

Hertfordshire County Council

School Funding Formula Consultation 2018-19

(Primary and Secondary Schools and
Academies)

DECEMBER 2017

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1. Introduction

2018-19 sees the introduction of the National Funding Formula (NFF) for schools. However, the NFF will only be used to calculate the amount of schools grant to be allocated to each local authority area. Individual school budget shares and academy general annual grant (GAG) allocations will still be calculated using the local authority funding formula. Hertfordshire's schools grant will increase by 1.5% in 2018-19 as a result of the NFF. However, Hertfordshire has been using money from reserves to help fund schools in 2017-18 and will have to reduce the contribution from reserves in 2018-19 as they start to run out. Therefore the net additional resource available for funding schools will be around 1% in 2018-19.

We are consulting schools about how this extra resource should be allocated, as well as about two other issues related to the introduction of the NFF, the funding for looked after children and the level of the Minimum Funding Guarantee.

2. School Funding Proposals 2018-19

The Authority has consulted the Hertfordshire Schools Forum on what changes to make to the Hertfordshire formula for funding schools for 2018-19. Schools Forum has supported the following changes:

- To guarantee an increase of 0.5% in the unit funding rates of all primary and secondary pupil led funding factors (i.e. AWPU plus additional needs factors except mobility) as compared with the 2017-18 budget shares. (This reflects the "funding floor" of +0.5% used in the NFF.)
- To reduce the unit funding rate of the looked after children (LAC) factor by £400. This is the amount by which the Pupil Premium funding rate for LAC will increase in 2018-19 (see further information below).
- To continue to set the Minimum Funding Guarantee at -1.5%.

After making the changes above, there will still be a sum of money available (which is currently estimated at £4m) to allocate to schools. The Schools Forum has supported consulting with schools on two options for how this resource could be allocated.

Option 1 – Make a larger, equal percentage increase in all primary and secondary pupil led funding factors (i.e. AWPU plus additional needs factors except mobility).

Based on £4m of available resource, this option would result in an additional increase in per pupil funding factors of 0.64%. Combined with the 0.5% mentioned above, this would provide a total 1.14% increase in primary and secondary per pupil funding factors.

The ratio between primary and secondary funding would remain broadly the same as currently, at 1:1.32.

Option 2 - Allocate the additional resource taking into account which schools would gain under the National Funding Formula.

We have compared each school's allocation under the 2017-18 Hertfordshire formula, adjusted for the increase of 0.5% in per pupil funding factors and the planned reduction in the looked after children factor (but without the allocation of the extra £4m), with schools' allocations under the NFF, which are also based on 2017-18 data.

Under this option, the additional resource would be distributed in order to, as far as practical within the existing Hertfordshire formula, reflect the pattern of gains under the NFF. However, all schools would receive some extra funding.

The additional resource (currently estimated at £4m) would be allocated as follows:

Primary		82%		Secondary		18%	
split between factors as follows:				split between factors as follows:			
Primary AWPU	70%	Secondary IDACI band E		32%			
Primary English as an Additional Language (EAL)	15%	Secondary IDACI band D		13%			
Primary Low Prior Attainment (LPA)	15%	Secondary IDACI band C		34%			
		Secondary Low Prior Attainment (LPA)		21%			

Notes AWPU: age weighted pupil unit – the basic per pupil funding allocation
IDACI: Income Deprivation Affecting Children Index – a proxy indicator of deprivation

The Hertfordshire unit funding value for each of these formula factors is lower than in the NFF and these changes would start to close that gap.

The ratio between primary and secondary funding would reduce to 1: 1.31.

A “hybrid” option

It would be possible to adopt a hybrid of the two options – for example by allocating half of the additional resource via option 1 and half via option 2.

Funding factors that are not changing

Under these proposals, the following funding factors will not change, although where applicable they will be updated for new data in 2018-19.

- Mobility
- Lump Sum
- Split Sites
- Rates
- Private Finance Initiative (PFI)
- Exceptional Premises Factors – Rents/Building Schools for the Future /Dual Use Facilities

The London fringe factor will continue to provide a 1.56% uplift on pupil led and lump sum funding, for schools in the London fringe area.

Minimum Funding Guarantee (MFG)

The minimum funding guarantee is a national requirement set by the DfE and currently protects schools from funding reductions of more than 1.5% per pupil between years.

In 2018-19 for the first time, local authorities have been given the option of varying the level of the minimum funding guarantee, providing the level is set between -1.5% and +0.5%.

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.

The higher the level at which the MFG is set, the more funding will be tied up in protection allocations for individual schools. This will reduce the resource available to uplift the funding of all schools.

Hertfordshire is therefore proposing to continue to set the level of the MFG at -1.5%, in order to maximise the resource available for distribution to all schools.

Looked after Children (LAC) Factor

The DfE has removed all funding for LAC from the schools grant nationally and will redistribute it by increasing the Pupil Premium for LAC. As a consequence the LAC Pupil Premium will increase from £1,900 to £2,300 in 2018-19.

Local authorities have discretion over whether to continue to include a LAC factor in their local funding formula. Hertfordshire currently has a LAC factor of £2,207 per LAC, higher than most other authorities. Therefore if this funding factor was completely discontinued, there would be a large reduction in the overall funding for LAC.

Hertfordshire is therefore proposing:

- To retain the LAC factor in its local funding formula but
- To reduce the unit funding rate of the LAC factor by £400, which is the value of the increase in the Pupil Premium funding rate.

(The Pupil Premium for LAC is currently paid to schools at £500 per term, giving an annual total of £1,500. The remaining £400 is centrally retained to provide additional funding for children when required. It is anticipated that a similar methodology will be used in 2018-19.)

Update to 2018-19 funding data

The budget share calculations will be updated at the end of December 2017 when the funding data for 2018-19 (largely based on the October 2017 census) is published by the DfE. There can be significant changes between years in some of the additional needs data (such as pupils entitled to free school meals). Where there is a significant change in the total Hertfordshire data for an additional needs factor, it is proposed to adjust the unit funding rate so that the total 2018-19 funding through the factor, for each sector, will equal the 2017-18 funding, after adjusting for:

- The percentage change in pupil numbers in the sector between 2017-18 and 2018-19
- Any change to the factor agreed following this funding formula consultation.

Funding for special units

The DfE is introducing changes to the funding arrangements of special units in 2018-19. These are not for local decision and are only included in this consultation document as an information item.

Current funding arrangements for schools with special units

- a) The number of pupils funded in the school's mainstream budget share is calculated as the total number of pupils on roll at the October census, less the number of special unit places.
- b) Each special unit place is funded at £10,000.

New arrangements in 2018-19

- a) All pupils on roll at the October census (including special unit pupils) will attract mainstream formula funding (i.e. AWPU plus additional needs funding)
- b) Occupied special unit places will be funded at £6,000 per place
- c) Empty special unit places will be funded at £10,000 per place.

We will be considering in due course whether any adjustments need to be made in the rate of top up funding for special unit pupils, to take account of these changes.

3. Financial Impact

Annex A shows for each school the indicative allocations if the proposals in this document were implemented in the Hertfordshire school funding formula in 2018-19. Separate figures are shown for options 1 and 2. The figures for each option include the following:

Option 1

- An increase of 1.14% in the unit funding rates of all primary and secondary pupil led funding factors (i.e. AWPU plus additional needs factors except mobility) as compared with the 2017-18 budget shares
- A reduction of £400 in the unit funding rate of the looked after children (LAC) factor
- A Minimum Funding Guarantee level of -1.5%

Option 2

- An increase of 0.5% in the unit funding rates of all primary and secondary pupil led funding factors (i.e. AWPU plus additional needs factors except mobility) as compared with the 2017-18 budget shares
- Increases in certain formula factors (to take into account the pattern of gains under the NFF), as outlined in the description of option 2 above.
- A reduction of £400 in the unit funding rate of the looked after children (LAC) factor
- A Minimum Funding Guarantee level of -1.5%

In the indicative allocations we have shown the minimum funding guarantee protection separately. Schools with significant amounts of MFG protection will note that the additional funding offsets against the protection funding they receive, so that overall their funding is unchanged.

The allocations in annex A are illustrative as they show the estimated funding which schools would receive in 2018-19 if pupil numbers and other data were unchanged from 2017-18 (except to take account of the impact on mainstream funded pupil numbers of the changes in special unit funding). Actual 2018-19 budget shares will be calculated using 2018-19 funding data (based largely on the October 2017 pupil census) and year on year changes in data may have a significant impact. Also the Schools Budget for 2018-19 is not yet finalised and therefore the balance of resource available may change significantly from the estimate of £4m shown in this document. Therefore, in responding to this consultation, schools are advised to consider the principles rather than simply look at the illustrative cash changes.

Some academies may note that their general annual grant (GAG) allocations differ significantly from their allocations under the Hertfordshire funding formula. This is due to different baselines (or occasionally different pupil numbers) used by the DfE to calculate academies' GAG allocations, outside of the Hertfordshire formula. These differences will continue irrespective of the changes to the Hertfordshire formula being consulted on in this document.

Annex B shows the indicative unit funding rates for each formula factor under options 1 and 2, together with the differences to the current rates.

4. How to Respond to the Consultation

The consultation questions are set out in section 5 below.

Respondents to the consultation are asked to use the electronic link on the consultation web page to register their views.

The consultation closes on **Wednesday 27th December 2017**.

If you have any questions on this consultation please e-mail csf.sfu@hertfordshire.gov.uk

5. Consultation Questions

Proposal 1	Distribution of additional funding
<p>We are consulting on 2 options.</p> <p>Option 1: Make an equal percentage increase in all primary and secondary pupil led funding factors (i.e. AWPU plus additional needs factors except mobility).</p> <p>Option 2:</p> <p>a) Make a 0.5% increase in all primary and secondary pupil led funding factors (i.e. AWPU plus additional needs factors except mobility).</p> <p>b) Allocate the balance of the additional resource to take into account which schools would gain under the National Funding Formula, as described in the section on option 2 (above).</p>	
<p>Question 1A: Which option do you prefer?</p> <p>Option 1 Option 2</p> <p>Question 1B: We could adopt a hybrid of the two options - do you have any comments about how this should be devised?</p>	

Proposal 2	Minimum Funding Guarantee
<p>We are proposing to continue to set the minimum funding guarantee at -1.5%, in order to maximise the resources available for distribution to all schools.</p>	
<p>Question 2: Do you agree with this proposal?</p>	

Proposal 3	Looked after children funding	
<p>We are proposing to reduce the Looked after Children factor in the Hertfordshire local funding formula by £400 per LAC, to reflect the transfer of funding for looked after children to the Pupil Premium.</p>		
<p>Question 3: Do you agree with this proposal?</p>		

Proposal 4	Updating for 2018-19 funding data	
<p>If there is a significant change between years in the total Hertfordshire data for an additional educational needs (AEN) factor, we are proposing to adopt the following approach.</p> <p>We will adjust the unit funding rate so that the total 2018-19 funding through the factor, for each sector, will equal the 2017-18 funding, after adjusting for:</p> <ul style="list-style-type: none"> -the percentage change in pupil numbers in the sector between 2017-18 and 2018-19, -any change to the factor agreed following this funding formula consultation. 		
<p>Question 4: Do you agree with this proposal?</p>		

Any other comments