

NATIONAL SCHOOL FUNDING FORMULA 2018/19

CONSULTATION FOR HEREFORDSHIRE SCHOOLS

1.0 SUMMARY

- 1.1 This consultation paper sets out the expected financial position for Herefordshire school budgets for 2018/19 following the publication of the government's final plans for implementing the national school funding formula from April 2018. There are no new proposals regarding the £13.50 per pupil top-slice of maintained school budgets to fund the council's statutory education services.
- 1.2 The school funding proposal is to implement the national funding values and to pass through to all schools the 0.5% increase per pupil subject to having sufficient funds available in the government's funding allocation. The per pupil increase will be achieved by seeking DfE permission to set a Minimum Funding Guarantee of 0.5%
- 1.3 These proposals conclude Schools Forum's five year implementation strategy to achieve a gradual transition towards the expected National School Funding Formula.
- 1.4 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. This year we will not be asking Schools Forum to exercise the flexibility offered by the DfE to transfer 0.5% i.e. £0.5m, equivalent to £22 per pupil, from the school funding block to the high needs block.
- 1.5 Overall the funding settlement provides 1% new money for Herefordshire schools which although welcome does not in any way meet existing cost pressures such as ESG grant reductions, unfunded pay rises, the apprentice levy charges and potential further pension and other tax increases. Cost pressures in schools over the last five years are estimated to be in excess of 15%.
- 1.6 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 **Consultation key dates:**
 - You are encouraged to respond by 12 noon on the 30th November 2017.
 - Schools 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 19th January 2018.

2.0 NATIONAL SCHOOL FUNDING PROPOSALS

- 2.1 The government has published detailed plans for the national funding formula for 2018-19 to help local authorities and school forums move towards full implementation in 2019-

20.

- 2.2 The government has confirmed that there will be an additional £1.3bn for schools and high needs across 2018-19 and 2019-20, in addition to the schools budget previously set in the Spending Review in 2015. This means that all local authorities will receive an increase relative to their 2017/18 DSG allocations.
- 2.3 Whilst it remains the government's intention that a school's budget should be set on the basis of a single national formula, in 2018-19 and 2019-20, local authorities will continue to determine final funding allocations for schools through a local formula.
- 2.4 There are a number of significant changes to the funding system this year:
- (i) **The central school services block (CSSB) has been created.** Local authorities will be allocated funding for central school services through the new CSSB. This will comprise funding for ongoing responsibilities and a cash sum for historic commitments. **The DSG therefore now comprises four blocks: schools, high needs, early years and the new central school services block.**
 - (ii) **Each of the four blocks of the DSG will be determined by a separate national funding formula.** National funding formulae will determine local authorities' schools, high needs and central school services blocks for the first time in 2018 to 2019. Funding for early years has been allocated through a national funding formula since 2017-18.
 - (iii) **Within the schools block, the Government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula.** Local authorities' schools block allocations will be calculated by aggregating schools' notional allocations under the national funding formula and these notional allocations will reflect these increases. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each local authority. They will also include funding at local authority level for premises; mobility and growth, based on historic spend. Herefordshire intends to passport through to all schools the 0.5% increase per pupil.
 - (iv) **The formula will provide local authorities with per pupil funding of at least £4,800 for all secondary schools that have pupils in years 10 and 11 by 2019-20.** A new factor will be allowed in local authority formulae so they can set a transitional amount of per pupil funding in 2018 to 2019, as a step towards £4,800 in 2019 to 2020. Herefordshire intends to implement the minimum floor of £4,800 for high schools and £3,500 for primary schools subject to sufficient funding being available.
 - (v) **Within the high needs block, the Government will provide for at least a 0.5% overall increase in 2018 to 2019 through the high needs national funding formula.**
 - (vi) **The minimum funding guarantee (MFG) for schools will continue, but local authorities will have the flexibility to set a local MFG between 0% and minus 1.5% per pupil.** In past years, the MFG has been set at minus 1.5% per pupil. In

2018 to 2019, there is flexibility for local authorities to set a local MFG between 0% and minus 1.5% per pupil. Local authorities can use the flexibility to offer higher levels of protection locally. Herefordshire intends to set the MFG at 0.5% to ensure that the 0.5% per pupil increase is passed through to schools and DfE approval is required. Minor adjustments will only be considered if the available funding is insufficient to meet the cost of the MFG. On current planning assumptions this is not expected to be the case.

- (vii) **The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their schools forum.** Local authorities will be expected to demonstrate to their schools forum that they have consulted locally with all maintained schools and academies when seeking agreement to transfer any funding out of the schools block. Herefordshire does not expect to ask schools forum to exercise this transfer in 2018-19 although if expenditure on high needs continues to increase such a transfer may become necessary for 2019-20.

3.0 BUDGET STRATEGY 2018/19

- 3.1 Estimated allocations for each funding block, based on an estimated 22,062 pupils in the October 2017 census, are as follows:

Schools Block	£99.15m
Central Block/ESG	£0.64m
High Needs	£14.5m
Early Years	£8.53m
Total	£122.82m

- 3.2 Schools block funding for 2018/19 will be determined by the DfE based on the new basis of primary pupil numbers multiplied by the primary funding rate of £4,055 and secondary pupil numbers multiplied by the secondary funding rate of £5,007 plus fixed costs to give a forecast

Primary funding: forecast pupils 13,399 at £4,055	£54.383
Secondary funding: forecast pupils 8,663 x £5007	£43.330
Historic fixed costs:	£1.484
Total estimated schools block funding 2018/19	£99.147m

- 3.3 There are two known funding pressures on the schools block;
- (i) firstly a potential increase of 2% on school rates at a cost of £24,000
 - (ii) Secondly the annual RPI(X) increase in the PFI contract costs. It is expected that the DfE will include an increased amount in the national formula, estimated at 4% i.e. £10,700
- 3.4 Funding for the high needs block will be uplifted later in the year in December 2017 so final allocations of the high needs block cannot be determined until early in 2018. It will

be essential that expenditure and place forecasts are accurate particularly for special schools to ensure appropriate budgets are set.

- 3.5 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.

4.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS

- 4.1 Herefordshire proposes to move to the new national school funding formula values for 2018/19. 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, schools forum has committed to maintaining the formula values as published in this consultation paper and changes will be made only if absolutely necessary.

- 4.2 Herefordshire's school funding proposals for 2018/19 are the national funding formula values supplemented by a 0.5% increase in the MFG for all pupils. The funding values as follows:

- (i) Basic Entitlement per pupil:
 - (i) Primary KS1/2 £2,747
 - (ii) Secondary KS3 £3,863
 - (iii) Secondary KS4 £4,386

- (ii) Low prior attainment (low cost, high incidence special education needs)
 - (i) primary funding £1,050 per pupil
 - (ii) secondary funding £1,550 per pupil

- (iii) Deprivation per Free Meal pupil
 - o Primary £440
 - o Secondary £440

- (iv) Deprivation per Ever-6 Free Meal pupil
 - (i) primary £540
 - (ii) secondary £785

- (v) Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)
 - o Band A (3% of pupils) primary £575 secondary £810
 - o Band B (8% of pupils) primary £420 secondary £600
 - o Band C (7% of pupils) primary £390 secondary £560
 - o Band D (8% of pupils) primary £360 secondary £515
 - o Band E (9% of pupils) primary £240 secondary £390
 - o Band F (10% of pupils) primary £200 secondary £290
 - o Band G (55% of pupils) primary £0 secondary £0

- (vi) English as Additional Language (EAL) for all eligible pupils

- (i) Primary £515
- (ii) Secondary £1,385

- (vii) Lump sums
 - (i) Primary £110,000
 - (ii) Secondary £110,000

- (viii) 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

- (ix) Business Rates – no change, funded at cost with a presumed 2% increase.

- (x) Looked After Children – £0 as funding has been transferred to the pupil premium grant

- (xi) Mobility – not used

- (xii) Exceptional premises factor – increased to £8,500 to meet rent costs for Eastnor school

- (xiii) PFI factor – to increase to £278,200 up by £10,700 in accordance with the retail prices index

- (xiv) Secondary schools have been guaranteed a minimum of £4,800 per pupil and primary schools a guaranteed minimum of £3,500 by April 2019.

4.3 The BWG considers that the only sensible budget option for 2018/19 is to implement the national funding formula supported by the MFG as this is consistent with school forum's approach over the last five years of achieving a gradual transition to the national formula. To do otherwise, for example, to continue with Herefordshire's existing local formula would mean that a few schools would receive extra funding over and above the national formula which would then be removed in 2019/20. Approximately 90% of Herefordshire schools are within 2% of the national formula when supported by the 0.5% per pupil increase in 2018/19. Due to the MFG all schools will gain compared to 2017/18 but for some it is not as much as they would have gained by continuing to implement our existing formula.

4.4 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 cost is expected to continue to be around £350 per school.

4.5 There are no proposals to change the de-delegation arrangements for maintained schools for 2018/19 (but please see paragraphs 5.2 - 5.6 regarding the sickness scheme). However, due to cost reductions in the TU facilities agreement, it is proposed to reduce the de-delegation cost for primary schools from £3.50 per pupil to £2.90 per pupil. This will be reviewed for 2019/20 to determine if there is further scope for reductions. 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.

5.0 SIMPLIFYING FINANCIALSERVICES TO SCHOOLS

5.1 Herefordshire Council and more latterly Hoople have provided a number of financial services to schools since 1998 when it was more appropriate to provide such services to all schools. These services are still provided in much the same way but now to less than half the original number of schools. Sadly such services still require the same level of management, admin and support and are becoming increasingly unviable both in terms of cost and management.

5.2 School sickness absence scheme

5.3 Herefordshire Council has provided a schools' sickness insurance scheme since 1998. The scheme is used by primary and special schools as well as academies and is widely supported and valued. It includes a teacher and a separate non-teacher scheme and provides long term sickness and maternity cover. 53 primaries and 2 special schools have bought back for 2017/18. The scheme has been revised over recent years to keep costs down and to ensure that payments are realistic and that the scheme continues to be cost effective basis at a fair price.

5.4 Increasingly the scheme is becoming too complex to continue in its present form due to;

- Primary schools now use a variety of payroll providers
- It is no longer feasible to underwrite the scheme from Dedicated Schools Grant so to provide protection against losses; reserves have been increased and are now at £400k.
- Preparing quotes is time consuming and complex. Staff expertise and understanding of the scheme has significantly reduced in recent years.
- 80% of costs paid out relate to maternity but in admin terms this is the minority of work.
- Detailed sickness reports are not easily and accurately available from payroll
- It is increasingly likely that the only schools buying into the scheme are those who make claims i.e. the risk of losses is increasing.
- Special schools regularly claim back in excess of the premiums

- 5.5 For the scheme to continue it needs to be simplified and a revised approach to potential losses agreed.

Alternatives would seem to be as follows;

- a) De-delegation – at £37.50 per pupil for all primary schools
Benefits are paid out as per the current scheme but Schools Forum agrees membership on behalf of all maintained primary schools for both the teaching and non-teaching scheme. The financial risk is managed through Schools Forum so that losses in any one year would be recovered by increased de-delegation costs in the following year, likewise profits would reduce next year's de-delegation charges. Academy primaries would be able to join on a five year rolling contract and be bound by decisions on pricing by Schools Forum. £250k of the current reserves could be distributed to those schools currently members if a revised way forward is agreed.
- b) De-delegation – at £30 per pupil for all primary schools for **maternity** benefits only
Benefits are limited to maternity costs only which represent 80% of the costs of the current scheme and the de-delegation charges are reduced pro-rata to £30 per pupil. This is the preferred option for the scheme to continue as the costs of maternity are statutorily defined and the scheme would operate on a claim basis from schools. This would significantly simplify both the collection of income and the payment to schools whilst still providing a valuable service to all primary schools. Academy schools would be able to join the scheme on a rolling five year contract. The financial risk would be managed as in option A above and it is proposed that £320k of the current reserves would be distributed to scheme members.
- c) Alternatively, if the de-delegation proposals are not approved by schools forum then schools can buy sickness insurance direct from the market although experience suggests the cover is not as good and insurers tend to seek the maximum exclusions. Maternity cover is generally not available.

- 5.6 The scheme will be reviewed with the council's insurance broker to determine how the scheme can best be restructured to continue in future years.

5.7 **Under Five's free and subsidised milk scheme**

- 5.8 Hoople provides this service as an agent for 33 primary schools at a cost of £90 per school. This fee does not cover the cost nor the financial risk involved to Hoople. Schools are paid their claim on receipt by Hoople and in advance of re-imburement from the Rural Payment Agency and the Department of Health. Hoople will not be offering this service to schools from April 2018. Schools have been informed.

- 5.9 Options would seem to be

- a) Schools claim their own milk re-imburements. Both the Rural Payment Agency and Department of Health (Nursery Milk Unit) are introducing an on-line claims service that schools can complete themselves.

- b) Companies such as Cool Milk will provide a full service, supplying the milk and arranging re-imbursement of the subsidy. Cool Milk's costs are passed onto parents via increased milk charges.

5.10 Insurance for local authority schools – October 2019

5.11 Currently the council provides insurance for locally maintained schools based on a five year Long Term Agreement (LTA) with the insurers. It is considered that the insurance arrangements can be considerably simplified and it is proposed to require schools to sign an 18 month agreement from 1st April 2018 to 30th September 2019 in preparation for a revised insurance offer with effect from 1st October 2019.

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 in special schools and increasing numbers of children with EHC plans requiring top-up funding. Herefordshire has previously had to rely on small increases in the high needs block although it is expected that we will benefit by up to 3% in the government's high needs funding formula.

6.2 The high needs budget is forecast to overspend in 2017/18 and proposals will be developed jointly with schools forum for implementation from September 2018 to ensure that high needs expenditure does not exceed the funding made available by government. If high needs expenditure cannot be contained within the budget available there will be some difficult choices to be faced by schools. This may include the transfer of approx. £0.5m of funding from schools to high needs in 2019/20. This is equivalent to a £22 per pupil deduction from schools budget and will require either approval from schools forum or the secretary of state.

7.0 BUDGET CONSULTATION TIMESCALES

7.1 The budget process and expected timeline is:

- Consultation closes 12 noon 30th November 2017
- There is no requirement this year for the submission of an interim budget to the EFA in October
- Schools Forum meets on 12th January 2018 to consider the recommended funding values to be submitted to the Education Funding Agency by 19th January 2018
- Budgets issued to locally maintained schools by 28th February 2018
- Education Funding Agency to issue budgets to academies for academic year 2018/19

8.0 IMPACT ON SCHOOL BUDGETS

8.1 Final school budgets for 2018/19 will be calculated using actual pupil numbers and the final funding values submitted to the EFA in January 2018. Future budgets beyond

2018/19 will depend on further DfE announcements for 2019/20. The plans to implement the national funding formula are not expected to change.

- 8.2 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.
- 8.3 Overall the proposals have the following impact on the total Schools Budget:

FUNDING FACTOR	2017/18 £'000	%	2018/198 £'000	%
Per pupil	73,493	75.7	71,986	75.0
Deprivation	7,814	8.0	5,057	5.2
Looked After Children	167	0.2	0	0
Low Cost SEN/Prior Attainment	4,362	4.5	6,345	6.6
EAL	207	0.2	205	0.2
Lump Sum	9,074	9.4	10,340	10.8
Sparsity	310	0.3	464	0.5
Rates/Premises	1,264	1.4	1259	1.3
PFI	268	0.3	278	0.3
MFG (including 0.5% per pupil)	240	n/a	3,097	n/a
TOTAL	97,199	100	99,031	100

- 8.4 The above table excludes the impact of the £13.50 per pupil top-slice for statutory duties for maintained schools.

9.0 CONSULTATION RESPONSES BY 30th NOVEMBER 2017

- 9.1 A separate consultation form is attached and must be returned to School.funding@herefordshire.gov.uk by 12 noon on 30th November 2017 in order that your views can be considered by the Budget Working Group on 5th January 2018 and Schools Forum at their meeting on 12th January 2018. Given the importance of the proposals all views are welcomed.

10.0 FURTHER INFORMATION

- 10.1 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
(New BWG Chairman)

Secondary

Mr S Robertson, Aylestone
Mrs C Bryan John Kyrle
Mr N Griffiths, John Kyrle (former BWG
Chairman)

Mrs A MacArthur, Wigmore High (and Primary)

- 10.2 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.