

NATIONAL SCHOOL FUNDING FORMULA 2020/21

CONSULTATION FOR HEREFORDSHIRE SCHOOLS

1.0 SUMMARY

- 1.1 This consultation paper sets out the expected financial position for Herefordshire school budgets for 2020/21. The school funding proposal is to continue to fully fund the national funding formula as set by government to ensure schools receive the additional funding as announced in September 2019.
- 1.2 In past years, Herefordshire has adhered to the DfE's funding block allocations as this practice has served Herefordshire well since 2013 when individual blocks were first published by DfE. Herefordshire is one of the few shire counties nationally not to have a high needs deficit. However in view of the continued pressures on the complex needs budget, it is proposed to use some of the growth fund (from within the schools block) to fund the SEN protection scheme, which acts as an insurance scheme to ensure that those schools with higher than average numbers of high needs pupils are fairly funded for their threshold costs. Schools will continue to be funded at the national funding formula and, depending on sufficient funding being available, possibly more.
- 1.3 Nationally, additional high needs funding of £780m has been announced and Herefordshire's indicative allocation is £2.0m extra although this will not be confirmed until mid-December 2019. Further work will be necessary to finalise the high needs budget when the final allocation is known, however at this stage a shortfall of £0.2m is expected.
- 1.4 In order to extend the SEN protection scheme to all high schools, and so not remain solely for primary schools (and to meet the expected shortfall) it is proposed that £0.2m is transferred from the growth fund to the high needs block. Proposals are also included to meet the increasing demand for placements for those pupils with the most complex needs, and this is expected to continue into 2021/22. Cost pressures of £1.5m have been identified in 2020/21, mainly from current overspends of £1.0m and further growth of £0.5m in independent school placements for those pupils with the most complex needs.
- 1.5 Similar to last year Herefordshire is expected to receive at least £0.3m from a formulaic share of national growth funding. Any schools that qualify for basic need growth funding will be identified this term and it is proposed to reserve £0.1m for such growth funding. The remainder, as set out above, will be used to support high needs in schools and if possible to give all schools extra funding via the national funding formula. Schools are being consulted now on how the growth fund should be used so that if basic need growth is identified, the criteria for use of the growth fund is already agreed.
- 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. 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 It is proposed to reduce the education management deduction by £1 per pupil for local authority maintained school budgets from £13.50 to £12.50 per pupil due to the receipt of grant from DfE to help meet national curriculum monitoring costs. The £12.50 per pupil deduction for education management functions helps fund the council's statutory education services e.g. governor services, strategic HR and school finance, property landlord duties, monitoring national curriculum assessment. It is also proposed to reduce the cost to primary schools of de-delegating the trade union facilities agreement by 15p per pupil from £2.90 to £2.75 to reflect a continued small underspend in the budget.
- 1.8 It is important that all schools respond to the budget consultation so that Schools Forum is fully informed of schools' views.

Consultation key dates:

- You should respond by 12 noon on the 2nd December 2019.
- Schools Forum's Budget Working Group will consider the responses on 6th December 2019 and 10th January 2020,
- The final schools budget will be confirmed by Schools Forum on 17th January 2020 prior to cabinet member decision and submission to the Education and Skills Funding Agency.
- The high needs budget will be considered by the Budget Working Group on 28th February and confirmed by Schools Forum on 13th March 2020 prior to cabinet member decision

2.0 SCHOOLS BLOCK STRATEGY 2020/21

2.1 Estimated allocations for the schools block based on an estimated 22,355 pupils (primary 13,597 and secondary 8,959) and a 4% increase in primary and secondary unit funding in the October 2019 census, are as follows:

- Estimated DSG schools funding allocation £105.5m
- National Funding Formula 2020/21 £105.45m
- In addition it is proposed that any allocation of the national growth fund is shared as follows:
 - to: high needs support for primary schools: £0.1m
 - to: high needs support for secondary schools £0.1m
 - to: reserved for basic need expansion £0.1m

3.0 HIGH NEEDS BLOCK STRATEGY 2020/21

3.1 Herefordshire's share of the additional national high needs funding is expected to be £2.0m. It is forecast that the high needs block faces £1.0m of cost pressures in 2020/21 and up to a further £0.5m for additional pupils with complex high needs who will potentially require out of county placements. Additionally, it is proposed to provide at least an inflation

increase for high needs tariffs for all schools and to revise the high needs tariff matrix to take greater account of medical needs, mostly tariffs D-F and to extend the current primary high needs protection scheme to high schools.

3.2 Initial proposals, subject to final funding confirmation from the DfE, for the high needs budget for 2020/21 are:

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|--|--------|
| • Existing high needs overspends in 2019/20 | £1.0m |
| • Potential growth in complex needs places | £0.5m |
| • Growth in post-16 places | £0.05m |
| • Increases in tariffs A-C (2%) D-F(5%) | £0.25m |
| • Additional costs from tariff review | £0.2m |
| • Extend the SEN protection scheme to high schools | £0.1m |
| • Preventative initiatives to reduce future spend | £0.1m |
| | |
| • Total additional high needs expenditure 2020/21 | £2.2m |
| | |
| • Less £0.2m contribution from growth fund - schools block | -£0.2m |
| | |
| • Indicative high needs block funding for 2020/21 | £2.0m |

3.3 Projections for the complex needs budget for 2020/21 suggest that potentially six additional pupils will require funding at a cost of up to £0.5m and that these costs are likely to continue and increase in 2021/22.

3.4 The SEN protection scheme acts as an “insurance” scheme to ensure that those schools with higher than average numbers of high needs pupils are fairly funded for their threshold costs. The SEN notional budget is part of each school’s delegated budget and is paid from the Schools Block of the DSG. Individual schools can attract a disproportionate number of children with EHC Plans and the school is required by law to admit them. It is therefore not likely that high needs pupils will be distributed proportionately across all schools. Where the number of children with ECHPs is very skewed this can have a significant impact on a school’s budget. The pattern of preference by parents of children with ECHPs can change quickly making financial planning difficult for the schools concerned. This has had an impact on a number of individual primary and secondary schools.

3.5 There is a long-standing SEN protection scheme for primary schools which has been supported in previous consultations. It will only be possible to continue the current scheme for primary schools and to fund the extension of the SEN protection scheme to secondary schools by transferring £0.2m from the schools block.

3.6 The existing protection scheme provides a cap on the number of £6,000 high needs thresholds that any school must fund from within its own budget. The cap is currently set at £130 x the number on roll so that additional funding is provided from the high needs block to help schools where their threshold costs are in excess of the cap. The cap can be varied if necessary to reduce costs but this would offer a lower level of financial protection

3.7 For example, the threshold cap for school with 150 pupils on roll would be £130 x 150 pupils i.e. £19,500. If the school had 4 FTE high needs pupils then the “insurance” payment

would be 4 x £6,000 less the cap of £19,500 i.e. a payment of £4,500. If the school had 3 FTE high needs pupils then no payment would be received because 3 x £6,000 is less than the cap.

- 3.6 Further detailed work will be undertaken with the Budget Working Group when high needs funding is confirmed by the DfE in December 2019, and prior to final high needs budget plans being agreed in March 2020.

4.0 EARLY YEARS BLOCK

- 4.1 An inflationary increase of 1.8% in early years funding was implicit in the September school funding announcement and subject to the increase being confirmed in the DSG December funding announcement, it is proposed to increase the hourly rate, deprivation rate and the rurality lump sum to ensure that the early years funding formula rises in line with inflation.

5.0 CENTRAL SCHOOL SERVICES BLOCK

- 5.1 In addition to the statutory retained duties, formerly funded by Education Services Grant (£345k), the central schools block was used in 2019/20 to fund Schools Forum administration costs (£12k), school admission costs (£142k), national licence costs (£133k) and a transfer to high needs (£56k). It is proposed to reduce the funding allocated to admissions by a further £10k given the service underspends each year and to use this to increase the amount transferred to high needs by £5k and national licence costs by £5k.

6.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS

- 6.1 Herefordshire will increase most national funding formula values by 4% from the 2019/20 financial year. Please note that the 2019/20 values were £15 per pupil greater than the national funding formula. 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, we are committed to maintaining the formula values as published in this consultation paper and changes will be made only if absolutely necessary.
- 6.2 Herefordshire's school funding proposals for 2020/21 are the national funding formula values as follows:

- a) Basic Entitlement per pupil (2019/20 factor values for comparison):

- i. Primary KS1/2 - £2,857 (£2,747)
- ii. Secondary KS3 - £4,018 (£3,863)
- iii. Secondary KS4 - £4,561 (£4,386)

- b) Low prior attainment (low cost, high incidence special education needs)

- i. Primary funding per pupil - £1,065 (£1,022)
- ii. Secondary funding per pupil - £1,610 (£1,550)

- c) Deprivation per Free Meal pupil
 - i. Primary - £450 (£440)
 - ii. Secondary - £450 (£440)

- d) Deprivation per Ever-6 Free Meal pupil
 - i. Primary - £560 (£540)
 - ii. Secondary - £815 (£785)

- e) Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI)
 - Band A (3% of pupils) - primary £600 (£575) secondary £840 (£810)
 - Band B (8% of pupils) - primary £435 (£420) secondary £625 (£600)
 - Band C (7% of pupils) - primary £405 (£390) secondary £580 (£560)
 - Band D (8% of pupils) - primary £375 (£360) secondary £535 (£515)
 - Band E (9% of pupils) - primary £250 (£240) secondary £405 (£390)
 - Band F (10% of pupils) - primary £210 (£200) secondary £300 (£290)
 - Band G (55% of pupils) - primary £0 secondary £0

- f) English as Additional Language (EAL) for all eligible pupils
 - i. Primary - £535 (£515)
 - ii. Secondary - £1,440 (£1,385)

- g) Lump sums
 - i. Primary £114,400
 - ii. Secondary £114,400

- h) Sparsity
 - i. Tapered lump sum of £26,000 (£25,000) for qualifying primary schools with an average year group size of 21.4
 - ii. Tapered lump sum of £67,600 (£65,000) for qualifying secondary schools with an average year group size of 120 pupil

- i) Business Rates – no change, funded at cost with an estimated 2.0% CPI inflation increase.

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

- k) Mobility – implement new NFF factor pupil values above 6% mobility threshold
 - £875 per primary pupil
 - £1,250 per secondary pupil

- l) Exceptional premises factor – increased by 1.84% inflation to £8,923 (£8,763.50) to meet rent costs for Eastnor Primary School

- m) PFI factor – increased by 3.03% RPI(X) to £295,515 (£286,824) in accordance with the retail prices index used by the DfE in the national formula.
- n) Secondary schools have been guaranteed a minimum of £5,000 per pupil and primary schools a guaranteed minimum of £3,750 by April 2020 and £4,000 from April 2021.

6.3 De-delegation proposals for locally maintained schools - it is proposed that the de-delegation charge for trade union facilities for primary schools is reduced by 15p to £2.75 per pupil. Secondary schools will be asked to re-affirm the current no de-delegation for TU facilities.

6.4 The education management deduction will reduce by £1 to £12.50 per pupil for local authority maintained schools.

7.0 GROWTH FUND PROPOSALS

7.1 In 2019/20 Herefordshire received a formulaic share (£0.3m) of the national growth fund and this is expected to continue in future. The criteria for allocating growth funding to schools must be approved in advance in case basic need growth is required from September 2020. The criteria for use of the growth fund are:

- support growth in pre-16 pupil numbers to meet basic need
- support additional classes needed to meet the infant class size regulation
- meet the costs of new schools

7.2 Local authorities are responsible for funding basic needs growth for all schools in their area, for new and existing maintained schools and academies. Local authorities should fund all schools on the same criteria. Where growth occurs in academies that are funded by ESFA on estimates, ESFA will use the pupil number adjustment process to ensure the academy is only funded for the growth once.

7.3 The costs of new schools will include the lead-in costs, for example to fund the appointment of staff and the purchase of any goods or services necessary in order to admit pupils. They will also include post start-up and diseconomy of scale costs. These pre and post start-up costs should be provided for academies where they are created to meet basic need.

7.4 The schools forum must also be consulted on the total size of the growth fund from each phase, and should receive regular updates on the use of the funding.

7.5 A copy of the proposed growth fund criteria are attached as an appendix and schools are invited to comment on the proposals.

8.0 TIMESCALES

8.1 The budget process and expected timeline is:

- Consultation closes 12 noon 2nd December 2019
- Schools Forum meets on 17th January 2020 to consider the recommended funding values to be submitted to the Education Funding Agency
- Budgets issued to locally maintained schools by 28th February 2020
- Education Funding Agency to issue budgets to academies for academic year 2020/21.

9.0 CONSULTATION RESPONSES BY 2ND December 2019

- 9.1 A separate consultation form is attached and must be returned to School.funding@herefordshire.gov.uk by 12 noon on 2nd December 2019 in order that your views can be considered by the Budget Working Group on 6th December 2019 and Schools Forum at their meeting on 17th January 2020.
- 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 calculations and comparisons for your school as set out in the appendices, 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, Trinity
Mr P Box, Lord Scudamore
Mr M Maund, Almeley
Mrs H Webb, Colwall

Secondary

Mr P Jennings, Lady Hawkins (Chairman)
Mr S Fisher, 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.

Criteria for additional funding for new schools and planned growth in primary and secondary schools.

Draft for consultation with schools census autumn 2019

1.0 GROWTH CRITERIA

- 1.1 Growth funding will be provided to mainstream maintained schools and academies where:
- a) The Council agree that a temporary or permanent increase to a school's PAN is required to meet **basic need population growth** (not simply arising from parental preference or a school's desire to increase capacity). This would normally be to accommodate an additional reception class.
 - b) The Council agree that a temporary increase to a school's PAN is required to accommodate in year admissions across a number of year groups resulting from **basic need expansion increases in an area** (not simply arising from parental preference or a school's desire to increase capacity).
 - c) The Council requests schools to admit significant additional pupils **as a consequence of a school closure**.
 - d) In-year **support to a new school** from the growth fund is required in line with section 3 of the New School Funding Criteria below.
- 1.2 The agreed increase will normally be in the form of an additional class or half class.
- 1.3 Where an additional class is needed in an area but agreement cannot be reached to fund one school, the funding may be split between two or more schools.

2.0 GROWTH FUNDING PAYMENTS

- 2.1 One off funding will be allocated based on 30 pupils (or 15 if a half class) X the age weighted pupil unit (AWPU) X 7/12ths. (note: for an academy a full AY funding is paid subject to the LA being able to reclaim this 5/12ths from the EFA).
- 2.2 This additional funding will be taken into account when subsequently calculating any payments that may be due to a maintained school to ensure no double funding arises.
- 2.3 If a school or academy feels that the funding mentioned above will significantly underfund their additional costs, they will be given an opportunity to bring a request for additional funding to the Schools Forum for consideration. Any such request must be backed with clear demonstrated evidence of the additional funding need.
- 2.4 Where growth funding is payable to academies, the Council will also pay the increase for the remaining 5/12ths of the academic year (April to August). The Council's Dedicated Schools Grant (DSG) will however be reimbursed for this 5/12ths element by the Education Funding Agency (EFA).
- 2.5 Rules on growth funding payments to a new school are covered under section 3 of the New School Funding Criteria overleaf.

3.0 NEW SCHOOL FUNDING CRITERIA

3.1 Start-up costs prior to a school opening

3.1.1 A one off lump sum of £50,000 will be payable to the primary school from the growth fund. A new secondary school will receive a lump sum of £75,000.

3.1.2 This is intended to be used towards costs such as:

- Funding salary costs of the designated head teacher, admin and finance support prior to opening.
- Any temporary accommodation costs while awaiting new build.
- Recruitment and interview related costs.
- Any other incidental costs.

3.1.3 It will up to the school how to use these funds. No further one off funding prior to opening will be payable and any unspent funds can be retained by the school.

3.2 Varying the pupil numbers used in the Authorities Proforma Tool (APT) submission to the DfE

3.2.1 When a new school opens and for a period of 7 years or when a school reaches 90% of its NOR capacity whichever is the sooner, the LA will apply to the EFA to vary the pupil number on roll (NOR) in the APT (the APT NOR is used as the basis for schools' budgets).

3.2.2 The varied NOR will (subject to EFA approval) be used in the APT instead of the previous October census NOR that is used for all other schools.

3.2.3 Funding for a new school in the first instance will be based upon 120 pupils (a minimum four class model).

3.2.4 Varied pupil numbers will be calculated based on a maximum of 30 pupils per class and by keeping Infant and Junior phases as distinct teaching groups e.g. for a new 2FE primary school

3.2.5 Funding will be based upon 120 pupils (a minimum four class model) in the first instance.

Initial assumption:

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Reception Class of up to 30 pupils • KS1 class of up to 30 pupils • KS2 2 classes of up to 30 pupils | } | <p>Infant total – 60 pupils</p> <p>Junior total – 60 pupils</p> |
|--|---|--|

Triggers for additional funding:

As soon as the infant numbers (Reception plus KS1) reach 60 pupils, the LA will fund another 30 Reception places (3 classes). Then

- on reaching 90 the LA will fund another 30 places (4 classes)
- on reaching 120 the LA will fund another 30 places (5 classes)
- on reaching 150 the LA will fund another 30 places, taking them to six infant classes.

AND/OR

As soon as KS2 total pupil numbers reach 60, the LA will fund another 30 places.

- on reaching 90 the LA will fund another 30 places
- on reaching 120 the LA will fund another 30 places
- on reaching 150 the LA will fund another 30 places
- on reaching 180 the LA will fund another 30 places
- on reaching 210 the LA will fund another 30 places, taking them to eight KS2 classes.

3.2.6 Funding will not be clawed back if the actual pupil numbers at year end are lower than the estimated varied number used in the APT.

3.3 Other funding factors

3.3.1 If data is provided by the DfE relating to other funding factors (e.g. prior attainment, deprivation) as a percentage of the actual NOR then these percentages will be applied to the varied NOR to identify appropriate funding for the other factors.

3.3.2 If data is not available the other factor percentages of a similar school will be used, or in the case of there being no similar school the average percentages for the whole sector.

4.0 IN-YEAR SUPPORT TO NEW SCHOOLS FROM THE GROWTH FUND.

4.1 The following will apply for a period of 7 years, or when a school reaches 90% of it's NOR capacity, whichever is the sooner.

a) Funding for new class required

If at any point during the financial year the LA identifies an additional reception class is required above those already used in the varied NOR then the school will receive an additional full year's funding of 30 pupils X the AWPU. This will in effect be a correction to the estimated NOR used in the APT submission.

b) New class not required but in-year October census NOR higher than varied NOR used in APT.

The school's in year October census will be compared to the varied NOR used in the APT plus any additional NOR added for a new class in year.

If the October NOR is higher than this, AWPU funding will be provided for the increase without applying any thresholds. This will ensure that if a school does not qualify for additional class funding it will as a minimum be funded for all its pupils at the mid financial year October census date.