

## NATIONAL SCHOOL FUNDING FORMULA 2017/18

### CONSULTATION FOR HEREFORDSHIRE SCHOOLS AND RESPONSE FORM



The budget response form must be returned by:  
12pm on 4<sup>th</sup> November 2016 to:  
[School.funding@herefordshire.gov.uk](mailto:School.funding@herefordshire.gov.uk)

#### 1.0 SUMMARY

- 1.1 This consultation paper sets out the expected financial position for school budgets for 2017/18, the national position including the early years funding consultation, and the proposals to address the £1.1m Education Services Grant (ESG) cut in 2017/18.
- 1.2 The proposal is to maintain the same funding values as 2016/17 in order to provide maximum stability for Herefordshire schools.
- 1.3 Some choice and flexibility will be offered to schools in order to mitigate against the impact of the ESG reductions whilst ensuring that the council and schools continue to be able to meet statutory duties which have not changed.
- 1.4 These proposals set out the fourth year of School Forum's five year implementation strategy to achieve a gradual transition towards the expected National School Funding Formula. This is now delayed until April 2018 by the Government.
- 1.5 As in previous years, Herefordshire will adhere to the DfE's funding block spending allocations as this practice has served Herefordshire well since 2013 when individual blocks were first published by DfE.
- 1.6 Overall the funding settlement provides no new money for schools so existing cost pressures will continue with additional costs from the ESG grant reductions, unfunded pay rises, the apprentice levy charges and potential further pension and other tax increases in future years.
- 1.7 Strong financial planning will 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.
- 1.8 **Consultation key dates:**
  - You are encouraged to respond by 12 noon on the 4<sup>th</sup> November 2016.

- School Forum's Budget Working Group will consider the responses and final budgets will be confirmed by Schools Forum in January prior to cabinet member approval and submission to the Education Funding Agency on 20<sup>th</sup> January 2017.
- Consultation meetings with schools will be deferred until later in the year when the detailed national funding formula proposals are available.

## **2.0 NATIONAL SCHOOL FUNDING PROPOSALS**

- 2.1** The government has indicated that the detailed stage two school funding consultation will be published later in the autumn term and that there will be a full consultation with schools and local authorities prior to implementation from April 2018. Hence our school budget proposals for 2017/18 are interim proposals intended to maintain budget stability and address cuts in funding in Herefordshire schools and council, prior to consideration of the government's detailed proposals later this year.
- 2.2** Through effective financial planning over some years, Herefordshire is fortunate not to have complex historic funding liabilities within the Dedicated Schools Grant that would complicate the implementation of the national proposals.
- 2.3** The government has also begun consultation on early years funding reform. In summary, the consultation will propose:
- To reform the funding system to deliver affordable, flexible and high quality childcare for all parents and children – including those with disabilities and with special educational needs.
  - To have a fairer funding system for both the existing universal three- and four-year-old entitlement (for all parents) and the extension to 30 hours (for working parents).
  - To introduce a national funding formula for early years from 2017-18 (how money is allocated from Government to local authorities).
  - To use factors in the national formula including the incidence of children with additional needs and relative costs of delivery.
  - To reform the existing approach of local early years funding formulas (how money is allocated from local authorities to childcare providers) and maximise the amount of money to providers and therefore the children in their care
- 2.4** The DfE early years consultation ends 22nd September 2016 and at this stage is mainly concerned with the principles of the funding reform. The DfE propose a funding rate of £3.89 per hour for Herefordshire which is an increase of 25p per hour on the current £3.64 per hour funding allocated in Herefordshire's Dedicated Schools Grant. We will consult with local early years providers once the DfE confirm final plans later in the autumn term. However it is likely that 20p will be added to the hourly rate paid to providers and 5p retained to

increase payments for early years high needs that will be necessary by the extension to 30 hours.

- 2.5 The proposed early years funding reform is hugely disappointing as we expected more and it is sincerely hoped that the same does not apply to the schools national funding formula. Further details are set out in section 7.

### 3.0 BUDGET STRATEGY 2017/18

- 3.1 Following consultation with local authorities in May 2016, the DfE has published baseline assessments for 2016/17 based on 21,617 pupils as follows:

Schools Block	£95.84m
ESG retained	£0.34m
Central Block	£0.30m
High Needs	£14.04
Early Years	£5.19m
<b>Total</b>	<b>£115.71m</b>

- 3.2 Schools Block funding 2017/18: DfE has announced that funding for Herefordshire pupils in 2017/18 is £4,463.11 per pupil (including £15 per pupil for retained ESG duties). The projected funding available for the Herefordshire schools is set out below. Pupil numbers in both primary and secondary schools are expected to grow by relatively small amounts. Forecast pupil numbers are easily determined by adding growth to the DfE pupil baseline i.e. 21,617 plus an estimated growth in primary of 160 pupils and secondary of 109 i.e. a planning total of 21,886 pupils

Forecast pupils 21,886 at £4,463.11 per pupil	£97,679,500
Less DSG Central school block	(£300,000)
Less ESG at baseline plus £15 per 269 extra pupils	(£348,000)
Schools Budget available for schools	£97,031,500
Amount allocated by these proposals	£96,931,632
High Needs Block funding	£14,040,000
Early Years baseline <i>(Note central early years spend is £350k within above £5.19m)</i>	£5,190,000
Schools Funding allocated 2016/17	£95,656,000

- 3.3 There are two known funding pressures on the schools block; firstly a potential increase of 2% on school rates at a cost of £25,000 and secondly the addition of a final £25,000 to the PFI funding factor following agreement between Schools Forum and the council in July 2014 to ensure the PFI contract is fully funded. A business rates revaluation is due for 2017/18 and may add additional cost.

- 3.4** Funding for the high needs block will be uplifted later in the year in December 2016 so final allocations of the high needs block cannot be determined until early in 2017. It will be essential that expenditure and place forecasts are accurate particularly for special schools to ensure appropriate budgets are set.
- 3.5** The central schools block will be used to fund Schools Forum administration costs (£5k), school admission costs (£127k) and national licence costs (£168k) as in previous years.

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

**4.1** Herefordshire proposes to maintain the 2016/17 funding values for 2017/18. The proposed funding rates for each national factor (based on estimated pupil numbers) for 2017/18 are set out below. These are the 2016/17 funding values. As in previous years, school budgets can only be finalised after the October pupil census and confirmation by the DfE of the financial settlement in December. Schools Forum has committed to maintaining these published values and changes will be made only if absolutely necessary.

**4.2** Herefordshire's school funding proposals for 2017/18 are:

- Basic Entitlement per pupil:
  - (i) Primary KS1/2 £2,875
  - (ii) Secondary KS3 £3,843
  - (iii) Secondary KS4 £4,436
- Low prior attainment (low cost, high incidence special education needs)
  - (i) primary funding £615 per pupil
  - (ii) secondary funding £1,121 per pupil
- Deprivation per Ever-6 Free Meal pupil
  - (i) primary £2,192
  - (ii) secondary £1,419
- English as Additional Language (EAL) per first year EAL pupil
  - (i) Primary £505
  - (ii) Secondary £1,216
- Lump sums
  - (i) Primary £87,000
  - (iii) Secondary £143,000
- Primary sparsity
  - (i) tapered lump sum of £42,000 for qualifying primary schools
- Business Rates – no change, funded at cost with a presumed 2% increase.
- Looked After Children – £1,300

- Mobility – not used.
- PFI factor – to increase to £267,500 up by £25,000 in accordance with the agreement with Schools Forum.

### **Q1: SCHOOL FUNDING VALUES 2017/18**

Do you agree with the proposals to maintain the school funding values at the same values as 2016/17 to ensure budget stability for Herefordshire schools?

*Note: Business rates will be funded at cost with an expected increase of 2%. PFI costs will increase by £25,000 as approved by Schools Forum to cover contracted inflation.*

- 4.3** In order to significantly improve the quality of maintained schools financial planning, a county licence was purchased for the HCSS school budgeting software in 2016/17. Feedback from schools has been excellent and the five year financial plans submitted are much improved and will provide a sound basis for future planning by maintained schools. It is considered essential that schools continue to use this software and that de-delegation provides the most cost effective way of funding the licence. The software will be retendered later this year and the cost is expected to be around £350 per school.
- 4.4** There are no proposals to change the de-delegation arrangements for maintained schools for 2017/18. It would be helpful to Schools Forum if you could indicate your support of the current arrangements by completing Q2. De-delegation reduces the amount of administration and invoicing to schools for a limited set of services where Schools Forum agrees that such services are required by all schools.

### **Q2: DE-DELEGATION**

As in previous years, it is proposed that the following services should be de-delegated for local authority maintained schools:

- A) trade union facilities Primary only –  
Charged at £3.50 per primary pupil
- B) Ethnic minority support – secondary and primary –  
Charged at £1.12 per pupil, £6.60 per Ever-6 FSM pupil and £107 per EAL first year pupil.
- C) free school meals administration secondary and primary - Charged at £4.51 per Ever-6 FSM pupil
- D) School budgeting software licence estimated at £350 per school

***Please answer individually for each service.  
Please note that de-delegation will continue to apply for the above services. The impact of the ESG cuts and local authority statutory services are considered in section 5***

## **5.0 EDUCATION SERVICES GRANT (ESG)**

- 5.1** In the 2015 Spending Review, the government announced a cut of £600m from the Education Services Grant which is given to local authorities and academies to fund statutory education duties. The £600m cut is 75% of the total ESG funding. Since the announcement of the cut the DfE has changed its position on the expected role of local authorities, as illustrated in the white paper Education Excellence Everywhere and subsequent briefings ie a number of statutory duties now remain in place and the government has advised councils they will have to find alternative sources of funding. However, the financial cut is still going to take place in addition to ongoing reductions in the rate support grant which the government also provides councils. For Herefordshire Council this is a reduction of £1.1m and will adversely impact on the statutory services provided by the Council for all children and young people, for all schools and for locally maintained schools. Herefordshire academies will collectively face a similar cut.
- 5.2** The DfE has determined that there will be a retained amount of £15 per pupil to recognise some of the duties that a local authority performs for all schools. This is the only element of ESG funding that continues for 2017/18 and the DfE will allocated this funding directly to the local authority.
- 5.3** Herefordshire Council has a strong and productive relationship with all schools and with the schools forum. We are a council that has carried out its responsibilities cost effectively compared to other local authorities. In terms of costs, in current comparisons Herefordshire local authority services are in the lowest quartile of all authorities (i.e. cost the least) and in the bottom three or four of statistical neighbours. In other words we spend comparatively little on the same statutory duties that all local authorities have to carry out.
- 5.4** Herefordshire is a high delegator of resources to schools. We have worked with the schools forum and all schools to move towards the national funding formula. We have taken bold steps to restructure and revitalise our approach to school improvement, working with schools, making the most of our different skills, interests and responsibilities and collectively achieving impressive results. We have a lot to be proud of in Herefordshire and in the way maintained schools, academy schools, the Diocese, the Archdiocese and the local authority work together.
- 5.5** A cut of this size cannot simply be absorbed and national government has explicitly stated that they expect local authorities to continue to play a critical part in the lives of children and young people and in schools, whatever their status (i.e. academy, free school, maintained school).The government has also stated that they expect local authorities to find different sources of funding, including schools paying for services.
- 5.6** It is important to reflect on this context whilst we consider how to address the significant national cut and expectations. The amount retained by the local authority will need to be agreed by the maintained members of the schools forum.

- 5.7** In addition local authorities can enter into service level agreements, contractual arrangements or other forms of organisation (including establishing schools companies, staff mutual, social enterprises) to deliver services in a local area and gain contributions from schools in order to do so.
- 5.8** Herefordshire's approach is to minimise the cost to schools to an acceptable minimum whilst offering greater choice to schools through Service Level Agreements rather than enforced de-delegation. Without the work during the previous 12 months preparing schools for reducing budgets, we would have little choice but to seek a much greater top-slice however unwelcome. The proposals contain work that directly benefits pupils within Herefordshire schools, supports the joint working approach that the council has with all schools, and provides statutory duties to support effective school management for the maintained schools.
- 5.9** If the local authority and schools forum are unable to reach consensus on the level to be retained, the matter will need to be referred to the secretary of state.
- 5.10** A cut of £1.1m per year cannot be achieved without an impact on the range of services provided and our proposals are as follows:
- 1) £600k reduction in the council's corporate services and in education and commissioning services i.e.:**
    - a. Reduction in corporate overheads £500k
    - b. Reduction in education and commissioning central school improvement funds £47k
    - c. Efficiency savings in council services and full cost recovery £53k
  - 2) £200k school redundancies for maintained schools either to be:**
    - a. charged directly to the maintained schools that incur them; or
    - b. top sliced from maintained schools budgets to be retained by the council to meet costs
- 5.11** Jointly with the schools forum, the local authority has previously advised schools on the need for more robust budget planning and offered advice on how to manage staffing costs by planning ahead. Given this advice and the removal of funding, it is proposed that the local authority will no longer hold money itself to cover redundancies from maintained schools but will either:
- a. Pass the cost of redundancies and any early release of pension costs onto individual maintained schools as they arise, considering each case on its merits, retaining a very small sum for exceptional circumstances which will be provided through a top slice. Loans from the local authority may be a way of helping to spread the redundancy cost over a five year period; or

- b. Top slice the current £200k for all maintained schools at a cost of £15 per pupil to meet maintained school redundancy costs. Any under or over spend of actual costs will be carried forward to the next financial year and the top-slice adjusted as necessary.

**5.12** It would be prudent at this time for maintained schools to recognise both possible scenarios in any staffing considerations that will have budget implications that they make in the autumn term onwards. In other words maintained schools should recognise that they may potentially face redundancy costs that they have not previously had to cover. Academies are already responsible for their own redundancy costs.

**3) £200k budget top-slice of £15 per pupil for maintained schools only to support effective school management and cover statutory duties carried out by the local authority**

<u>Service for LA schools</u>	<u>£'000</u>
Governor services- support for schools	24
Monitoring National Curriculum assessment	20
Internal audit	30
Strategic HR	30
Strategic Finance	30
SACRE	6
Property landlord duties	30
Exceptional redundancy costs	30
<b>Total</b>	<b>200</b>

**4) £200k SLA proposals for all schools that cover safeguarding and pupil wellbeing, including data analysis**

This includes the consolidation of some existing charges e.g. the current cost of two education advisors within the Multi Agency Safeguarding Hub was approved by the Secretary of State for Education from central DSG for 2016/17 only.

The cost of the existing staff (£75k) will be funded through an SLA with schools for 2017/18 and will incorporate MASH operational costs that previously have not been part of the costs. The work of a school improvement advisor, which is predominantly pupil well-being and safeguarding in all schools, will be included in the new SLA.

The MASH SLA will be approximately £10 per pupil and further details will be circulated in due course. The alternative to the SLA will be to purchase MASH services at a consultancy rate of £75 per hour, however this could undermine the collective Herefordshire schools approach to the MASH.



- 5.13** Schools should note the support the council is proposing to continue to give education and schools by addressing the largest proportion of the cut and significant budget change directly within its own council budget. Further details will follow in heads and governors briefings in the autumn term.

However, at this time it is important for maintained schools to appreciate that the government has given local authorities little choice in that by removing the funding whilst retaining the statutory responsibility the local authority has no choice but to make further reductions in its spending whilst also recovering costs from schools.

### **Q3: EDUCATION SERVICES GRANT REDUCTIONS**

1. Do you agree with the proposals to make cuts in the council's corporate services and in education and commissioning services as follows:

A) Reduction in corporate overheads	£500K
B) School Improvement fund	£47k
C) Other efficiency savings	£53k
  
2. £200k School redundancies for maintained schools, do you prefer either;
  - A) charged directly to the maintained schools that incur them; or
  - B) top sliced from maintained schools budgets at £15 per pupil to be retained by the council to meet costs
  - C) do you support the provision of loans from the local authority to help spread the cost of redundancies over a five year period?
  
3. £200k budget top-slice of £15 per pupil for maintained schools only to cover statutory duties carried out by the local authority
  
4. £200k new SLA proposals for all schools that cover safeguarding and pupil wellbeing, including data analysis

***If you disagree with the above proposals, please suggest practical alternatives that permit the council to continue to meet its statutory responsibilities on behalf of children in maintained schools with no Education Services Grant***

## **6.0 HIGH NEEDS FUNDING**

- 6.1** High needs funding in Herefordshire remains under pressure from rising costs particularly from increasing numbers of commissioned places as funding from the DfE in the High Needs Block has remained largely static. Herefordshire has to rely on the relatively small increases in the high needs block announced annually by government. The f40 campaign group forecasts that Herefordshire will benefit from the government's intention to fund the high needs block on a formulaic basis although any increase is likely to be phased in over an extended time period.

- 6.2** In the short to medium term, Schools Forum faces difficult decisions each year to ensure that high needs pupils in special schools, mainstream schools and independent placements are allocated sufficient and proper funding from that made available by government. Schools Forum will again have to consider whether a further increase in high needs funding will be possible for 2017/18. Without any such an increase special schools will have to absorb cost pressures in the same way as mainstream schools have been required to do.

## **7.0 EARLY YEARS FUNDING**

- 7.1** Herefordshire is currently the 16<sup>th</sup> lowest funded authority for early years nationally and is unable to increase funding for early years providers without an increase in funding from the DfE through the “fairer funding” review of the early years block funding. The DfE has published a consultation on early years funding reform to provide “fairer” funding and also set out funding arrangements for the expansion to 30 hours weekly provision. Until such plans for the future are finalised there can be no change proposed in early years funding rates. Schools Forum has previously agreed that early years funding in Herefordshire should be on a par with our neighbouring counties.

- 7.2** Herefordshire’s current funding is based on £3.64 per hour and 94.1% is passed through to PVIs via a simple formula that treats all providers equally. The local formula for distributing funds to providers is:

**£50 per week lump sum + £3.20 per hour + £0.26 per hour for deprivation.**

**Two year olds are paid £4.85 per hour**

- 7.3** Under the new proposals the government allocates a base amount to each authority and then inflates by an area cost adjustment to reflect the cost of providing childcare in each area. The area cost adjustment is calculated on 80% on wages, 10% on nursery premise costs and 10% is assumed not to vary. Herefordshire is amongst the lowest nationally for area cost adjustment at an additional 2%. As such, Herefordshire will receive £3.89 per hour as follows:

• Universal base rate	£3.61 per hour
• Free school meals	£0.21 per hour
• English as Additional Language	£0.02 per hour
• Disability Living Allowance	£0.05 per hour

**Total £3.89 per hour**

*An increase of 25p per hour on our current allocation.*

- 7.4** Restrictions are being introduced on the amount withheld for central administration so that 93% must be passed to providers in 2017/18 and 95% in 2018/19. Herefordshire currently withholds about 5.9% to cover payment costs and the provision of an early years advisory team. It is expected that this percentage will fall as the funding for the extension to 30 hours increases. Small changes to the retention of central costs may be necessary in 2018/19 but we will seek views nearer the time.

- 7.5** Later in the autumn, and following the outcome of the DfE consultation, local authorities are asked to consult with providers on changes to the local formula. For some there will be big changes but for Herefordshire we only expect small changes, for example the 5p per hour for disability living could be added to the high needs budget to provide for high needs payments relating to the extension to 30 hours. It is likely that the remaining 20p will simply be added to the hourly rate.
- 7.6** Herefordshire's early years funding rate is quite comparable with our statistical neighbour authorities with minor variations explained by small differences in area cost adjustments e.g.:

<b>Herefordshire</b>	<b>£3.89</b>
Shropshire	£3.78
Dorset	£3.94
Somerset	£3.96
Wiltshire	£3.97
Gloucestershire	£4.04
Worcestershire	£4.04

- 7.7** All in all the proposals are financially disappointing as we had hoped for a bigger increase. The methodology used by the DfE seems fair and the costs have been collected from national statistics so it's doubtful there will be much success in challenging the figures. It is proposed that we will contribute to the f40 response as this will reflect the 40 lowest funded LAs and includes our statistical neighbours.
- 7.8** As this is still only consultation by the DfE, all Herefordshire providers have been encourage to respond and detailed proposals for change will be brought forward later in the autumn when the DfE announces the outcome of the consultation.

## **8.0 BUDGET CONSULTATION TIMESCALES**

**8.1** The budget process and expected timeline is:

- Consultation closes 12 noon 4<sup>th</sup> November 2016
- There is no requirement this year for the submission of an interim budget to the EFA in October.
- Schools Forum meets on 13<sup>th</sup> January 2017 to consider the recommended funding values to be submitted to the Education Funding Agency by 20<sup>th</sup> January 2017
- Budgets issued to locally maintained schools by 28<sup>th</sup> February 2017
- Education Funding Agency to issue budgets to academies for academic year 2017/18

- 8.2 Further consultation will be arranged once we are in receipt of the DfE's detailed stage two funding consultation expected later in the autumn term.

## 9.0 IMPACT ON SCHOOL BUDGETS

- 9.1 Final school budgets for 2017/18 will be calculated using actual pupil numbers and the final funding values submitted to the EFA in January 2017. Future budgets beyond 2017/18 will depend on the DfE's stage two school funding consultation due to be published later in this year.
- 9.2 Detailed individual budgets will be issued to schools in support of the consultation paper based on estimated pupil numbers and will be updated to reflect October PLASC pupil numbers on request.
- 9.3 Overall the proposals have the following impact on the total Schools Budget:

<b>FUNDING FACTOR</b>	<b>2016/17 £'000</b>	<b>%</b>	<b>2017/18 £'000</b>	<b>%</b>
Per pupil	72,520	75.7	73,493	75.7
Deprivation	7,697	8.0	7,814	8.1
Looked After Children	164	0.2	167	0.2
Low Cost SEN/Prior Attainment	4,290	4.5	4,362	4.5
EAL	204	0.2	207	0.2
Lump Sum	9,074	9.5	9,074	9.4
Sparsity	318	0.3	310	0.3
Rates	1,326	1.4	1,264	1.4
PFI	243	0.3	268	0.3
<b>TOTAL</b>	<b>95,836</b>	<b>100</b>	<b>96,931</b>	<b>100</b>

- 9.4 The above table ignores the impact of the proposed £15 per pupil top-slice for statutory duties for maintained schools (and any additional top-slice to meet the cost of redundancies) as it is not yet clear how the top-slice will be accounted for. This will be clarified in the school finance regulations for 2017/18 when published by the DfE.

## 10.0 CONSULTATION RESPONSES BY 4<sup>th</sup> NOVEMBER 2016

- 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 4<sup>th</sup> November 2016 in order that your views can be considered by Schools Forum at their meeting on 2nd December.
- 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) 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 J Rees, Ledbury  
Mrs S Bishop, Pencombe  
Mr G Mills, Ashfield Park

### Secondary

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

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