

**15 January 2020**

**FINALISATION OF PRIMARY AND SECONDARY FORMULA FUNDING  
FACTORS 2020-21**

*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 2020-21 primary and secondary funding formula.

**2 Summary**

- 2.1 This paper outlines the proposed unit values for the 2020-21 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:

- 3.1.1 That the approach for the distribution of the net additional resource should be as follows:

- i. Firstly, removing from the basic per pupil funding (AWPU) the element which was resourced from DSG carry forward in 2019-20,
- ii. Then using all of the additional resource, other than what is needed to deliver the minimum per pupil funding levels and for mobility, to deliver an equal percentage 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).

(\* for the AWPUs this uplift will be applied after removing the element that was funded from reserves in 2019-20.)

- 3.1.2 Not reducing the unit funding rate for mobility, even though more pupils will be eligible for mobility funding, as a result of the DfE's changes to this factor.

- 3.1.3 Setting the Minimum funding Guarantee (MFG) at +0.5% in 2020-21.
- 3.1.4 Reducing 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 pupils entitled to free school meals.
- 3.1.5 Amending the threshold used to calculate protection funding under the Private Finance Initiative (PFI) factor, from 10% to 8% of the school's budget share in order to increase the level of protection offered.
- 3.2 The Forum is asked to endorse the proposed 2020-21 unit values shown in Annex B.
- 3.3 The Forum is asked to support the disapplication request relating to minimum per pupil funding levels in all age schools outlined in section 6.6 of the paper.
- 3.4 The Forum is asked to note the methodology used to prepare the 2020-21 unit values, outlined in section 6 of this paper.

## 4 Background

- 4.1 Information on primary and secondary budget shares for 2020-21 has to be submitted to the DfE by 21st January 2020. 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 2020-21 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 on each issue and outlines the approach it is proposed to adopt.
- 5.2 Distribution of net additional funding - an equal percentage uplift in unit funding rates after removing element of AWPU funded from reserves  
Schools were consulted on the proposal to allocate all of the additional resource, other than what is needed to deliver the minimum per pupil funding levels and for mobility, by delivering an equal percentage 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).

For the AWPU this uplift will be applied after removing the element that was funded from reserves in 2019-20.

The responses overwhelmingly agreed with this proposal.

There were a range of comments regarding the proposal including on the primary, secondary balance and future funding arrangements (including the teachers' pay and pensions grant). There was also a call to review AEN/SEND funding.

### 5.3 Change in Mobility factor

A large majority of respondents also supported not reducing the unit funding rate for mobility, even though more pupils will be eligible for mobility funding, as a result of the DfE's changes to this factor.

However, a few respondents suggested that the mobility factor should operate within its existing budget or be reduced.

### 5.4 Minimum funding Guarantee (MFG)

There was very high support for setting the minimum funding guarantee at +0.5%, in order to maximise the resources available for distribution to all schools.

However, one respondent commented that the MFG increase should be more in line with inflation pressures and another respondent commented on the difficulties of schools with falling pupil numbers.

### 5.5 Updating for 2020-21 funding data

There can be significant changes between years in the total Hertfordshire data for an additional educational needs (AEN) factor. In anticipation of this situation (and particularly a further increase in free school meals (FSM)), schools were consulted on the proposal to adjust the unit funding rate so that the total 2020-21 funding through the factor, for each sector, will equal the 2019-20 funding, after adjusting for:

- the percentage change in pupil numbers in the sector between 2019-20 and 2020-21,
- the percentage uplift to the factor agreed following this funding formula consultation

This proposal was supported by the great majority of respondents. One respondent raised a concern about AEN/SEND funding generally.

(The consultation document mentioned that a significant increase in FSM numbers was anticipated and therefore it was likely that there would be a reduction in the unit funding rate for the FSM factor.)

### 5.6 Private Finance Initiative Factor (PFI)

Almost 90% supported the proposal to amend the threshold used to calculate protection funding under the PFI factor.

A few respondents noted they did not have experience of PFI.

### 5.7 The consultation gave schools the opportunity to make wider comments and a range of issues was raised. These included the financial difficulties faced by schools and a request that there should be a heads and chairs briefing to enable schools to ask questions about funding.

## 5.8 Minimum Per Pupil Funding Levels (MPFL)

The consultation document provided information about the introduction of the minimum per pupil funding levels which is a DfE requirement in 2020-21.

Since it is a requirement for local authorities to introduce and fund the MPFLs in 2020-21 this did not form a proposal for consultation.

## 5.9 It is proposed to implement all of the proposals in the consultation and the budget share information has been prepared on this basis.

The allocation of additional resource is set out in the table below:

	Primary £m	Secondary £m	Total £m
Remove element of AWPU resourced from reserves	(1.669)	(1.537)	(3.206)
General uplift to funding rates	15.166	13.355	28.521
Change to Mobility factor (including uplift to funding rate)	0.165	0.039	0.204
Delivering the Minimum Per Pupil Funding Levels	3.616	0.113	3.729
<b>Total</b>	<b>17.278</b>	<b>11.970</b>	<b>29.248</b>
<b>Percentage</b>	<b>59%</b>	<b>41%</b>	<b>100%</b>

## 6 **Formula Funding Factors**

### 6.1 Finalisation of Unit Funding Values for 2020-21

The starting point for the calculation of the unit values for 2020-21 is the allocations in the 2019-20 budget shares. Adjustments have been made to the 2019-20 budget share unit values in respect of the following:

- Removal of the element of the AWPU funded by DSG carry forward.
- Allocation of additional resource for 2020-21,
- 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)

2020-21 budget shares will be based on October 2019 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 a high increase in the proportion of pupils entitled to free school meals.

**Percentage changes in FSMs and Pupil Numbers between 2019-20 and 2020-21**

	Primary	Secondary
Free School Meals entitlements	17.24%	21.73%
Pupil Numbers	-0.02%	2.90%
Extent by which FSMs exceeds pupil number increase	17.26%	18.83%

If the funding value per unit is not adjusted, approximately £7.2m 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 allocation of additional resource, matches the change in pupil numbers in each sector. (The additional resource uplift would then be applied to the reduced unit value.)

The increase in the number of children eligible for FSM is in part due to the introduction of Universal Credit and does not reflect solely a change in the levels of financial deprivation experienced by families. However, the split between these two causes is not currently clear, nor is any consequential change DfE may make to the unit rate of Pupil Premium funding.

### 6.3 Secondary Low Prior Attainment

New KS2 testing was introduced in 2016 and the proportion of Year 7, 8, 9 and 10 pupils meeting the low attainment criteria has increased, compared to year 11. To prevent the more recent cohorts being overrepresented in the data, the DfE has introduced national weightings to scale down the Year 7, 8, 9 and 10 prior attainment data in order to make it consistent with the older data. The multipliers applied to the data are:

Year 7	64.53%
Year 8	63.59%
Year 9	58.05%
Year 10	48.02%

After the application of these national scaling percentages to years 7 to 10 data, the secondary prior attainment percentages for Hertfordshire are as follows:

Year 7	20.03%
Year 8	20.11%
Year 9	18.85%
Year 10	18.49%
Year 11	14.04%

### 6.4 Primary/Secondary Ratio

The Hertfordshire primary/secondary ratio for 2020-21 is 1:1.2914

## 6.5 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 2019-20. (These percentages are shown in the pro forma at Annex A.)

## 6.6 Minimum Per Pupil Funding for All Age Schools

The NFF methodology for 2020-21 calculates an average minimum per pupil funding level (MPFL) for each all-age school, based on the number of year groups present. It does not take into account differences between primary and secondary in the size of the cohort. However, Hertfordshire has two all-age schools where the number of primary forms of entry is considerably less than the number of secondary forms of entry. In each case the school has 2 primary forms of entry but 6 secondary forms of entry so that there are far more pupils in each secondary year group than there are in each primary year group.

Thus, for these two all-age schools, the minimum per pupil funding level is lower than would be expected, based on the number of primary and secondary pupils in the school.

We have submitted a disapplication to address this issue. This was following the publication of the Government's response to the consultation on "Implementing Mandatory Minimum per pupil funding levels" (published just before Christmas), which indicated that local authorities may submit disapplication requests relating to this.

We have therefore applied to provide a higher minimum per pupil funding level for these two all-through schools than results from the NFF methodology. This higher MPFL would be calculated as follows:

$$\frac{((\text{Number of primary year groups in the school} \times \text{number of forms of entry in primary} \times \text{£3,750}) + (\text{Number of secondary year groups in the school} \times \text{number of forms of entry in secondary} \times \text{£5,000}))}{((\text{Number of primary year groups in the school} \times \text{number of primary forms of entry}) + (\text{Number of secondary year groups in the school} \times \text{number of secondary forms of entry}))}$$

For Simon Balle this results in a MPFL of £4,642.86  $((6 \times 2 \times \text{£3,750}) + (5 \times 6 \times \text{£5,000})) / 42$  and for Samuel Ryder a MPFL of £4,602.27  $((7 \times 2 \times \text{£3,750}) + (5 \times 6 \times \text{£5,000})) / 44$ . (The difference between the two school arises because Simon Balle will not yet have pupils in year 6 in 2020/21.)

If the disapplication is agreed the minimum per pupil funding levels will be increase for the two schools concerned. This will result in one school receiving approximately £20k in the 2020-21 APT budget share (but approximately £60k in the 2020/21 academic year, due to the full year effect of the extra primary year group starting in September 2020). The other school's funding would not change as it is already above the revised MPFL.

The Forum is asked to support this disapplication.

## 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 2020-21 the schools block budget is being set at the fixed total of schools block DSG plus £1m of carry forward. 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.

## 6.8 Admission Appeals

From April 2020 maintained schools (as well as academies) will be charged for the cost of admissions appeals. The additional funding allocated in budget shares in 2020-21 will provide for delegated funding for appeals for all schools in their budget shares. However, it is acknowledged that the pattern of appeals across schools is not replicated by the distribution of funding in budget shares.

## 6.9 Future Development of the Funding Formula

Due to political developments, information about funding for 2020-21 only became available relatively late in the budget process. The government has reiterated its intention to move to a “hard” national funding formula (NFF) whereby individual school budget shares would be calculated through the NFF. It is possible, therefore, that the Authority will no longer be able to set its own local funding formula in 2021-22. However, if a local formula does continue, then the greater certainty around funding levels for 2021-22 and 2022-23 should enable earlier consideration of decisions on the funding formula for 2021-22. This could include a review of funding through the free school meals factor (and potentially other additional needs factors), in the context of the rapid increase in the number of pupils eligible for free school meals.

# 7 Conclusion

## 7.1 The 2020-21 unit values have to be set to enable the pro forma for the 2020-21 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 21<sup>st</sup> January. Annex B shows the proposed 2020-21 unit funding values with an explanation of the movement between 2019-20 and 2020-21.

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