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**FINALISATION OF PRIMARY AND SECONDARY FORMULA FUNDING  
FACTORS 2016-17**

Report of the Director of Children's Services

Author: - Jonathan Burberry/Simon Newland  
Tel: - 01992 555943

**1. Purpose**

- 1.1 To seek the support of the Forum for the final unit values for the primary and secondary funding formula.

**2. Summary**

This paper outlines the proposed final unit values for the primary and secondary funding formula and gives details of other issues relating to the funding formula.

**3. Recommendations**

- 3.1 The Forum is asked to:
- support the discontinuation of the sixth form factor and the recycling of this resource into pre 16 funding;
  - support the use of option 1 (KS4 AWPU with no change to prior attainment funding) for recycling the resource from the sixth form factor;
  - support the proposed final unit values shown in Annex B;
  - support the changes to special unit places in mainstream schools, outlined in Annex D.

**4. Background**

- 4.1 Information on primary and secondary budget shares for 2016-17 has to be submitted to the DfE by 21 January 2016. In order for this to be provided

on schedule, it is necessary for the unit values of the primary and secondary funding formula to be set.

## **5. Formula Funding Factors**

5.1 At the end of October the Local Authority submitted its provisional pro forma to the DfE listing the formula factors and unit values for the primary and secondary funding formula. This committed the Authority to use all the permitted formula factors except sparsity in the primary sector. However, it is possible to change the unit values for each formula factor prior to submission of the final pro forma on 21 January 2016.

### 5.2 Finalisation of Unit Values

It is proposed to use the same unit values in the final pro forma as in the provisional, except for adjustments in respect of the following:

- AEN factors with significant data changes;
- recycling of sixth form funding into pre 16 factors.

### 5.3 Additional Educational Needs (AEN) Factors with significant data changes

2016-17 budget shares will be based on October 2015 census data which has recently been received from the DfE. There have been some significant changes in the number of pupils identified by the various AEN factors, as compared to the October 2014 census data. The table below gives details. The main changes are:

- Free school meals;
- There has been a reduction in the number of pupils entitled to free school meals, particularly in primary.

### Income Deprivation Affecting Children Index (IDACI)

There have been major changes in the IDACI data as a result of the DfE updating to the new 2015 IDACI data. In previous years' budget shares, the 2010 IDACI scores have been used. The change has greatly reduced the number of pupils in the higher IDACI bands. Many authorities have raised concerns about the impact of the new data.

### Prior Attainment

The number of pupils identified with low prior attainment has reduced.

### English as an Additional Language

The number of pupils with English as an additional language has increased.

### Percentage changes in AEN data between 2015-16 and 2016-17

	Primary	Secondary
Free School Meals	-10.0%	-3.8%
IDACI band 1	n/a	-16.5%
IDACI band 2	-1.9%	-10.0%
IDACI band 3	-29.5%	-29.7%
IDACI band 4	-15.0%	-20.8%
IDACI band 5	-97.3%	-78.1%
IDACI band 6	-100.0%	-99.2%
Prior Attainment	-1.2%	-5.3%
EAL	11.6%	9.8%

Despite a significant increase in English as an Additional Language (EAL) pupils, which slightly offsets the reduction in FSMs, IDACI scores and low prior attainment data, if the funding values per unit were left unchanged approximately £5m would be removed from budget shares as a result of the data changes. It is therefore proposed to adjust the unit values to recycle this funding in the following way:

#### 1) Primary and secondary FSMs, prior attainment and EAL:

- Set the unit values such that the 2016-17 funding through each of these factors, in each sector, equals the 2015-16 funding, adjusted for the percentage change in pupil numbers in the sector between 2015-16 and 2016-17 budget shares.

#### 2) Primary and Secondary IDACI funding:

- There are six IDACI funding bands, although in primary the lowest is not used for funding purposes. The percentage reduction in the IDACI data varies between the bands. In the top band, 6, no pupils are now identified in primary and only one pupil in secondary. It is therefore not practical to recycle the funding within each band. It is instead proposed to increase the unit funding rates for all IDACI bands by the same percentage, within each sector. The percentage increase is set so that total 2016-17 IDACI funding for each sector equals the 2015-16 funding, adjusted for the percentage change in pupil numbers in the sector between the 2015-16 and 2016-17 budget shares.

#### 5.4 Discontinuation of sixth form factor

The Authority has now consulted with schools regarding the discontinuation in 2016-17 of the sixth form factor within schools block budget shares and the recycling of this funding through the key stage 4 AWPU. Two options for the recycling of the funding were consulted on:

Option 1: Recycle the sixth form funding into KS4 per pupil (AWPU) funding with no change to prior attainment funding.

Option 2: Recycle the sixth form funding into KS4 per pupil (AWPU) funding and transfer funding from the secondary low prior attainment factor into both the KS3 and KS4 AWPU.

The outcome of the consultation is detailed in a separate report on this agenda. The DfE has confirmed that Hertfordshire may discontinue the sixth form factor in its January pro forma.

It is proposed to adopt option 1 for the recycling of funding from the sixth form factor, for two reasons:

- a) It is simpler.
- b) It directs more funding to schools with low pupil numbers and in areas of deprivation - those schools where the Authority has identified the funding pressures as most acute.

Annex C shows the impact of the two options based on the funding data for 2016-17, which was received from the DfE just before Christmas. The unit funding rates in the two options have been adjusted to take account of the updated pupil number data. As mentioned in the consultation document the sixth form factor is not covered by the Minimum Funding Guarantee and therefore the switch of funding to pre 16 factors will displace MFG protection at those schools which receive it. Annex D shows the impact of this. (There are occasional instances of academies receiving MFG protection from the EFA, which the Authority is not aware of, because the protection does not appear in the budget share for the academy calculated by the Authority. The impact on such protection is not shown in Annex D.)

The displaced MFG protection could be recycled as a very minor AWPU increase, either in secondary or across both primary and secondary where it would equate to approximately £1 per pupil.

## 5.5 Other Issues

### 5.5.1 Primary Prior Attainment:

The primary prior attainment data is an amalgam of the low attainment data from the new Early Years Foundation Stage Profile (for years 1, 2 and 3) and the low attainment data from the previous EYFSP. The proportion of children identified under the new indicator is much higher than under the old. Therefore the DfE has given authorities the facility to scale down the data from the new indicator so that, as a proportion of children identified, it is consistent with the old. This is the approach that has been adopted in recent years and it is intended to continue with it. The scaling is as follows:

Proportion of pupils identified under old prior attainment indicator:	11.37%
Proportion of children identified under new prior attainment indicator:	34.04%
Weighting on data from new indicator:	0.3340
Proportion of children under new indicator after scaling:	11.37%

(There may be minor data changes before submission of the proforma which slightly alter the percentage.)

#### 5.5.2 Primary / Secondary Ratio:

The DfE has indicated that the overall national primary/secondary ratio in 2015-16 was 1:1.28 with the median Local Authority ratio being 1:1.29. DfE officials have made the point that even with a national funding formula there would be variation between authorities in their primary/ secondary ratios as they are partly a product of the relative number of schools in each sector and thus the pattern of school organisation.

The Hertfordshire primary/secondary ratio for 2016-17 remains at 1:1.31 prior to the discontinuation of the sixth form factor. If the sixth form factor is discontinued and the funding recycled in KS4, then the ratio will change to 1:1.32. This movement arises because the sixth form factor is not counted by the DfE in the primary/secondary ratio.

#### 5.5.3 Notional SEN element of budget shares:

The percentages of the various formula factors which are deemed to comprise the notional SEN budgets of each school have been kept the same as in 2015-16. (These percentages are shown in the pro forma at Annex A.)

#### 5.5.4 Special Unit places:

A number of reductions are being made to special unit places, including the closure of the two secondary SpLD bases at Barnwell and Francis Combe. The proposed funded place numbers for special units in 2016/17 academic year are shown in Annex D and the Forum is asked to endorse them.

## 6. Conclusion

### 6.1 The final unit values have to be set to enable the final pro forma for the 2016-17 primary and secondary budget shares to be submitted to the DfE later in January.

Annex A shows the draft final pro forma, before taking account of the discontinuation of the sixth form factor. Annex B shows the provisional formula unit values submitted to the DfE in October and the proposed amendments to these in order to set the final unit values.

It is likely that there will be minor data changes before the submission of the pro forma.

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