

# **NATIONAL SCHOOL FUNDING FORMULA 2016/17**

## **CONSULTATION FOR HEREFORDSHIRE SCHOOLS AND RESPONSE FORM**

**The budget response form must be returned by 12 noon 2<sup>nd</sup> October 2015 to  
School.funding@herefordshire.gov.uk**

### **1.0 INTRODUCTION**

- 1.1 This consultation paper sets out the expected financial position for school budgets for 2016-17 and Herefordshire's proposals for moving forwards towards the National School Funding Formula. Overall these proposals set out the third year of School Forum's five year implementation strategy to achieve a gradual transition towards the expected National School Funding Formula, now announced by government as September 2017.
- 1.2 This year's proposals continue the strategy set out in previous years to bring the ratio of primary and secondary funding more into balance with Herefordshire's family of comparable authorities over the five year period and to review the DfE benchmarking data annually and adjust the Herefordshire formula in line the national median formula values. Schools Forum continues to review progress to ensure the strategy remains appropriate.
- 1.3 Cost pressures in schools are expected to increase by 15% over the next 5 years, as set out in the joint letter from the chair of Schools Forum and Director of Children's Wellbeing at the end of the summer term. Strong financial planning will be necessary by all schools to maintain financial viability during this period. Government has protected the national schools budget and no reductions or increases in school funding are expected over this period. Schools Forum will play its part by providing maximum stability in funding within the five year funding strategy so that schools have as much advance warning of budget changes as possible. It is strongly recommended that all schools develop plans to ensure their long term financial viability. Small primary schools with less than 100 pupils on roll are advised to explore sharing leadership, teaching and support services with other schools and organisations.
- 1.4 You are encouraged to attend the briefing meetings set out in section 8 on page 10 and respond by 12 noon on the 2nd October. Schools Forum will meet on the 23rd October to consider the responses and to agree provisional budget proposals for submission to the Education Funding Agency.

### **2.0 SCHOOL FUNDING REFORM**

- 2.1 The government has indicated that a national funding formula based on greater transparency and fairness will be implemented from September 2017. It is expected that any such national formula will be phased in over a number of years. The fairer funding increases to the 2015/16 Dedicated Schools Grant (DSG) have been confirmed as permanent additions to the DSG baseline funding and will be carried forward into 2016/17. The new national funding proposals will ensure that similar sized schools with similar catchment area characteristics will receive similar levels of funding nationwide in England. It is possible that

schools in Herefordshire will benefit from these national proposals but inevitably some may not. Until government announces full details of the national formula arrangements governors should only include known funding increases in their forward plans.

- 2.2 Herefordshire Schools Forum has reviewed the progress made towards the expected National School Funding Formula and has identified that in addition to the continuing need to adjust the primary secondary funding ratio, the balance of funding between low prior attainment and deprivation should be revised and that a small adjustment between secondary funding for Key stage 3 and 4 is required to continue to move Herefordshire towards national funding.

### **3.0 HEREFORDSHIRE'S APPROACH TO NATIONAL FUNDING**

- 3.1 The proposals contained in this consultation paper build on the previous consultations with schools and have been developed in conjunction with the Schools Forum's Budget Working Group during June and July 2015.
- 3.2 In 2011/12 Schools Forum adopted the national principles set out by the Department for Education for the national school funding formula. This has ensured that decisions taken in Herefordshire have supported a gradual move to the national formula.
- 3.3 The proposals for 2016/17 continue to build incrementally on the steps already taken and recognise that inevitably there will be "winners and losers" as we move gradually on a planned basis from the former local Herefordshire formula to the anticipated national formula.
- 3.4 The DfE's budget modelling tool has been used to calculate draft 2016/17 school budgets for this consultation paper and full details are set out in the appendix. Estimates of pupil numbers as at October 2015 have been used to provide accurate budget forecasts to aid schools with forward planning decisions. The forecasts can be amended for individual schools as required. Herefordshire's approach using pupil forecasts is unique nationally and the DfE have recommended all other local authorities should consider adopting our approach as best practice for 2016/17.

## 4.0 BUDGET STRATEGY 2016/17

4.1 The additional £2.7m allocation in 2015/16 has been confirmed as a permanent addition to Herefordshire's DSG. A further £11.25 per pupil has been added to cover the extra costs of incorporating the non recoupment academies and free schools within Herefordshire's DSG in 2016/17. Hence, all pupils will be funded at the new rate of £4,447.12 per pupil (compared with £4,306.44 per pupil in 2014/15).

4.2 The funding available for the national school funding formula in 2016/17 is estimated as follows:

### Schools Block funding 2016/17

Forecast pupils 21,599 at £4,447.12 per pupil	£96,053,000
Less Schools Forum costs	-£5,000
Less Schools admissions costs	-£127,000
Less estimated school licence costs	-£169,000
Less MASH proposal (st DfE approval)	-£75,000
Schools Budget available for schools	£95,677,000
Amount allocated by these proposals	£95,677,000
Schools Funding allocated 2015/16	£95,656,000

4.3 The DfE has given a commitment to review the funding of the schools and high needs blocks to ensure that fair funding is applied not only to schools but also to high needs and early years. It is expected that the DfE will consult further in 2016 regarding detailed proposals for change. Until that time we will seek to maintain the current funding arrangements whereby Herefordshire currently funds a number of high needs costs in schools from the High Needs Block. In 2015/16 these were:

- additional delegation to high schools for Pupil Referral Unit charges for first year pupil placements of £75k from the high needs block and £75k from DSG balances
- additional budget protection for primary schools that have a higher number of high needs pupils of £75k and £75k from DSG balances
- a grant of £200k is allocated to the Bishop of Hereford's Bluecoat school to fund the £6,000 threshold for additional needs for the high number of out of catchment pupils with high needs.

4.4 Subject to a review of current DSG expenditure trends, Schools Forum will be consulted in January 2016 to continue to fund these commitments from the high needs block supported by the use of DSG balances for 2016/17. The continuation of these two support schemes will be further reviewed when the DfE's detailed funding proposals are available in 2017.

## 5.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS

5.1 The provisional funding rates for each national factor (based on estimated pupil numbers) must be submitted to the Education Funding Agency by October 31<sup>st</sup> 2015. After the October pupil census has been finalised, limited adjustments can be made to the funding rates to ensure that final school budget expenditure equals the funding available from the Dedicated Schools Grant for 2016/17.

5.2 Herefordshire’s school funding proposals for 2016/17 are

- to improve the per pupil funding values and to ensure the consolidation of the DfE’s 2015/16 fairer funding increase to low funded authorities.
- to increase the primary secondary funding ratio to 1:1.23 by reducing primary lump sum values, increasing secondary lump sums and for qualifying primary schools an increase in sparsity funding;
- to increase low prior attainment funding by transferring funding from deprivation as measured by Ever-6 free school meals ensuring the combined spend on deprivation and low prior attainment does not increase from the £12m allocated in 2015/16.
- to transfer per pupil funding from secondary key stage 4 to key stage 3 to move closer towards the median funding value in national benchmarking.

5.3 The impact on the Herefordshire formula values are as follows;

- Primary pupil funding – to increase funding so that the £2,846 2015/16 basic entitlement per pupil increases to £2,875 in 2016/17.
- Secondary KS3 pupil funding – to increase funding so that the £3,689 2015/16 basic entitlement per KS3 pupil increases to £3,843 in 2016/17
- Secondary KS4 pupil funding– to reduce funding so that the £4,645 2015/16 basic entitlement per KS4 pupil reduces to £4,436 in 2016/17.
- Low prior attainment (low cost, high incidence special education needs) –
  - (i) to increase primary funding from £428 per pupil in 2015/16 to £615 per pupil in 2016/17
  - (ii) to increase secondary funding from £648 per pupil in 2015/16 to £1,099 per pupil in 2016/17
- Deprivation –
  - (i) to reduce the primary ever-6 free school meal funding from £2,572 in 2015/16 to £2,192 in 2016/17
  - (ii) to reduce the secondary ever 6 free school meal funding from £2,162 to £1,419 per pupil.
- EAL – no change - maintain funding at £505 for primary schools and £1,216 for high schools in accordance with the Minimum Funding Values set out by the DfE
- Lump sums – to reduce the primary lump sum by a further £6,000 to £87,000

- To increase the secondary lump sum by £9,500 to £143,000 as a mid way increase towards the agreed target of £150,000 in 2017/18.
- Primary sparsity – to increase the tapered lump sum by £14,000 to £42,000 for qualifying primary schools
- Business Rates – no change - funded at cost with a presumed 2% increase.
- Looked After Children – no change - maintain the funding in line with the pupil premium at £1,300 for 2015/16
- Mobility – no change for 2016/17 as factor not used.
- PFI factor – to increase to £242,500, up from £207,500, (£25,000 increased contribution and £10,000 re inflation as per the school agreement) to provide for future inflation risk within the PFI contract in accordance with the agreement with Schools Forum. There will be a further similar increase in 2017/18. The cost of additional PFI funding is being shared equally by DSG and the council's budget.

5.4 Detailed proposals for change are set out below for

- Option A – to continue the changes in the lump sums to increase the primary/secondary funding ratio, with associated changes to primary sparsity and primary per pupil funding
- Option B – proposals for increasing funding for low prior attainment and reducing deprivation funding but to maintain overall spending at £12m
- Option C – proposals to increase secondary key stage 3 funding and reduce key stage 4 funding

#### **Option A: Primary Secondary Ratio (including primary sparsity)**

5.5 The DfE has indicated that over time it wishes to move towards national consistency in the school funding framework and that local authorities should be aware of the national benchmarking data.

5.6 Herefordshire's primary secondary funding ratio was 1:1.18 in 2013/14. School Forum has agreed to move Herefordshire's funding ratio towards the national average 1:1.27 by reducing the primary lump sum in annual steps of £6,000. The original target of Herefordshire's family of comparable counties was 1:1.23. However as Herefordshire has responded by moving towards the national average so have our family group and the average of comparable shire counties is now 1:1.25 and the national average is 1:1.28. These proposals will give Herefordshire a ratio of 1:1.23 for 2016/17.

5.7 Small schools with less than 100 pupils continue to be advised to develop operating models that will be able to deliver the necessary budget reductions to maintain long term viability. Herefordshire Council will provide leadership, help, advice, support and assistance as required. This is particularly important given the future cost pressures faced by schools in the coming years.

5.8 The strategy for achieving the change in primary secondary ratio is through an annual reduction of £6,000 in the lump sum for primary schools, an increase in the secondary lump sum of £9,500, an annual increase in primary sparsity of £14,000 on the tapered lump sum and an increase in primary per pupil funding of £13 per pupil.

5.9 For primary schools the annual reduction of the lump sum of £6,000 is reallocated as follows:

- £2,500 to fund transfer of £200k to secondary schools
- £1,500 to fund primary sparsity payments
- £2,000 to boost primary per pupil funding at £13 per pupil

<b>Q1: PRIMARY SECONDARY FUNDING RATIO</b>	<b>Yes</b>	<b>No</b>
Do you agree with a continued reduction of £6,000 in the primary lump sum to move the primary secondary funding ratio to 1.23?		
The primary lump sum reduces to £87,000 and the secondary lump sum increases to £143,000. Primary sparsity increases by £14,000 in the tapered lump sum to £42,000.		

### **Option B: Low Prior Attainment – (Low Cost High Incidence SEN)**

5.10 Evidence from the DfE’s Minimum Funding Value statement indicates that total deprivation funding is in excess of the DfE’s minimum value statement and the balance between funding allocated on Ever-6 free school meals and low prior attainment is out of step with national comparisons. This is further supported by the DfE’s benchmarking of local authorities’ 2015/16 schools block funding formula published in March 2015; the key points are as follows:

<b>Funding Factor</b>	<b>Herefordshire 2014/15</b>	<b>Herefordshire Proposed 2016/17</b>	<b>DfE Fairer Funding Standard</b>
<b>Deprivation – Ever-6 FSM</b>	£11m	£7.5m	£5.5m
<b>Prior Attainment</b>	£1m	£4.5m	£3.8m
<b>Total</b>	£12m	£12.0m	£9.3m

- In 2016/17 Herefordshire’s deprivation will be 7.85% compared with the national average of 8.1% in 2015/16

- The spend on deprivation by Herefordshire's family of comparable authorities is 5.7% compared with Herefordshire's proposed 7.86% in 2016/17
- The spend on low prior attainment by Herefordshire's family of comparator authorities is 4.17% compared with Herefordshire's proposed 4.7% in 2016/17

5.11 It is clear that the changes made in 2015/16 and proposed for 2016/17 will bring Herefordshire much closer to both the average of comparable authorities and the national benchmarks. Deprivation funding would still appear to be higher and further attention will be given to options in 2017/18 to transfer funding from deprivation to basic per pupil entitlement.

5.12 Arguments considered by the BWG for the continued change in 2016/17 are

- There is a clear need to fund those pupils who need additional assistance to make progress. It was felt by secondary representatives that it was important to address this change now.
- 80% of schools have a higher percentage of low prior attainment pupils than pupils entitled to Ever-6 FSM but 92% of funding was allocated to deprivation and only 8% to low prior attainment in 2014/15

### Primary

5.13 Option C(i) –to further Increase primary low prior attainment funding from £228 per pupil (2014/15) to £428 per pupil(2015/16) and a proposed £628 in 2016/17 and to reduce the Ever-6 FSM funding for primary pupils. This option would move Herefordshire to the national median and increase spend from £0.7m in 2014/15 to £2m in 2016/17.

<b>Q2: PRIMARY LOW PRIOR ATTAINMENT</b>	<b>Yes</b>	<b>No</b>
<p>That the funding allocation for primary low prior attainment be amended from £428 per pupil not achieving 78 points on the Early Years Foundation Stage Profile to £615 per pupil in 2016/17</p> <p>Ever-6 Free school meals funding will be correspondingly reduced from £2,860 per pupil to £2,192</p> <p>Note: The DfE require that funding for primary low prior attainment is allocated on less than 78 points on the EYFSP. The DfE will change in the future.</p>		

### Secondary

5.14 Option C (ii) – to increase secondary low prior attainment funding from £648 per pupil to £1,099 per pupil and reduce the Ever-6 FSM funding for secondary pupils. This would move

Herefordshire to the national median funding and increase spend on secondary prior attainment from £1.4m in 2014/15 to £2.5m in 2016/17, a significant increase.

Q3: SECONDARY LOW PRIOR ATTAINMENT	Yes	No
That the funding allocation for secondary low prior attainment is increased from £648 per pupil not achieving level 4 in Maths OR English to £1,099 per pupil in 2016/17?		
Ever-6 Free school meals funding will be correspondingly reduced from £2,168 per pupil to £1,419		

- 5.15 Expenditure on deprivation has been reduced from £12m in 2014/15 to £7.7m in 2016/17 and funding for low prior attainment increased from £1m in 2014/15 to £4.6m in 2016/17 thereby targeting the funding more effectively on low performing pupils in order to help raise standards.

### Notional SEN budget

- 5.16 In 2014/15 Herefordshire set the notional SEN budget to be 6% of per pupil funding + 6% of the lump sum + 40% of Deprivation funding +100% low prior attainment funding (as a proxy for SEN). The changes proposed to the lump sums and the low prior attainment factor will adjust the calculation of the notional SEN budget to a limited extent.
- 5.17 In addition to the school’s notional SEN budget, schools will be allocated individually assigned top-up funding for each high needs pupil in accordance with the new High needs matrix funding tariff.

### Protection for primary schools with higher numbers of high needs pupils

- 5.18 Following concerns raised by many primary schools during the 2013/14 budget consultation, a protection scheme was introduced in 2013/14 to cap the additional cost for schools with higher numbers of high needs pupils at £60 per pupil. The additional cost arises from the DfE’s requirement that schools must find the first £6,000 of high needs from within the school budget. The Herefordshire scheme attracted national recognition from the DfE as it limited a school’s additional costs to £60 per pupil, which is consistent with the Minimum Funding Guarantee.
- 5.19 For 2015/16 the cap has been set at £90 per pupil to provide a cost effective scheme and it is proposed to continue this level of funding for 2016/17 subject to agreement with Schools Forum in January 2016.

### Optional De-delegation (i.e. automatic payment for essential services)

- 5.20 De-delegation is the DfE’s technical term to describe the efficient practice of automatically deducting budget from locally maintained schools to pay for certain services as approved by



Schools Forum. In Herefordshire, these de-delegation arrangements are currently approved for free school meals administration, ethnic minority support and for primary schools, trade union facilities time.

- 5.21 For 2016/17 in order to significantly improve the quality of school financial planning, it is proposed seek approval from Schools Forum to additionally fund the licence costs for new and modern web-based school budgeting software for all maintained schools through de-delegation. The HCSS software will ensure robust five year financial plans are prepared by all schools and the software has a good track record of successful use in Herefordshire high schools. Academies and schools already using the software will be able to save money by purchasing through the county licence. There are significant savings by purchasing a county licence and the cost per school will be around £350 pa.
- 5.22 Schools Forum opted to decline de-delegation for secondary schools for trade union duties and it is proposed to continue with a primary only scheme for trade union facilities in 2016/17.

Q4: DE-DELEGATION	Yes	No
<p>Do you agree that for local authority maintained schools, the current de-delegation of funding should continue for</p> <ul style="list-style-type: none"> <li>(a) trade union facilities – Primary only</li> <li>(b) ethnic minority support – secondary and primary</li> <li>(c) free school meals administration – secondary and primary</li> <li>(d) software licence costs for finance budgeting software</li> </ul> <p>Please answer individually for each service.</p>		

## 6.0 HIGH NEEDS FUNDING

- 6.1 High Needs funding in Herefordshire is under pressure from rising costs and increasing numbers of commissioned places as funding from the DfE in the High Needs Block has remained static in recent years. Herefordshire was fortunate to make successful bids for a small increase in funding for 2015/16 to provide for growth in the hospital education service and for limited exceptional growth in commissioned places in special schools and post-16 provision. The corresponding increase in top-up funding was not provided nor was any increase for increasing pay and pension costs in special schools.
- 6.2 Herefordshire was invited by the DfE to participate in a consultancy study undertaken by the ISOS partnership on behalf of the DfE. The ISOS report has been published and makes a number of sensible recommendations including formula funding for the high needs block. Herefordshire is identified by the DfE as high SEN demand but low funded. The f40's proposals for fair funding would provide for a 13% increase in high needs funding for Herefordshire. The funding pressure on Herefordshire's high needs services will continue until the DfE respond to the ISOS recommendations
- 6.3 Schools Forum allocated a 4% increase to high needs top-ups in 2015/16 which was particularly directed at meeting increased pension costs in special schools. Schools Forum will consider whether it will again be possible to allocate a further increase in 2016/17. Without such an increase special schools will have to absorb such costs in the same way as mainstream schools have been required to do.

## 7.0 EARLY YEARS FUNDING

7.1 Herefordshire is the 16<sup>th</sup> lowest funded authority for early years nationally and is unable to increase funding for early years providers without either an increase in funding from the DfE through a “fairer funding” review of early years block funding or a reduction in schools funding. Hence there is no change proposed in early years funding rates for 2016/17.

Schools Forum has previously agreed that early years funding in Herefordshire should be on a par with our neighbouring counties. The latest DfE comparative benchmarking data from 2013/14 indicates the average funding per hour of early years provision for 3 and 4 year olds is

Gloucestershire	£3.39
Worcestershire	£3.43
Herefordshire	£3.48
Shropshire	£3.48

7.2 Funding for two year olds is allocated within DSG directly by the DfE at the following rates per hour is £4.85 per hour for Herefordshire, Worcestershire and Shropshire and Gloucestershire at £4.93 per hour.

7.3 On this basis, no changes are proposed for 2016/17.

## 8.0 BUDGET CONSULTATION TIMESCALES

8.1 The budget process and expected timeline is:

- Consultation meetings for headteachers, bursars and governors are arranged to explain school funding in more detail as follows
  - 4pm-6pm Thursday 24<sup>th</sup> September, Aylestone Business and Enterprise College, Hereford
  - 6.30-8.30pm Thursday 24<sup>th</sup> September, Aylestone Business and Enterprise College, Hereford
- Consultation closes 12 noon 2nd October 2015
- The outcome of the consultation for 2016/17 will be considered by Schools Forum on 23rd October 2015
- The Formula factors and funding values will be submitted to the Education Funding Agency by 30<sup>th</sup> October 2015
- Final adjustments by Schools Forum, 15<sup>th</sup> January 2016 will be made to the funding values following the pupil census in October and submitted to the Education Funding Agency by 21st January 2016
- Budgets issued to locally maintained schools by 28<sup>th</sup> February 2016
- Education Funding Agency to issue budgets to academies for academic year 2016/17

## 9.0 IMPACT ON SCHOOL BUDGETS

- 9.1 All figures quoted for 2016/17 in the appendix are indicative budgets based on estimated October 2015 pupil numbers and are provided as an illustration of both the short term and long term gains and losses that schools will incur through the National School Funding Formula. Final school budgets for 2016/17 will be calculated using October 2015 pupil numbers and the final funding values submitted to the EFA in January 2016.
- 9.2 The appendix sets out estimated school budgets for 2016/17 as calculated using the National School Funding Formula proposals set out in this consultation paper. This includes the continuation of the 2.9% per pupil increase from the government's fair funding proposals as first allocated in 2015/16, the changes to the lump sum in accordance with the financial strategy and the preferred options for primary and secondary prior attainment. The primary secondary ratio based on the indicative budgets is 1:1.23
- 9.3 Detailed individual budgets have been issued to schools in support of the consultation paper and the appendix, which by necessity only provides an overall summary.
- 9.4 Overall the proposals have the following impact on the total Schools Budget

<b>Funding Factor</b>	<b>2014/15 £'000</b>	<b>%</b>	<b>2015/16 £'000</b>	<b>%</b>	<b>2016/17 £'000</b>	<b>%</b>
<b>Per pupil</b>	68,757	75	71,874	75.4	72,519	75.8
<b>Deprivation</b>	10,979	12	9,566	9.8	7,520	7.9
<b>Looked After Children</b>	141	0.1	134	0.1	134	0.1
<b>Low Cost SEN/Prior Attainment</b>	1,024	1.1	2,848	3.0	4,488	4.7
<b>EAL</b>	109	0.1	174	0.2	176	0.2
<b>Lump Sum</b>	9,385	10.2	9,374	9.9	9,074	9.5
<b>Sparsity</b>	111	0.1	223	0.2	310	0.3
<b>Rates</b>	1,165	1.3	1,191	1.2	1,215	1.3
<b>PFI</b>	190	0.2	207	0.2	242	0.2
<b>Total</b>	91,860	100	95,656	100	95,678	100
<b>Non Recoupment academies/ free schools</b>	2,043		Included above		Included above	
<b>Revised Total for comparison</b>	93,903		95,656		95,678	

## **10.0 CONSULTATION RESPONSES BY 2nd OCTOBER 2015**

- 10.1 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 2nd October 2015 in order that your views can be considered by Schools Forum at their meeting in October.
- 10.2 The consultation meetings can also be used to express views for consideration – given the importance of the proposals all views are welcomed.

## **11.0 FURTHER INFORMATION**

- 11.1 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@hoopleltd.co.uk](mailto:malcolm.green@hoopleltd.co.uk)) or any member of the Budget Working Group as follows;

### **Primary**

Mr P Box, Lord Scudamore  
Ms T Kneale, Marlbrook  
Mr M Maund, Almeley  
Mrs A Pritchard, Trinity  
Mrs J Rees, Ledbury

### **Secondary**

Mrs S Catlow-Hawkins, Bishop's  
Mrs S Woodrow, Aylestone  
Mr N Griffiths, John Kyrle (BWG Chairman)  
Mr J Docherty, John Kyrle  
Mrs A MacArthur, Wigmore High (and Primary)

Others contributing to the development of these budget proposals included Ms N. Gilbert, Westfield representing special schools and Mrs R Lloyd representing early years.