malcolm Green, Schools Finance Manager ([malcolm.green@herefordshire.gov.uk](mailto:malcolm.green@herefordshire.gov.uk)) or any member of the Budget Working Group as follows;

### Primary

Mrs J Rees, Ledbury (Chairman)  
Mrs K Weston, Trinity  
Mr S Kendrick, Ashfield Park  
Mr M Maund, Almeley  
Mrs H Webb, Colwall  
Mr P Box, Lord Scudamore

### Secondary

Mr S Robertson, Aylestone  
Mr S Fisher, Kingstone  
Mrs C Bryan, John Kyrle  
Mrs N Emmett, Fairfield  
Mrs A MacArthur, Wigmore High (and Primary)

9.2 Others contributing to the development of these budget proposals included Mrs S Williams, Barrs Court representing special schools and Mrs R Lloyd and Mrs A Jackson representing early years.