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PRIMARY AND SECONDARY FUNDING FORMULA FOR 2018-19

Report of the Operations Director, Education

Author: Jonathan Burberry
Tel: 01992 555943

1. Purpose

- 1.1 To seek the Forum's view on changes to the Hertfordshire local funding formula for 2018-19 in the light of the introduction of the National Funding Formula (NFF).

2. Summary

- 2.1 This paper reviews possible changes to the Hertfordshire funding formula for primary and secondary schools.

3. Recommendations

- 3.1 The Forum is asked to support:
- Retaining the existing Hertfordshire funding formula in 2018-19, rather than moving to the NFF;
 - Consulting with schools about the level of the Minimum Funding Guarantee (MFG), with a proposal that the MFG continues to be set at -1.5% per pupil;
 - Consulting with schools about the looked after children (LAC) factor, with a proposal that it is amended as outlined in paragraph 5.3.2 below.

4. Background

- 4.1 The DfE has announced that a 'soft' NFF will operate in 2018-19 and 2019-20. The NFF will be used to calculate the Authority's schools block of DSG but the local funding formula will still be used to calculate school and academy budget shares. Therefore it is necessary to review whether to

make any changes to the Hertfordshire funding formula for 2018-19. The issues identified so far are outlined below.

5. Possible Changes to the Hertfordshire Funding Formula

5.1 Adopting the NFF in 2018-19

5.1.1 It would be possible to move straight to adopting the NFF in 2018-19, discarding the local Hertfordshire funding formula. This would mean that the way funding is allocated to schools would match the way the DSG is allocated to Hertfordshire. The MFG and capping of gains built into the NFF would limit the funding turbulence arising in 2018-19. However, the NFF has not yet been announced and even when it is, it will take time to analyse its impact. There were a number of aspects of the draft NFF (on which the DfE consulted) that raised significant concerns for Hertfordshire, such as the impact of the smaller lump sum on small village primary schools.

5.1.2 Given the need to consult with the Forum and then with schools on formula changes, the timetable would be extremely tight. Therefore it is proposed not to move to the NFF in 2018-19 but to consider further whether to do so in 2019-20.

5.2 Setting the level of the MFG

5.2.1 In recent years the MFG has been set by the DfE at -1.5% (i.e. a school's funding can reduce in cash terms by up to 1.5% per pupil per year). In 2018-19, for the first time, the DfE is giving authorities some discretion in setting the MFG level locally. The MFG can be set anywhere between -1.5% and 0% per pupil. Thus it is possible to decide to apply a level of MFG protection which prevents any cash reduction in funding per pupil.

5.2.2 In practice much MFG protection arises for the following reasons;

- historic protection funding remaining in the MFG baseline and sometimes no longer applicable;
- significant changes in the level of additional educational needs (AEN) funding at a school (for example as a result of variation between years in the proportion of pupils entitled to free school meals). Such changes alter the average funding per pupil in a school's budget share and the MFG may protect against this, preventing AEN funding changes from flowing through.

In view of this it is proposed that the MFG level should remain at -1.5% in Hertfordshire.

5.3 Looked after children factor

5.3.1 The NFF will not include a looked after children (LAC) factor. Nationally, the DfE is switching funding for LAC from the DSG into the Pupil Premium and enhancing the LAC element of the Pupil Premium. Local authorities may discontinue the LAC factor in their local funding formula or may choose to continue it. DfE guidance states “local authorities using this factor may want to consider whether they continue to do so in light of the new arrangements”. Hertfordshire currently distributes £1.073m through the LAC factor, equating to £2,207 for each LAC.

The advantages of discontinuing the LAC factor are:

- it would simplify funding arrangements;
- it would be consistent with the NFF;
- it would make funding to schools more up to date with changes in the number of LAC. (Pupil Premium allocations take account of the latest data on LAC whereas the LAC funding in budget shares uses data from the DfE, originally based on the SSDA903 return, which is somewhat out of date by the time budget shares are issued.)

However, the advantage of retaining the LAC factor is that it gives local discretion over the level of funding for LAC. Hertfordshire’s current funding per LAC is likely to be higher than the amount the DfE will transfer to the Pupil Premium.

5.3.2 It is proposed to adopt a compromise approach as follows:

- to retain the LAC factor in the Hertfordshire funding formula but,
- to reduce the unit funding rate of the LAC factor by the value of the increase in the Pupil Premium funding rate, when this is known.

6. Conclusion

6.1 It is intended to consult with all schools and academies on the proposals for the MFG and the LAC factor. The consultation would be completed before the next Forum meeting in November and the results would be reported back to that meeting.

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