

7 December 2016

**PRIMARY AND SECONDARY FUNDING FORMULA-
CHANGES TO IDACI FACTOR AND ADDITIONAL MINIMUM FUNDING
GUARANTEE EXCEPTION**

Report of the Director of Children's Services

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1. Purpose

- 1.1 To update the Forum on the outcome of the consultation with schools on changing the IDACI factor for 2017-18.
- 1.2 To seek the support of the Forum for implementing the changes to the IDACI factor proposed in the consultation.
- 1.3 To seek the support of the Forum for a minimum funding guarantee exception (MFG) in respect of historic falling rolls protection at Samuel Ryder academy.

2. Summary

- 2.1 This paper outlines the results of the consultation with schools on changes to the IDACI factor and requests the support of the Forum for implementing these changes.
- 2.2 The paper also covers a request for a MFG exception in respect of Samuel Ryder academy.

3. Recommendations

- 3.1 The Forum is asked to support the change to the IDACI unit funding rates for 2017-18 in the primary and secondary funding formula, as set out in Annex A to this paper.

- 3.2 The Forum is asked to support the MFG exception in respect of historic falling rolls protection funding at Samuel Ryder Academy, as set out in section 5 of this paper.

4. Consultation on IDACI factor

- 4.1 As outlined in a paper to the September Forum meeting, the DfE has announced that it will be changing the thresholds for the IDACI bands for 2017-18. Due to the changing of the thresholds, the DfE is renaming the IDACI bands. The old bands (2016-17 budget shares) are numbered 1 – 6 and the new (2017-18 budget shares) will be designated F to A with A or 6 representing the highest level of deprivation.

It is therefore necessary for local authorities to set new IDACI unit funding rates, consistent with the new IDACI bands F to A.

- 4.2 The Authority has proposed to set the unit funding rates for the new IDACI bands on the principle of minimising turbulence compared to the IDACI funding in 2016-17 budget shares. Under this proposal, the majority of schools have no change in funding, based on 2016-17 budget share data (i.e. assuming no change in pupil funding data).
- 4.3 The Forum agreed to a consultation with schools on this proposal. As this constitutes a very minor change to the funding formula, a low key consultation with schools has been undertaken, which closed on 28 November. The consultation document is attached at Annex A.
- 4.4 There were 18 responses to the consultation, (2 from secondary schools and 16 from primary schools). All 18 responses supported the proposal.

5. MFG exception re historic falling rolls protection

5.1 Background

- 5.1.1 As outlined in previous papers to the Forum, this issue with the MFG arises because the Hertfordshire funding formula, which operated until 2013-14, included a falling rolls protection factor. When the new national funding arrangements were introduced in 2013-14, this falling rolls protection became locked into the MFG baseline. Instead of reducing and then falling out entirely when the school's pupil numbers rose, as would previously have happened, this protection causes affected schools to have a high level of MFG protection per pupil. Thus their MFG protection funding increases, rather than falls, when their pupil numbers rise.
- 5.1.2 We have applied to the DfE for a MFG exception in respect of by far the most extreme case, Samuel Ryder Academy (SRA), which received £774k of falling rolls protection in 2012-13, and has had an increase in pupil numbers of more than 200% since then. The MFG protection in respect of SRA recouped from Hertfordshire by the DfE was £2.3m in

2016-17 and is forecast to increase to £2.8m in 2017-18, due to the increase in pupil numbers.

5.1.3 However, a key point to note is that the MFG baseline per pupil used by the EFA to calculate SRA's General Annual Grant (GAG) is much lower than that used in the recoupment budget share. In 2016-17 SRA received £1.1m of MFG protection, less than half the amount of MFG protection in the recoupment budget share. Given the academy's circumstances it is appropriate for SRA to continue to receive MFG protection in its GAG. Therefore we have only applied for this MFG exception on the basis that it is not applied to SRA's GAG.

5.2 MFG exception requested from DfE in respect of SRA.

5.2.1 The MFG exception we have applied for would operate in the following way. The 2016-17 MFG budget share per pupil, used in the 2017-18 MFG calculations, would be lower for the number of pupils above a threshold. The threshold would be set at the level of the 2012-13 funded pupil number plus 50%. This lower MFG rate would be determined by recalculating the 2016-17 MFG budget share per pupil to exclude the falling rolls protection.

5.2.2 If agreed by the DfE, the impact of this MFG exception would be to reduce the MFG protection in respect of SRA recouped from Hertfordshire in 2017-18 by approximately £1m. This resource would then be available for distribution to all schools in budget shares.

5.2.3 The Forum is asked to support this MFG exception.

6. Conclusion

6.1 The Forum is asked to agree the recommendations in Section 3.