

Supplement to the agenda for

Herefordshire schools forum

Friday 15 January 2021

9.30 am

online meeting

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NATIONAL SCHOOL FUNDING FORMULA 2021/22

CONSULTATION FOR HEREFORDSHIRE SCHOOLS

1.0 SUMMARY

- 1.1 This consultation paper sets out the expected financial position for Herefordshire school budgets for 2021/22 and continues to implement the national funding values as set by government.
- 1.2 The government funding announcement announced in July 2020 sets out the key items as follows;
- school funding through the National Funding Formula (NFF) is increasing by 4% overall in 2021-22. The NFF will distribute this funding based on schools' and pupils' needs, and characteristics
 - the key factors in the NFF will increase by 3%.
 - the minimum increase for all schools is at least 2% as set by the minimum funding guarantee
 - the minimum per pupil funding levels will increase to £4,000 for primary schools and £5,150 for secondary schools (prior to teachers pay & pension grant adjustments),
 - the underlying data used for deprivation has been updated so that funding will be based on the latest data
 - additional sparsity funding for small and remote schools will increase in 2021-22, with primary schools attracting up to £45,000, compared to £26,000 previously, as a first step towards expanding the support the NFF provides for such schools from 2022-23.
 - Teachers Pay Grant and Teachers Pension (Employers Contributions) Grant will be absorbed into the National Funding Formula from April 2021 (September 2021 for academies).
- 1.3 Herefordshire is one of the few shire counties nationally not in deficit for high needs expenditure. However, in view of the continued pressures on the complex needs budget, it is possible that a deficit will be incurred on the high needs budget this year. With School Forum's agreement, we will continue to take the approach of funding schools to the National Funding Formula in full and sharing any additional funding between schools and high needs.
- 1.4 Herefordshire has been provisionally allocated an increase of £2m in high needs funding for 2021/22. Initial proposals are to use this extra funding for additional high needs cost pressures of £1m for pupils with complex education, care and medical needs and further growth of £0.5m in independent school placements. This allows the remaining £0.5m to cover other cost pressures e.g. post-16 pupils, inflation for top-up tariffs and increases in special school places. Further work on the high needs budget will be undertaken during the autumn term with the Budget Working Group.
- 1.5 National growth funding, based on an estimated pupil numbers expected to be £448,500 (reduced by £80k from 2020/21) and will be allocated over similar categories as 2020/21.

The final allocation will be reviewed by the Budget Working Group to ensure the proposals are affordable but based around;

- £0.24m to fund secondary school growth in the Golden Valley planning area;
- £0.3m to support the SEN protection scheme for primary and secondary schools;
- £0.08m distributed to schools over and above the NFF at approx. £5 per pupil

1.6 Once again it is emphasised that strong financial planning will continue to be necessary by all schools to maintain financial viability during the coming years.

1.7 It is important that all schools respond to the budget consultation so that Schools Forum is fully informed of schools' views.

1.8 Consultation key dates:

- You are encouraged to respond by 12 noon on the 30th November 2020.
- Schools Forum's Budget Working Group will consider the responses on 4th December 2020 and 8th January 2021, in order to propose the final budget for confirmation by Schools Forum on 15th January 2021 prior to cabinet member approval and submission to the Education and Skills Funding Agency.

2.0 SCHOOLS BLOCK STRATEGY 2021/22

2.1 Estimated allocations for the schools block based on an estimated 22,265 pupils (primary 13,301 and secondary 8,964) and a 4% increase in primary and 2.86% secondary unit funding in the October 2020 census, are as follows:

Estimated DSG schools funding allocation	
13,301 primary pupils at £4,594.36 each	£61,109,582
8,964 secondary pupils at £5,570.49 each	£49,933,872
Fixed costs at	£1,594,895
Growth Funding	£450,000
Total Schools Block funding	£113,088,349
National Funding Formula 2021/22	£112,469,135
Available for allocation outside of NFF:	£619,214
to: high needs support for schools:	£300,000
to additional school funding at £10/pupil	£ 80,307
to: secondary growth funding for Golden Valley	£240,000

2.2 Final Dedicated Schools Grant allocations will not be available until mid-December, and hence the additional £10 per pupil funding available from the national growth fund cannot be confirmed until final school budgets are calculated.

3.0 HIGH NEEDS BLOCK STRATEGY 2021/22

3.1 Provisional Dedicated Schools Grant (DSG) allocations for 2021/22 have been published by government and indicate an increase in Herefordshire's high needs allocation of £2m i.e. a gross allocation of £19.8m compared with £17.8m in 2020/21.

3.2 Expenditure forecasts for 2020/21 indicate an overall overspend of £350k on high needs, including £208k on complex needs and it is possible that if additional placements are required this will increase to around £0.5m. Further complex needs growth of £0.5m in 2021/22 will require a budget of £3,350k i.e. an increase of £1.064m for 2021/22.

3.3 Placements in independent schools are forecast to overspend by £0.1m possibly rising to £0.2m if further placements are required. Further growth of £0.3m for 2021/22 will require a budget of £1.6m i.e. an increase of £0.5m for 2021/22. Investment in local provision for autism places will be investigated to help reduce future cost pressures.

3.4 The remaining £0.5m can be used to meet cost pressures in post-16 placements, top-up tariffs, full year costs of the nurture groups, inflation on tariffs and potential growth in post-16 places. Loss of income due to COVID-19 in particular will impact on the PRU and hospital services.

3.5 Initial proposals, subject to confirmation of funding from DfE, for the high needs budget for 2021/22 are:

• growth in complex needs places	£1.05m
• growth in out-county independent school places	£0.5m
• Growth in special school and unit places	£0.175m
• Increases in tariffs A-C (1%) D-F(2.5%)	£0.125m
• Full year cost of nurture groups -tbc	£0.1m
• Additional PRU intervention places (x15)	£0.15m
• Additional hospital places at £5k for 0.5 place	£0.05
• Additional post-16 places	£0.1m
• Growth in SEN protection scheme	£0.05
• Total additional high needs expenditure 2021/22	£2.3m
• Expected increase in high needs block funding	£2.0m
• Funding gap to be covered by transfer from schools block	£0.3m

3.6 The SEN protection scheme was expanded to include secondary schools for 2020/21, supported by a transfer of £0.2m from the schools block. The budget set for 2020/21 is £385,000 and current expenditure is "on budget" but expected to grow in 2021/22 due to increases in the number of pupils with top-up funding as there was a 10% increase in 2019/20. The scheme is hugely supported by schools and even with a continued transfer from the schools block, expenditure will need to be scaled back. It is proposed that either

a cap of £160 x number on roll will apply for 2021/22 or alternatively a variable cap (within a narrow range) set so that expenditure can be tailored to meet budget.

3.7 Subject to achieving full funding of the National Funding Formula for schools, and after allocating growth funding, there are options for the use of the estimated £0.38m available funding from the schools block as follows:

- a) transfer £0.3m from the schools block to support the schools SEN protection scheme within the high needs block. This would provide for the continuation of the scheme with minimal changes for 2021/22 – the SEN protection scheme expenditure is currently forecast to spend “on-budget” at £0.385m per year and costs are likely to continue to increase for 2021/22 corresponding to increased numbers of pupils with high needs top-up funding. An increase in the cap to £160/variable cap will be necessary to ensure expenditure remains within the proposed budget of £0.435m for next year.
- b) transfer the same as 2020/21 i.e. £0.2m from the schools block to support the SEN protection scheme and distribute the remaining £0.18m as additional funding to schools at approx. £20 per pupil. This option will require reductions in the SEN protection scheme.

3.8 Options (a) is the council’s preferred choice because Option (b) will require reductions in expenditure in the SEN protection scheme to help balance the high needs budget.

3.9 Further detailed work will be undertaken with the Budget Working Group when high needs funding is confirmed by the DfE in December 2020, and prior to final high needs budget plans being agreed in March 2021.

4.0 EARLY YEARS BLOCK

4.1 No information has been published by DfE for the early years block for 2021/22. On this basis it is presumed that there will be no inflationary increase for early years settings.

4.2 The Multi Agency Safeguarding Hub are providing safeguarding services and checks for schools and early years providers and have asked for consideration be given to including early years providers in the Service Level Agreement. Due to the large number of settings and the relatively small sums involved for each provider, this would generate a significant amount of administration so it is preferable to fund the MASH costs for early years from the early years central spend. A fair amount is assessed as £10,000 pa based on 1/13th of the £131,000 MASH SLA costs as early years is effectively one year group of children compared with 13 complete year groups in schools.

5.0 CENTRAL SCHOOL SERVICES BLOCK

5.1 The central block is expected to increase slightly from £693k to £713k. Small inflationary increases are proposed. In addition to the statutory retained duties formerly funded by Education Services Grant (£350k), funding allocations will be Schools Forum administration costs (£15k), school admission costs (£125k), national licence costs (£140k) and a transfer to high needs (£83k).

6.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS

6.1 Overall the National Funding Formula will increase by 4% for the 2021/22 financial year. As in previous years, school budgets can only be fully finalised in December.

6.2 Herefordshire's school funding proposals for 2021/22 are the national funding formula values supplemented by a 3% increase in baseline funding (compared with 2020/21) as follows:

- c) Basic Entitlement per pupil (2020/21 factor values for comparison):
- i. Primary KS1/2 - £3,123 (£2,857)
 - ii. Secondary KS3 - £4,404 (£4,017)
 - iii. Secondary KS4 - £4,963 (£4,561)
- d) Reception uplift for estimated January census pupil numbers to be abolished
- e) Low prior attainment (low cost, high incidence special education needs)
- i. Primary funding per pupil £1,095 (£1,063)
 - ii. Secondary funding per pupil £1,660 (£1,612)
- f) Free School Meals per pupil
- i. Primary £460 (£450)
 - ii. Secondary £460 (£450)
- g) Deprivation per Ever-6 Free Meal pupil
- i. Primary £575 (£561)
 - ii. Secondary £840 (£816)
- h) Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI) - updated values published by government in September 2019
- Band A (2.5% LSOAs) primary £620 (£598) secondary £865 (£842)
 - Band B (5%) primary £475 (£427) secondary £680 (£624)
 - Band C (5%) primary £445 (£406) secondary £630 (£582)
 - Band D (5%) primary £410 (£374) secondary £580 (£536)
 - Band E (10%) primary £260 (£250) secondary £415 (£406)
 - Band F (10%) primary £215 (£208) secondary £310 (£302)
 - Band G (62.5%) primary £0 secondary £0

Note 1: The 2021 to 2022 NFF uses ranks instead of scores to define bands. For example, band A comprises the most deprived 2.5% of Local Super Output Areas (LSOAs)

Note 2: LSOAs are built up from clusters of adjacent postcodes and are designed to have similar population sizes and be as socially homogenous as possible based on the tenure of household and dwelling type.

- i) English as Additional Language (EAL) for all eligible pupils
 - i. Primary £550 (£535)
 - ii. Secondary £1,485 (£1,440)

- j) Lump sums
 - i. Primary £117,800 (£114,400)
 - ii. Secondary £117,800 (£114,400)

- k) Sparsity
 - i. Tapered lump sum of £45,000 (£26,000) for qualifying primary schools with an average year group size of 21.4
 - ii. Tapered lump sum of £70,000 (£67,600) for qualifying secondary schools with an average year group size of 120 pupil

- l) Business Rates – no change, funded at cost with a presumed 2.7% RPI increase.

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

- n) Mobility – Primary per pupil £900 (£875) Secondary per pupil £1,290 (£1,250) above a threshold of 6% pupil turnover

- o) Exceptional premises factor – increased by 1.56% RPI(X) inflation to £9,060 (£8,921) to meet rent costs for Eastnor Primary School

- p) PFI factor – increased by 1.56% to £299,163 (£294,568) in accordance with the % increase in RPI(X) April 2019- April 2020

- q) Minimum per pupil funding level – April 2021
 - (i) Secondary £5,415 per pupil;
 - (ii) Primary £4,180 per pupil.

Inclusive of the Teachers Pay Grant and the Teachers Pension (Employer Contributions) Grant

- (iii) The Minimum funding guarantee (MFG) can be set between 0.5% and 2%. Subject to affordability, Herefordshire will set the MFG at 2% to ensure all schools receive a minimum 2% funding increase per pupil.

6.3 De-delegation proposals for locally maintained schools –

- It is proposed to increase by £5 per school for computer licences for the school budgeting software to £405 to cover inflation.

- The current SLA arrangements for checking free school meal eligibility have not been successful as there has been some confusion about what services are included in the SLA and not all schools have signed up. Free school meals eligibility is important for parents as entitlement checking cannot be compromised and for schools deprivation funding in the NFF and pupil premium grant are based on confirmed free meals numbers. The de-delegation proposals include both checking eligibility and the infant free meal checks for pupil premium grant purposes. Academies will be able to buy a Service Level Agreement from Hoople Ltd at the same cost.
- It is proposed to revert back to the de-delegation funding arrangement for 2021/22 for local authority maintained schools and views are sought on two proposals as follows;

Proposal A: £1.25 per primary pupil and £0.94 per secondary pupil

Proposal B: £11.50 per primary FSM pupil and £8.50 per secondary FSM pupil.

- 6.4 The education management deduction will continue at £12.50 per pupil for local authority maintained schools.

7.0 OTHER PROPOSED CHANGES

7.1 Reception Uplift Factor

It is proposed to remove the reception uplift factor from the National funding formula as this was a temporary measure put in place to provide continuity for some schools when the pupil census date changed from January to October. It provides a forecast of the number of reception pupils that might start school between October and January. It is unfunded by DfE as the Dedicated Schools Grant is funded on actual pupils on the October census and only used by 14 local authorities. It is not expected to form part of the national funding formula on a long term basis.

7.2 Reducing the claw-back percentage

It is proposed to reduce the claw-back percentage for locally maintained schools balance balances from 25% down to 20%. The percentage is currently over generous and schools with such high balances are not spending their budget on current pupils. The 20% claw back will apply to balances as at 31st March 2022 i.e. at the end of the 2021/22 financial year.

- 7.3 Local authority maintained school balances are currently 16% of school budget allocations and LA school total balances haven't changed in recent years. Balances are as follows;

March 2017 £8.1m
March 2018 £8.7m
March 2019 £9.5m
March 2020 £9.4m

8.0 TIMESCALES

8.1 The budget process and expected timeline is:

- Consultation closes 12 noon 30th November 2020
- Schools Forum meets on 15th January 2021 to consider the recommended funding values to be submitted to the Education Funding Agency.
- Budgets issued to locally maintained schools by 28th February 2021
- Education Funding Agency to issue budgets to academies for academic year 2020/21.

9.0 CONSULTATION RESPONSES BY 30th November 2020

9.1 A separate consultation form is attached and must be returned to School.funding@herefordshire.gov.uk by 12 noon on 30th November 2020 in order that your views can be considered by the Budget Working Group on 4th December 2020 and Schools Forum at their meeting on 15th January 2021.

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

10.0 FURTHER INFORMATION

10.1 If you have any questions regarding the detailed content of this consultation paper or the draft allocation for your school (distributed separately), please contact either Malcolm Green, Schools Finance Manager (malcolm.green@herefordshire.gov.uk) or any member of the Budget Working Group as follows;

Primary

Mr S Kendrick, Ashfield Park
Mrs K Weston, Our Lady's
Mr P Box, Lord Scudamore
Mr M Maund, Almeley
Mrs H Webb, Colwall

Secondary

Mr P Jennings, Lady Hawkins (Chairman)
Mr L Butler, Kingstone
Mrs C Bryan, John Kyrle
Mrs N Emmett, Fairfield
Mrs A MacArthur, Wigmore High
Mr S Robertson, Aylestone

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



Meeting:	Schools Forum
Meeting date:	15 January 2021
Title of report:	Supplementary Report of the Budget Working Group
Report by:	Strategic Finance Manager

1. The report to the Schools Forum on the Schools Budget 2021/22 includes details of the final DSG settlement as published by government on 17 December 2020 and recommendations on allocations from the Local Authority. It does not include any comment from the Budget Working Group (BWG) referring only to the submission of this supplementary report from the Group.
2. The BWG met on 8 January 2021 and considered the proposals set out in the report to the forum. The working group supported the proposals that had previously been consulted upon and the recommendations as set out in the published paper.
3. At the time of the meeting the Secretary of State had not approved the use of the additional factor for those small schools impacted by the absorption of the teachers' pension employer contribution grant and teachers pay grant. While it is the stated preference of the BWG that the additional factor be used, the BWG discussed options for distribution of the £27k allocated for this factor in the event that approval was not given. The two main options were an additional transfer to the high needs block or distribution to all schools by an increase in the per pupil rate.
4. The BWG highlighted the principle that funds should remain within their allocated blocks. In the event that the additional factor is not approved by the Secretary of State the recommendation of the BWG is that £27k should be distributed across all schools by increasing the per pupil rate.
5. Following the recommendation by the BWG it has been confirmed that this options would result in an additional £2 per pupil allocation to primary and secondary schools and that the total allocation to the growth fund would be reduced to the actual cost of £234k in order to fully fund the additional distribution.

The Budget Working Group recommend that:

- a) **Subject to approval from the Secretary of State, an exceptional factor be included in the funding formula for those schools impacted by the absorption of the teachers' pension employer contribution grant and teachers pay grant at a cost of £27k as set out in recommendation (a) in the report to the forum; and**
- b) **In the event that approval is not received the basic entitlement per primary and secondary pupil be increased by £2 a pupil and the growth fund allocation in recommendation (b) in the report to the forum be reduced to £234k.**

