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15 February 2017

Dear Bill

### **National School Funding Formula Consultation – Herefordshire response**

In summary:

- Herefordshire has been a low funded authority area for decades, children have had less spent on them than other parts of the country and this is unfair.
- Herefordshire is not projected to do as well as envisaged overall and individual schools will do worse than under the current formula

Leominster Primary, 588 pupils, loses £67,000 or -2.7%

Kington Primary, 220 pupils, loses £22,000 or -2.6%

St Peter's Primary, Bromyard, 240 pupils, loses £21,000 or -2.6%

John Masefield High, Ledbury 849 pupils, loses £70,000 or -2.0%

Kimbolton St James Primary 85 pupils, gains £31,000 or +9.1%

- The formula proposals lack a clear evidence base and continues to reward the current inequities
- Schools face unfunded cost pressures of c15% over a five year period, including an 10% extra since April 2015 on support staff pension costs. This particularly affects special schools with higher support staffing ratios.
- The apprenticeship levy is unfair in its application

Herefordshire Council will be responding jointly with our Schools Forum to the government's consultation paper and as we begin to develop our response I would like to share with you our initial views. Our response will be shared with Headteachers at Schools Forum on 10th March 2017 which gives us sufficient time to make any necessary amendments prior to the deadline of 22nd March. I know that you have attended the Herefordshire Association of Secondary

Head teachers (HASH) in the recent past when some of these matters were discussed. Your continued support for Herefordshire in these matters would, as it has in the past, make a telling difference in the debate with the DfE.

There will be many technical aspects to our response about how to improve the formula but we will be questioning the evidence base the government has used to determine the national proposals and what we consider to be the detrimental impact on Herefordshire schools. In addition we will be raising the impact of unfunded cost pressures of 15% over a five year period arising from unfunded pay rises, national insurance increases and rising contributions of both teachers pensions and the local government pension scheme for school support staff. The National Audit Office assessment was 8% but in Herefordshire the local government pension scheme has a significant deficit to be recovered that adds an extra 19% to the normal support staff pension costs. This particularly affects special schools with their higher support staff ratios. The apprentice levy and its unfair application to different types of school is another cost burden now being placed on schools with it appears little recognition of the impact, rather national government appears to be deflecting the issue on to local authorities.

## **Context**

It is important to set out the approach we have traditionally taken to education funding in Herefordshire. As you know Herefordshire has been amongst the lowest funded authorities nationally (3rd lowest in 1998); our schools have been amongst the lowest funded in England and they knew it. By adopting a policy of high delegation to schools and careful financial management with schools forum, we have managed to improve our funding position in the league table to 102nd out of 150. We have achieved this over 20 years by keeping grants such as standards funds in schools (when other local authorities spent such grants on central services), avoiding expensive commitments to central costs using schools monies (now known as historic costs which the DfE is attempting to unravel) and we have benefited from f40 group's lobbying of central government to improve the funding of low funded rural authorities like Herefordshire and your support in Parliament to press home our case.

We have maintained the same approach since 2013 when Dedicated Schools Grant was split into three funding blocks for schools, high needs and early years. We do not borrow from schools to pay for overspends in high needs nor seek to artificially boost early years spending. This principled approach flows down to our schools who are careful with every last penny to make sure that what funding they have is spent wisely. You can see the outcome of this approach in the improving results of Herefordshire youngsters.

Herefordshire is not a typical or average county, along with North Yorkshire, we are amongst the most rural in England. This in turn is reflected in the large number of very small schools that by necessity we are forced to maintain. The council has worked very successfully with small schools to maintain their financial viability by sharing resources and in particular by arranging executive headships to improve management capability and reduce costs. It is this balance between fair funding of both small and large schools that the national funding formula must achieve if it is to be accepted as fair by the education profession as a whole.

## **Impact on Herefordshire schools of the new formula**

Overall Herefordshire gains a very small 0.1%, or £220,000 which is equivalent to £10 per pupil after the full three year national formula implementation - however like many authorities half of our schools gain and half lose.

Indeed the impact of the national formula is to reduce funding of our biggest primary schools by 2.8%, mostly those urban schools with high levels of additional need, whilst boosting the funding of the very smallest schools by up to 16%. We believe this seriously disadvantages

the 67% of Herefordshire children who are primary pupils in our largest schools and could well have a negative impact on standards. As I set out below pupil teacher ratios already significantly favour small schools, why does the DfE want to make them even better? The impact on secondary schools is similar but to a lesser extent. For example;

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St Peter's Primary, Bromyard, 240 pupils, loses £21,000 or -2.6%

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A list of all the Herefordshire schools is enclosed that sets out their individual position. It is sorted in order of the largest winners and losers for convenience.

### **Unfunded school cost pressures**

This does not help in any way to meet the increasing cost pressures schools are required to absorb for example:

- unfunded pay rises since 2010, typically 1% per year i.e. 7% cumulative
- increases in the employers contribution for Teachers Pensions, an increase of 2.38% in April 2015 and a further, as yet unconfirmed, increase of 1.5% in April 2019
- increase of an average 3% on national insurance due to the ending of the pension contracting out rebate in April 2015
- increase in the local government pension scheme employer contribution rates for Herefordshire schools of 4.8% in April 2015 and a further 5% in April 2016. (Academies face the same increase in contribution rates but are invoiced differently)
- general price inflation, currently 1.6% in December 2016 (CPI) and rising. No price inflation has been funded by government since 2010.

### **Pupil Teacher Ratios**

Herefordshire has 78 primary schools, 47 have fewer than 150 pupils i.e. 60% of the school estate but only 33% of primary pupils are educated in small schools. The remaining 33 bigger primary schools educate 67% of primary pupils. Pupil teacher ratios (PTR) are quite revealing in that for the ten most generous staffed primary schools the PTR is 13.6 pupils per teacher and the average school size is 70 pupils, whilst the lowest staffed schools are the largest schools whereby the average school size is 200 pupils with a PTR of 25 pupils per teacher.

Hence with good reason, Herefordshire has sought to reduce the lump sum (for fixed costs) and be clear about what it funds and to increase the per pupil funding. This is a fairer approach. In order to raise overall education standards surely more money has to be directed to increase funding for the majority of pupils.

## **Fixed Costs**

We are clear that our lump sum provides for fixed costs in primary schools of £70,000 comprising 50% headteacher management time, 20 hours school/finance secretary, fixed premises cost of £5,000, insurance £10,000, office/medical supplies £5,000 and a minimum ICT provision of £10,000.

For secondary schools we calculated the fixed costs to be £200,000 as above for primary schools plus an additional £45,000 for a non-teaching secondary head, 50 % non-teaching deputy for timetabling etc., finance bursar £40,000, additional premises costs for sports hall and science labs and additional insurance appropriate for bigger schools £10,000.

After consulting schools in 2014 Herefordshire Schools Forum adopted these costs as the basis for the Herefordshire lump sum and we have been using these figures as we work towards the national formula. The point in setting out this level of detail is not that we think we are right but we have agreed a set of criteria with our schools as to what the lump sum should cover and we are using this in our formula. You would expect the DfE to have this level of detail in their national formula proposals but they do not and cannot provide any evidence other than "it's the average".

## **Apprentice Levy**

Voluntary Aided, foundation and academy schools, where the governing body is the employer of the staff, do not pay the apprentice levy unless the school's pay bill exceeds £3m whilst locally maintained schools, where the council is deemed the employer, are required to pay the apprentice levy. Where is the logic in this given that all schools receive the same level of funding? For example:

Locally maintained Shobdon Primary (82 pupils) levy cost £1,529pa

Voluntary Aided Bridstow Primary (79 pupils) do not pay the levy, saving £1,511 pa

Locally maintained Kington Primary (196 pupils +24 nursery) levy cost £3,368 pa

Voluntary Aided St Francis Xavier (207 pupils) do not pay the levy, saving £3,075pa

## **Pension contributions**

Like many pension schemes, the Hereford & Worcester Local Government Pension Scheme (LGPS) has a deficit which is being recovered from both councils and schools. Academies typically pay annual pension contributions of around 16% on salaries and are invoiced separately for their deficit recovery contribution. Locally maintained schools pay a pension contribution of 33.86% which is included Herefordshire Council's pension deficit recovery plan. There is no difference in cost, it is simply how it is recovered; the impact on schools is the same.

## **DfE Academy conversion funding**

HM Treasury have recently taken back from the DfE £384m which was to be used to fund compulsory academy conversions but is now no longer required due to the change in government policy. This money should be re-allocated to local authorities and schools to help meet the rising cost pressures.

## Conclusion

The national proposals as currently set out would seem to have exactly the opposite effect that we have been working towards. In short they:

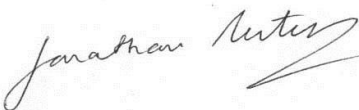
- do not provide the step change in funding for Herefordshire that we would have expected, given the government's starting point and messages
- take money from already poorly funded larger schools
- Take money from schools with substantial additional needs i.e. deprivation
- worsen an already poor pupil teacher ratio for the majority of pupils
- make funding propositions based on averages of existing formulae, rather than basic principles,
- are not focussed on providing a basic educational entitlement to all children and lump sums that fund an identified level of fixed cost
- will not stand the test of time

We fully appreciate the difficulty in setting out a national formula that pleases everyone, and much depends on the starting position of each local authority, however to be credible there must be some underlying basis and rationale.

To be acceptable any national formula must be anchored on a credible educational standard based on an analytical evidence base. The f40 have published proposals for a national formula that have a clear needs led rationale behind the formula. If f40 can do this surely the government can do better than this?

There is an f40 briefing in Westminster for MPs on 20th February which I'm sure will be valuable in providing much more information on the impact of the national formula on rural counties such as Herefordshire and the briefing will include alternative proposals which will improve the national formula. It would be much appreciated if you could attend and contribute as f40 as a group has a much more influential voice with government than Herefordshire individually.

Yours sincerely



**COUNCILLOR JONATHAN LESTER**  
**CABINET MEMBER YOUNG PEOPLE AND CHILDREN'S WELLBEING**