

**Schools National Funding Formula Consultation Stage 2****(Closing Date 22<sup>nd</sup> March 2017)****Overall Approach**

- 1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance? (Pages 7-15)**

**No**

Please explain your reasoning and any further evidence we should take into account:

Herefordshire welcomes the consultation and add content from MPs letter.

- 2. Do you support our proposal to set the primary to secondary ratio in line with the current national average? (Pages 16-17)**

We have decided that the secondary phase should be funded, overall, at a higher level than primary, after consulting on this in stage one. We are now consulting on how great the difference should be between the phases.

The current national average is 1:1.29, which means that secondary pupils are funded 29% higher overall than primary pupils.

Yes

No – the ratio should be closer (i.e. primary and secondary phases should be funded at more similar levels)

No – the ratio should be wider (i.e. the secondary phase should be funded more than 29% higher than the primary phase)

**None of the above**

Please explain your reasoning and any further evidence we should take into account:

As a rural authority with many small schools, both primary and secondary, Herefordshire recognises the need for a differential in funding between primary and secondary schools but comparison to an artificial national ratio is meaningless and unhelpful.

The amounts and relative weightings for primary and secondary schools need to be determined from a strong evidence base to provide appropriate funding to ensure that all schools receive sufficient funding to meet their reasonable costs. Reasonable costs, particularly in relation to fixed costs need to be defined and variable costs need to be determined with reference to actual costs and factors such as:

- Pupil teacher ratios and hence teaching group sizes.
- Teacher contact time
- planning, performance and assessment (PPA) but not at 10% teacher cost
- Teaching assistant time.
- Reasonable leadership and management costs, e.g. executive heads for schools below 105 on roll
- Resources.
- Exam fees (Key Stage 4 only).

When this has been calculated the ratio will be what it is.

### 3. Do you support our proposal to maximise pupil-led funding? (Pages 17-18)

We are proposing to maximise the amount of funding allocated to factors that relate directly to pupils and their characteristics, compared to the factors that relate to schools' characteristics. We propose to do this by reducing the lump sum compared to the current national average (see question 7 on the lump sum value).

#### **Yes – but should higher**

No - you should further increase pupil-led funding and further reduce school-led funding

No - you should keep the balance between pupil-led and school-led funding in line with the current national average

No - you should increase school-led funding compared to the current national average

Please explain your reasoning and any further evidence we should take into account:

The balance between the factors must result in adequate funding for all schools regardless of size and location. The interaction of the lump sum with the sparsity factor is therefore key to ensuring that any necessary and vital small schools remain sustainable just as much as large schools must be sustainable..

Herefordshire is extremely concerned that per pupil funding is being reduced and the impact this will have on our larger primary schools by increasing PTRs from an already high 1:25.

Pupil-led funding must be the main component of the national formula and provides for the basic education entitlement of all pupils by funding the appointment of classroom teachers. Per pupil funding should be at a level that guarantees that all pupils regardless of size of school receive a fair entitlement to a class teacher in a reasonable class size. Classes above 30 are unacceptable and diminish pupil learning and contribute to falling standards in a more modern age.

Herefordshire has always been a high delegator of funds to schools and is extremely concerned that the per pupil amounts proposed in the national model are significantly less than in place in Herefordshire now. Per pupil primary funding is £163 less per pupil, secondary KS3 is £46 less and secondary KS4 per pupil funding is £124 less. No evidence is provided in the national model for the impact on class size. How can ministers know the impact on schools of the proposed formula without measuring against objective criteria? In Herefordshire, class sizes in our biggest primary schools are above 30 and these national proposals will require class sizes of up to 35 in order to remain solvent. Rather than the 21<sup>st</sup> century education we are heading back to the 1950s!.

### **Pupil-Led Factors**

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think are the right proportions for each factor.

### 4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors? (Pages 20-21)

Of the total schools block funding, 76% is currently allocated to basic per-pupil funding (AWPU) and 13% is allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language).

The formula will recognise educational disadvantage in its widest sense, including those who are not eligible for the pupil premium but whose families may be only just about managing. It increases the total spent on additional needs factors compared to the funding explicitly directed through these factors in the current system.

We are therefore proposing to increase the proportion of the total schools block funding allocated to additional needs factors to 18%, with 73% allocated to basic per-pupil funding.

Yes

No – allocate a greater proportion to additional needs

**No – allocate a lower proportion to additional needs**

Please explain your reasoning and any further evidence we should take into account:

It is vital that the basic level of funding allocated to all schools is adequate for the school to staff and operate effectively. The increase in additional needs appears to be at the expense of basic per pupil funding. All the large urban primary schools in Herefordshire with high levels of additional need/deprivation are losers under the national formula, losing up to 2.8%. This does not correspond with the DfE's comments about increasing deprivation funding as the opposite is the case in Herefordshire.

Use of the IDACI postcode data is a concern in rural authorities because large rural postcodes include a wide mix of pupils with both high free school meals and privately educated pupils in the same post codes. Herefordshire has consistently not used the IDACI indicator due to the issue of non-homogeneous rural postcodes. Herefordshire was fortunate to avoid the massive data distortions that arose from the recent five year IDACI data review cycle.

We would question whether better use can be made of the pupil premium grant by either targeting at the "Just About Managing" families or including the within the national funding formula in much the same way that standard fund grants were absorbed into DSG in 2008. Increasing additional need funding to 18% whilst retaining the pupil premium at £2bn would seem to be too great a focus on additional needs without being absolutely confident that the national model funds basic educational need (i.e. putting a teacher in front of every class) at the correct level to start with.

The f40 group have constructed a detailed funding model to ensure all schools are able to function with appropriate pupil teacher ratios and a lump sum that is set to meet a defined set of costs, provided for pupil funding at 75% and additional needs factors of 14% (deprivation 8%, prior attainment 5% and EAL 1%). Herefordshire endorses this detailed modelling work and suggests that the DfE should use the f40's model as a good base for the national funding model

**5. Do you agree with the proposed weightings for each of the additional needs factors?**

**Deprivation - pupil based at 5.5% (Pages 21-25)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above.

The f40 funding model recommended that total deprivation should all be funded via pupil-based indicators - primary 5% and secondary 3% i.e. total 8% - and this latter figure does not contain an area-based deprivation amount as Herefordshire does not believe the IDACI model works well (see below).

**Deprivation - area based at 3.9% (Pages 21-25)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

The IDACI model does not work well for large rural postcode areas as there as the area is too large to achieve a homogenous population. Given the known and recent difficulties in revaluing the IDACI indices regularly, Herefordshire considers it better at least in the short- to medium-term, not to use the IDACI model.

**Low prior attainment at 7.5% (Pages 25-27)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. There are many concerns about the reliability and consistency of data being used to determine funding allocations under the current system in this area. Not least are the early years foundation profile data changes and recent changes in key stage assessment methodology.

There is a continuing concern from Headteachers about some schools deliberately reducing prior attainment in KS1 to increase funding and also that it seems wrong in principle that failure in schools should give rise to increased funding. All schools should be funded to deliver success not only those with low prior attainment.

The f40 model suggested low prior attainment at 3% for primary and 2% for secondary and again Herefordshire suggests the DfE looks again at this.

**English as an additional language at 1.2% (Pages 27-28)**

Allocate a higher proportion

**The proportion is about right**

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above.

This would seem to be OK – probably the only bit of the proposed national formula that is.

The weightings are a proportion of the total schools budget.

**6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond? (Pages 28-29)**

We have decided to include a mobility factor in the national funding formula, following the first stage of consultation. This will be based on historic spend for 2018-19, while we develop a more sophisticated indicator. We would welcome any comments on potential indicators and data sources that could be a better way of allocating mobility funding in future.

Mobility factor needs to provide for two different situations. First, for schools that have a high proportion of service children where whole regiments can be transferred in and out and the mobility factor needs to provide sufficient funding to keep a stable staff in school. Secondly to provide for exceptional turnover of pupils. The current mobility factor requires a 10% turnover before providing even the smallest payment. Schools with the highest turnover probably require a stepped payment method.

We absolutely agree with f40's comments as above.

**School-Led Factors**

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think are the right amounts for each factor.

**7. Do you agree with the proposed lump sum amount of £110,000 for all schools? (Pages 29-31)**

This factor is intended to contribute to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will receive a certain amount each year in addition to their pupil-led funding.

**Primary**

Allocate a higher amount

This is about the right amount

**Allocate a lower amount**

**Secondary**

**Allocate a higher amount**

This is about the right amount

Allocate a lower amount

Please explain your reasoning and any further evidence we should take into account:

It is difficult to see any justification for the same lump sum for primary and secondary schools. Please can the DfE publish the evidence about what fixed costs are included in the common lump sum of £110,000?

Herefordshire has been very successful in appointing executive Headteachers for our smallest schools and we would be happy to provide details. This does mean that the lump sum for our smallest primaries can be reduced to below the proposed £110k but it would seem to us that the biggest primary schools are more akin to small secondary schools and that there is merit in considering stepped approach to school lump sums on a size basis.

Detailed consideration the evidence of the fixed costs involved in different sized schools should be investigated and published to support the national formula. Herefordshire would be more than willing to take part in a sampling exercise should the DfE wish to collect this evidence, and as a very rural authority we believe our evidence would provide a significant insight to Ministers on how small rural schools can be successfully kept open and remain viable in the most rural areas of England.

**8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools? (Pages 31-33)**

We have decided to include a sparsity factor to target extra funding for schools that are small and remote. We are proposing that this would be tapered so that smaller schools receive more funding, up to a maximum of £25,000 for primary schools and £65,000 for secondary schools.

**Primary**

Allocate a higher amount

This is about the right amount

Allocate a lower amount

**Secondary**

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Please explain your reasoning and any further evidence we should take into account:

Sparsity is essential in maintaining financial viability of small necessary schools in very rural areas. It must be considered jointly with the primary lump sum for the smallest schools as the lump sum must not be so large that small schools do not have to consider sensible efficient operating practices such as sharing an executive head. For these, a full-time teaching head is an expensive luxury that should not be funded by an overgenerous lump sum.

We would suggest that local flexibility around the usage of school-led funding factors (lump sum, sparsity etc.) in least in the short term would be sensible because this is where Schools Forum can exercise credible local discretion. This will be a more reliable process than one relying on a one-size fits all national formula.

**9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term? (Pages 34-37)**

The growth factor will be based on local authorities' historic spend in 2018-19. For the longer-term we intend to develop a more sophisticated measure and in the consultation we suggest the option of using lagged pupil growth data. We will consult on our proposals at a later stage, but would welcome any initial comments on this suggestion now.

The use of lagged pupil growth data appears to be a reasonable approach to funding growth. Herefordshire isn't really able to comment further as we do not need to plan ahead for any large growth in pupil numbers on a county wide basis.

## Funding Floor

### 10. Do you agree with the principle of a funding floor? (Pages 37-39)

To ensure stability we propose to put in place a floor that would protect schools from large overall reductions as a result of this formula. This would be in addition to the minimum funding guarantee (see question 13).

**No**

Please explain your reasoning and any further evidence we should take into account:

A national formula should not include an arbitrary permanent funding floor. The Minimum Funding Guarantee is a tried and tested method currently used by the DfE to allow appropriate time for winners and losers to adjust to new funding levels.

A national funding formula is precisely that – the same methodology across the country without any artificial constraints. Medium term implementation and phasing of winners/losers can be best achieved through the MFG but the long term goal has to be national fair funding by ensuring the formula finds it's own level.

### 11. Do you support our proposal to set the funding floor at minus 3%? (Pages 37-39)

This will mean that no school will lose more than 3% of their current per-pupil funding as a result of this formula.

Yes

**No – the floor should be lower (i.e. allow losses of more than 3% per pupil)**

No – the floor should be higher (i.e. restrict losses to less than 3% per pupil)

Please explain your reasoning and any further evidence we should take into account:

No the MFG should be used to gradually move all schools to the national formula. If it takes 10 years then so be it but at least we will have national fair funding in time. We appreciate that it will take time for some schools to adjust to their new funding levels.

### 12. Do you agree that for new or growing schools (i.e. schools that are still filling up and do not have pupils in all year groups yet) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity? (Page 43)

**Yes**

We believe that, to treat growing schools fairly, the funding floor should take account of the fact that these schools have not yet filled all their year groups.

Please explain your reasoning and any further evidence we should take into account:



We agree that new/growing schools may require additional funding to help them expand, but this should be on a new class by class basis and time limited. Also it is common for new schools to have start-up costs such as a new Headteacher in the term prior to opening, has any consideration been given to how this might work or will a loan suffice? If the local authority has no schools block funding then the EFA would have to provide any such loan

### Transition

#### **13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5%?**

The minimum funding guarantee protects schools against reductions of more than a certain percentage per pupil each year. We are proposing to continue the minimum funding guarantee at minus 1.5% per pupil per year.

#### **Yes**

No – the minimum funding guarantee should be lower (i.e. allow losses of more than 1.5% per pupil in any year)

No – the minimum funding guarantee should be higher (i.e. restrict losses to less than 1.5% per pupil in any year)

Please explain your reasoning and any further evidence we should take into account:

-1.5% per pupil MFG would seem to offer sufficient protection to schools on an ongoing basis.

### Further Considerations

#### **14. Are there further considerations we should be taking into account about the proposed schools national funding formula?**

#### **Movement between blocks**

Herefordshire School Forum has voluntarily operated a successful ring fence between the Schools Block, High Needs Block and Early Years blocks since 2013. Adoption of such a practice ensures that each block is managed carefully and that potential overspends are forecast in advance and dealt with. Hard decisions have to be taken in advance but this is far better than a reactive approach to dealing with overspends afterwards. We do not borrow from the schools block to fund high needs overspends nor fund artificially high levels of early years provision.

#### **Schools Forum and Local Expertise**

There is no clarity in the consultation about the ongoing role for Schools Forum. Herefordshire hugely values the successful working relationship with Schools Forum and the considerable experience of Forum members. This is a huge resource of local expertise about what works locally and how best to support children locally. By moving to a funding formula managed from the (London) centre, this local expertise will be lost. How, for example, will the EFA consult with schools on future changes to the national formula?

A system whereby Ministers decide with no evidence will be a system that quickly loses all local support and will be prone large scale errors and misunderstandings. We somehow need to find the best of both local experience and knowledge with national planning and fairness.

**Central School Services Block (Pages 66-72)**

**15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?**

**Yes**

No - a higher proportion should be allocated to the deprivation factor

No - a lower proportion should be allocated to the deprivation factor

No - there should not be a deprivation factor

Please explain your reasoning and any further evidence we should take into account:

No - nationally Section 251 budget data suggests that only spend on education welfare services is influenced by deprivation and this is at the 4% level. (take more detail from f40 response as necessary)

**16. Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?**

**Yes**

No - allow losses of more than 2.5% per pupil per year

No - limit reductions to less than 2.5% per pupil per year

Please explain your reasoning and any further evidence we should take into account:

We would suggest there is no reason not to use the MFG at -1.5%

**17. Are there further considerations we should be taking into account about the proposed central school services block formula?**

**Equalities Analysis**

**18. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?**

Nothing to add