

PRIMARY AND SECONDARY FUNDING FORMULA 2016-17

Report of the Director of Children's Services

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1. Purpose

1.1 To seek the agreement of the Forum for:

- The illustrative unit values for each formula factor in the primary and secondary funding formula.
- Changes to the funding formula included in the recent consultation with schools.

2. Summary

2.1 This paper outlines the illustrative unit values for the primary and secondary funding formula for 2016-2017 and gives details of the changes proposed to the formula in respect of retrospective adjustments, the secondary split site factor and the rents factor.

3. Recommendations

3.1 The Forum is asked:-

- To support the illustrative unit values for each formula factor, shown in Annex A, for inclusion in the proforma to be submitted to the DfE by 30 October 2015.
- To support the changes proposed to the funding formula in respect of:
 - the introduction of retrospective funding adjustments,
 - the changes to the secondary split site factor
 - the changes to the rent factor.
- To support the discontinuation of Cluster of Need funding.

4. Background

- 4.1 The Hertfordshire funding formula for 2016-17 has to be submitted to the DfE by 30th October 2015. The DfE will then consider the formula and decide whether to approve it. Authorities will not be able to change the factors that will be used in the 2016-17 formula, after the submission made on 30th October. However, authorities will be able to change the unit funding values for each factor, until the final submission in January.

5. Formula for 2016-17

- 5.1 No changes are proposed for 2016-17 in the unit values in the funding formula. The illustrative unit values and formula factors for 2016-17 are shown in Annex A and are the same as in 2015-16 budget shares.

However, it is proposed to make changes to three elements of the funding formula for primary and secondary schools and academies. These changes are:

- i) the introduction of retrospective adjustments to funding where it has been based on estimated pupil numbers,
- ii) amendments to the split site factor for the secondary sector,
- iii) amendments to the eligibility criteria for the rent factor.

Annex B sets out the detail of these changes, which were consulted on over the Summer.

- 5.2 Consultation responses were received from 62 schools. Feedback from the consultation on the proposed changes was as follows:

i) the introduction of retrospective adjustments to funding where it has been based on estimated pupil numbers

Response	No. of Responses	% of Responses
Yes	52	83.87%
No	4	6.45%
Don't know	2	3.23%
(Not Answered)	4	6.45%

Three schools commented that a clawback of funding would make it more difficult to manage resourcing and could add a financial pressure while two schools commented that it is important for the funding to reflect as accurately as possible, the numbers of pupils and thus the expenditure that will be incurred.

ii) amendments to the split site factor for the secondary sector

- a) proposal to add requirements to the qualifying criteria for the secondary sector split site factor. The requirements are that at least a third of the total number of pupils in KS3 and KS4 must be taught on each main teaching site on a daily basis and each main teaching site must be the school's own site.

Response	No. of Responses	% of Responses
Yes	29	46.77%
No	2	3.23%
Don't know	26	41.94%
(Not Answered)	5	8.06%

- b) proposal to change the method of allocating funding for the secondary sector split site factor to a per pupil basis, with a ceiling on allocations.

Response	No. of Responses	% of Responses
Yes	28	45.16%
No	2	3.23%
Don't know	27	43.55%
(Not Answered)	5	8.06%

A number of schools responded to say that they are a primary school so it is not applicable and don't have a view. However, of those that did respond, the majority were in favour of the proposal.

One secondary school commented that they have a split site but do not qualify for the current split site factor funding due to the distance criteria..

iii) amendments to the eligibility criteria for the rent factor

Response	No. of Responses	% of Responses
Yes	38	61.29%
No	1	1.61%
Don't know	20	32.26%
(Not Answered)	3	4.84%

- 5.3 Following the support for these proposals in the consultation with schools, the Forum is asked to support the introduction of these formula changes for 2016-17.
- 5.4 Although not part of the formula, the authority also consulted on the proposal to discontinue cluster of need funding and instead use the resource to support individual pupils' needs.

The response to this proposal was as follows:

Response	No. of Responses	% of Responses
Yes	38	61.29%
No	14	22.58%
Don't know	7	11.29%
(Not Answered)	3	4.84%

Comments were received from four schools that were against the proposal. These comments included the following

- Sometimes the individual pupil's SEND needs would not qualify for ENF but the overall impact of admitting a group of children with SEN can be tremendous on a school.
- Two schools said that they have benefitted from the current funding arrangement which has been invaluable and without the additional funding it is unlikely that staff and children would have been able to cope or that results for the class would have been as good.

Comments were received from five schools that were in favour of the proposal. These comments included:

- The proposal seems appropriate
- It makes more sense to make sure the needs of individuals are met.
- The locally-assessed needs of individual pupils must be paramount

One school that was undecided about the proposal said that it makes sense in theory but there is not enough funding for individual cases so the concern is that children will be left unsupported.

6. 2017-18 and later years

It remains unclear whether a national funding formula (NFF) at school level will be introduced within the next few years. There would seem to be little point in embarking on any major reform of Hertfordshire's school funding formula if any change is going to be rapidly superseded by the introduction of a NFF.

However, Herts for Learning is expected to start work shortly on a costing model for different sizes and types of school, based on assumptions about the most efficient possible organisation. This is part of the school budget savings programme work, to assist schools with making cost reductions. When complete, the school level results from the costing model could be compared to the distribution of funding through the formula. This would test the effectiveness of the funding formula. If it closely matches the pattern of costs then it can be argued it is working well. If it does not then changes to the formula could be developed to better align funding with costs.

Thus the costing work in the savings programme is potentially the first stage in reviewing the funding formula.

7. Conclusion

The Forum is asked to agree the recommendations in section 3.

Retrospective adjustments when pupil number funding has been based on estimated numbers

In general, school and academy budget shares are based on the pupil numbers from the previous October's census (i.e. 2015-16 budget shares are based on pupil numbers from October 2014).

However, local authorities are now required by the DfE to use estimated pupil numbers when calculating budget shares for:

- schools/academies in their first year of opening,
- schools/academies, which have opened in the last 7 years and are still adding year groups.

This is because the previous October's census will not take into account the expansion of the school. In Hertfordshire in 2015-16 this affected a number of free schools whose local authority budget shares were therefore based on a weighted average of:

- the October 2014 census number x 5/12
plus
- an estimate of the 2015/16 academic year pupil number x 7/12.

Estimated pupil numbers were also used to fund additional year groups at schools extending their age range.

Where estimates have been used to calculate funding, authorities have the option of adjusting budget shares in the following year to reflect under or over estimating of pupil numbers.

Proposal 1	Introduction of retrospective funding adjustments where pupil number funding has been based on estimated numbers	Primary, secondary and all through schools and academies funded on estimated numbers
<p>It is proposed to introduce a retrospective adjustment to any pupil led funding in 2015-16 budget shares, which has been calculated according to estimated pupil numbers. (This will include the additional needs and London fringe uplifts.)</p> <p>The retrospective adjustment will be determined as follows:</p> <ul style="list-style-type: none"> the difference between the estimated 2015/16 academic year pupil number and the actual October 2015 census pupil number <p style="text-align: center;">multiplied by</p> <ul style="list-style-type: none"> the funding per pupil in the 2015-16 budget share (including additional needs and London fringe uplifts) <p style="text-align: center;">multiplied by</p> <ul style="list-style-type: none"> 7/12 (to reflect the period September 2015 to March 2016). <p>Where the actual pupil number is higher than the estimate, the retrospective adjustment will provide additional funding. If the actual is lower than the estimate then there will be a clawback of funding.</p> <p>In the secondary sector a separate calculation will be made for KS3 and KS4 pupils. It is not intended to apply a retrospective adjustment to any schools which, in the future, are in receipt of diseconomies funding from the Authority based on their estimated numbers.</p>		
<p>Question 1: Do you agree with this proposal?</p>		

EFA grant funding for free schools and academies

A point to note is that the EFA, when it calculates the grant allocations payable to free schools, and to any other academies funded on estimates, will not necessarily use the same pupil estimate as is used by the local authority. Similarly any retrospective adjustments in free schools' or academies' grants will not necessarily be based on the methodology used by the Authority and will reflect the fact that academies and free schools are funded on an academic year basis.

However, the Authority must establish a methodology to use in the budget shares it calculates for all Hertfordshire schools and academies. The budget shares calculated by the Authority for academies and free schools set the amount of funding that is transferred from Hertfordshire to the EFA in respect of these institutions.

Secondary sector split site factor

The current eligibility criteria for the secondary split site factor are as follow:

A lump sum allocation of £200,000 is made to secondary schools (including any all through schools that are created through secondary schools establishing primary departments) with their main teaching sites (excluding sports facilities) separated by more than 0.3 miles, by the shortest road route measured from the main vehicle entrance.

New types of schools are currently opening, creating the potential for different models of school premises. It is therefore intended to update the eligibility criteria and the allocation formula of the secondary split site factor.

Proposal 2	Secondary split site factor	Secondary and all through schools and academies
There are two elements to this proposal:		
a) It is proposed to add the following two requirements to the qualifying criteria:		
<i>At least a third of the total number of pupils in KS3 and KS4 must be taught on each main teaching site on a daily basis.</i>		
<i>Each main teaching site must be the school's own site.</i>		
b) It is also proposed to change the method of allocating funding to a per pupil basis with a ceiling on allocations of £200,000. The proposed allocation is £250 per pupil (excluding sixth formers).		
Example		
School A 500 pupils allocation £125,000		
School B 1000 pupils allocation £200,000 (allocation at ceiling).		
Question 2: Do you agree with this proposal?		

Consortia arrangements (where pupils from one school may go to another to take a particular subject not available at their own school), federated schools and schools with remote sixth forms, do not constitute split sites and do not qualify for split site funding.

Eligibility criteria for the rent factor

The rent factor relates to a small number of schools which are obliged to rent additional accommodation. The DfE only permits rents that are greater than 1% of the school's budget share to be funded. To avoid perverse incentives, where larger rents would be fully funded but rents just under the threshold not funded at all, Hertfordshire's rent factor funds the amount by which the rent exceeds 1% of the budget share. The current criteria for the rent factor are as follows:

Funding for the amount by which the rent exceeds 1% of the previous year's (ie 2014-15) budget share. This would apply where a school is obliged to lease additional premises.

The new types of school currently opening create the potential for different models of school premises. It is therefore intended to clarify further the qualifying criteria for the rent factor.

Proposal 3	Eligibility criteria for the rent factor	Primary, secondary and all through schools and academies
<p>It is proposed to clarify the qualifying criteria for the rent factor by adding the following:</p> <p><i>Rent funding will only be allocated in respect of premises whose occupation is unavoidable in order to deliver core education or school lunch provision.</i></p> <p><i>Consideration of funding for any new rent will require prior agreement with the local authority to ensure that the premises meet this definition.</i></p>		
Question 3: Do you agree with this proposal?		