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**FINALISATION OF PRIMARY AND SECONDARY FORMULA FUNDING
FACTORS 2019-20**

Report of the Director of Children's Services

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1. Purpose

- 1.1 To seek the support of the Forum for the unit values for the 2019-20 primary and secondary funding formula.

2. Summary

- 2.1 This paper outlines the proposed unit values for the 2019-20 primary and secondary funding formula and gives details of how they have been derived. This includes feedback from the school funding formula consultation undertaken during December.

3. Recommendations

- 3.1 The Forum is asked to support the following:

- i) That the order of priorities for the distribution of additional funding should be as follows:

Priority 1: delivering a 1% increase in the unit funding rates of formula factors across primary and secondary (except for the secondary lump sum, which is almost at its maximum permitted level, and premises specific factors such as rates)

Priority 2: as there is resource available after delivering priority 1, using this resource to increase the primary low prior attainment factor (including London fringe uplift where applicable), up to an amount of £1m.

Priority 3: as there is resource available after delivering priorities 1 and 2 then allocating this using the following ratio:

90% for the general uplift (as per priority 1),
10% for the specific primary increase (as per priority 2).

- ii) Keeping the level of the Minimum Funding Guarantee at -1.5%.
 - iii) Reducing the unit funding rate of the primary low prior attainment factor so that the total amount of funding allocated through this factor is not affected by ending the use of data from the old (pre 2013) EYFSP
 - iv) Amending the unit funding rate for the primary and secondary free school meals factors as outlined in section 6.2 of this paper, to take account of the significant increase in the percentage of primary pupils entitled to free school meals.
 - v) Increasing the funding provided through the secondary split site factor as outlined in the consultation document.
- 3.2 The Forum is asked to endorse the proposed 2019-20 unit values shown in Annex B.
- 3.3 The Forum is asked to note the methodology used to prepare the 2019-20 unit values, outlined in section 6 of this paper.

4. Background

- 4.1 Information on primary and secondary budget shares for 2019-20 has to be submitted to the DfE by 21st January 2019. 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. The budget share information will be supplied to the DfE using their Authority Proforma Tool (APT).

5. Funding Formula Consultation

- 5.1 A consultation on changes to the primary and secondary funding formula for 2019-20 was undertaken in December. Annex C gives a summary of the responses and for reference the consultation document itself is attached at Annex D. This section of the paper reviews the consultation responses and outlines the approach it is proposed to adopt on each issue.

5.2 Allocation of headroom

Three priorities were consulted on:

Priority 1: a 1% increase in the unit funding rates of formula factors across primary and secondary. This 1% increase reflects the element of the September 2018 teachers' pay award that the DfE is expecting schools to meet and would provide some uplift in funding for all schools towards the cost of inflation

Priority 2: Up to £1m to be allocated specifically to primary sector following comparison of the schools' allocations under the NFF and the Hertfordshire formula, (both based on 2018/19 data).

Priority 3: Allocating any remaining headroom resource to enhance the resource being allocated in options 1 and 2; 90% for priority 1 and 10% for priority 2.

Respondents to the consultation were asked if they agreed with each of the priorities. The responses overwhelmingly agreed all of the priorities. Allocation of additional resource is set-out in the table below.

| | Primary £m | Secondary £m | Total £m |
|--------------------------------------|------------|--------------|----------|
| Priority 1 | 3.849 | 3.294 | 7.143 |
| Priority 2 | 1.000 | | 1.000 |
| Priority 3—general uplift | 0.353 | 0.302 | 0.655 |
| Priority 3—specific primary increase | 0.073 | | 0.073 |
| Total | 5.275 | 3.596 | 8.871 |
| Percentage | 59.5% | 40.5% | 100% |

Among the comments there were calls for greater allocation for SEND. The consultation was undertaken before the DfE announcement in December about additional resource for high needs. When considering how that additional funding might be allocated locally we will bear in mind the comments made in this consultation. There was one comment that queried the use of FSM uptake rather than IDACI for calculating deprivation in the formula.

The impact on unit funding rates is shown in annex B.

5.3 Minimum Funding Guarantee (MFG)

There was almost universal support in the consultation for keeping the level of the MFG at -1.5% in order to maximise the resource available for distribution to all schools. It is therefore proposed to set the MFG at -1.5%

5.4 Managing the data change in the primary low prior attainment factor.

Nearly 91% of respondents agreed with the proposal to reduce the unit funding rate so that the total amount of funding allocated through this factor is not affected by ending the use of date from the old (pre 2013) EYFSP.

5.5 Update to 2019-20 funding data.

This proposal was also supported by the great majority of respondents. It is intended to adjust the unit funding rate so that the total 2019-20 funding through the free school meals factor, for each sector, will equal the 2018-19 funding, after:

- adjusting for the percentage change in pupil numbers in the sector between 2018-19 and 2019-20; and

- any change to the factor agreed following this funding formula consultation.

5.6 Secondary split site factor

This proposal was supported by a two-thirds majority of respondents. The proposal is to increase the funding provided through the secondary split site factor. The new allocation would be £375 per pupil (excluding sixth formers) with a ceiling on allocations of £300,000.

6. **Formula Funding Factors**

6.1 Finalisation of Unit Funding Values for 2019-20

The starting point for the calculation of the unit values for 2019-20 is the allocations in the 2018-19 budget shares. Adjustments have been made to the 2018-19 budget share unit values in respect of the following:

- Allocation of headroom for 2019-20,
- Adjustment to the primary low prior attainment factor in order to manage data change.
- Adjustment to the free school meals factor to offset the increase in the number of pupils eligible for free school meals.

6.2 Free School Meals (FSMs)

2019-20 budget shares will be based on October 2018 census data which has recently been received from the DfE. This includes the new data for the various additional educational needs (AEN) factors. Particular issues arise with the free school meals factor. Large amounts of resource are distributed via this factor and there has been an increase in the proportion of pupils entitled to free school meals. (This contrasts with the pattern of recent years when there have been annual reductions in the proportion of pupils entitled to free school meals.)

Percentage changes in FSMs and Pupil Numbers between 2018-19 and 2019-20

| | Primary | Secondary |
|--|---------|-----------|
| Free School Meals entitlements | 12.4% | 11.3% |
| Pupil Numbers | -0.3% | 2.5% |
| Extent by which FSMs exceeds pupil number increase | 12.7% | 8.8% |

If the funding value per unit is not adjusted, approximately £4.6m of resource (additional to the general demographic increase) would be required to fund the FSMs factor as a result of the data changes. It is therefore proposed to reduce the unit values for the primary and secondary FSM factors so that the overall change in funding for these factors, before headroom, matches the change in pupil numbers in each sector

6.3 Primary Low Prior Attainment

As outlined in the consultation document, in 2018-19 the primary LPA factor is based on a mixture of data from the new early years foundation stage profile (EYFSP) for year groups 1 to 5 and from the previous EYFSP for year 6.

Under the DfE's definitions, a considerably higher proportion of pupils from the new EYFSP are identified as LPA, compared to the previous EYFSP. Therefore, in line with DfE guidance, in 2018-19 data from the new EYFSP was scaled down so that the overall proportion of pupils counted as LPA under the new EYFSP was similar to the proportion identified under the previous EYFSP. The scaling percentage used in 2018-19 was 35%.

The EYFSP changed in 2013, so from 2019-20 all primary year groups will be covered by results under the new EYFSP framework and scaling will no longer be permitted. As proposed in the consultation document, in view of the larger number of LPA pupils that will now be counted, the unit funding rate per LPA pupil has been reduced in 2019-20 to offset the impact of the data change. The 2019-20 unit funding rate for the primary LPA (before allocation of headroom) has been set at 35% of the 2018-19 unit funding rate.

6.4 Secondary Low Prior Attainment

New KS2 testing was introduced in 2016 and the proportion of Year 7, 8 and 9 pupils meeting the low attainment criteria has increased, compared to the older year groups. To prevent the Year 7, 8 and 9 cohorts being overrepresented in the data, the DfE has introduced national weightings to scale down the Year 7, 8 and 9 prior attainment data in order to make it consistent with the data for older cohorts. The multipliers applied to the data are:

| | |
|--------|--------|
| Year 7 | 63.59% |
| Year 8 | 58.05% |
| Year 9 | 48.02% |

After the application of these national scaling percentages to years 7 to 9 data, the secondary prior attainment percentages for Hertfordshire are as follows:

| | |
|-----------------|--------|
| Year 7 | 20.17% |
| Year 8 | 18.90% |
| Year 9 | 16.63% |
| Years 10 and 11 | 14.47% |

6.5 Primary / Secondary Ratio

The Hertfordshire primary/secondary ratio for 2019-20 is 1:1.306.

6.6 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 2018-19. (These percentages are shown in the pro forma at Annex A.)

6.7 Amendments to the APT

Final checks are being carried out on the APT and further information is still being received from the DfE. Therefore it is possible that there may be minor data changes before the submission of the APT.

However, in 2019-20 the schools block budget is being set at the fixed total of schools block DSG plus £5.1m of carry forward. It is therefore intended to offset the net impact of any data changes with a corresponding adjustment to the priority 3 headroom. If the net impact of data changes is to increase the budget then there will be a corresponding reduction in headroom and vice versa. Any such changes will impact on the unit values shown in Annex B.

7. Conclusion

- 7.1 The 2019-20 unit values have to be set to enable the pro forma for the 2019-20 primary and secondary budget shares to be submitted to the DfE imminently.

Annex A shows the draft pro forma to be submitted to the DfE on 21st January. Annex B shows the proposed 2019-20 unit funding values with an explanation of the movement between 2018-19 and 2019-20.

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