

Hertfordshire County Council

School Funding Consultation 2020-21

(Primary and Secondary Schools and Academies)

DECEMBER 2019

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1. Introduction

The Government has announced an increase in resources for schools in 2020-21. We are consulting schools about how this extra resource should be allocated, as well as about four other issues relating to the operation of the school funding formula. These issues are: the mobility factor, the level of the Minimum Funding Guarantee, the approach to updating funding for annual changes in additional needs data and a change to the funding for Hertfordshire's Private Finance Initiative (PFI) school.

2020-21 will be the third year of operation of the National Funding Formula (NFF) for schools. However, the NFF is only used to calculate the amount of schools' grant allocated to each local authority area. Individual school budget shares and academy general annual grant (GAG) allocations continue to be calculated using the local authority funding formula, with one exception. In 2020-21 the Government is requiring local authorities to adopt in their local funding formulae the minimum per pupil funding levels used in the NFF. We have included more detail about how this will operate below.

Each local authority has the option of moving its local funding formula to match the NFF. Hertfordshire continues to choose not to do this and the reasons why are set out in Note 1 (below).

It is estimated that Hertfordshire's schools grant will increase by 4.1% per pupil in 2020-21. However, for several years Hertfordshire has been using reserves to support the basic per pupil funding in budget shares. We will not have the resource to continue to do this after 2019-20 – resulting in a reduction in funding of approximately 0.4%. In view of this and other budget pressures, it is estimated that the net additional resource available for funding schools will be around 3.6% in 2020-21.

2. School Funding Proposals 2019-20

Distribution of additional resource

It is currently estimated that about £27.2m of additional resource will be available in 2020-21, equating to an increase of around 3.6% in school budgets. (This is a net figure which takes account of the impact of ceasing to use reserves to support budget shares.) However, the exact amount of available resource will not be known until January, following the announcement of the 2020-21 schools grant and confirmation of the October 2019 census data.

We are proposing the following approach for distributing the net additional resource.

i) A general uplift to funding rates across primary and secondary, after removing the funding currently resourced from reserves

Firstly, we will remove from the basic per pupil funding (AWPU) the element which was resourced from reserves in 2019-20.

Then we will use all of the additional resource, other than that which is required to deliver (ii) and (iii) below, to make 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).

It is currently estimated that the percentage uplift in unit funding rates would be 3.6%. However, due to the removal of the funding from reserves, the net increase in the basic per pupil funding (AWPU) will be approximately 3% (reflecting our estimate of inflation).

Certain formula factors would not be covered by this proposal:

- The lump sum for secondary (and all age) schools. This is almost at the maximum level permitted by the DfE regulations and therefore it is not possible to increase it.
- Specific premises factors (e.g. rates). These are generally calculated separately –for example, rates funding is based on estimated actual costs.

ii) Data change in the Mobility factor

For 2020-21, the DfE is making changes to the pupil mobility factor. These changes involve lowering the proportion of mobile pupils in a school to qualify for funding, from 10% to 6%, and changing the data source measuring mobility so that it is more accurate. The impact of the changes is to increase the number of pupils attracting mobility funding from 600 to 780 (based on 2019-20 budget share data). This would cost approximately £150k extra (assuming the same percentage uplift to the mobility factor as outlined in (i) above).

It would be possible to reduce the unit funding rate in response to the DfE's change to the mobility factor. However, given the small amount of funding distributed according to mobility (and the fact that Hertfordshire's unit funding rate for mobility is below that in the NFF), it is not proposed to reduce the funding rate.

iii) Minimum per pupil funding levels

The DfE has announced that one aspect of the NFF, the minimum amounts of funding per pupil, will become compulsory in local authority budget shares in 2020-21. These guaranteed minimum per pupil funding levels (MPFLs) will be £3,750 per pupil in primary and £5,000 per pupil in secondary (which is calculated as the weighted average of £4,800 for key stage 3 and £5,300 for key stage 4). Protection

funding under the MPFLs is derived by comparing total funding per pupil from all formula factors (except specific premises factors) with the minimum per pupil amounts. Where the guaranteed minimum per pupil amount is higher, the budget share allocation is topped up to this amount.

Given that the average budget share funding per pupil used in this calculation includes the lump sum (expressed on a per pupil basis) and additional educational needs (AEN) factors, it tends to be larger schools with low AEN that receive a protection allocation through the MPFLs. In Hertfordshire, primary schools attract much more protection funding through the MPFLs than secondaries. Within the primary sector, the minority of schools which attract protection funding through the MPFLs will receive a disproportionately large increase in funding compared with other primary schools.

Since it will be a requirement for local authorities to fund the MPFLs in 2020-21, an element of the additional resource has to be used to deliver this and therefore this consultation does not ask whether respondents support introducing the MPFLs. However, if you wish to make any comments on the MPFLs, please do so in the general comments box at the end of the consultation.

Under these proposals and based on 2019-20 budget share data, the allocation of an illustrative amount of net additional resource of £27.2m would be as follows:

Indicative allocation of net additional resource

	Primary £m	Secondary £m	Total £m
Remove element of AWPU resourced from reserves	(1.669)	(1.496)	(3.165)
General uplift to funding rates	14.054	12.008	26.062
Changes to Mobility factor (including uplift to funding rate)	0.108	0.039	0.147
Delivering the Minimum Per Pupil Funding Levels	3.889	0.258	4.147
Total	16.382	10.809	27.191
Percentage	60%	40%	100%

Primary/secondary balance

In developing these proposals, the Authority (in consultation with the Schools Forum) has carefully considered the balance of funding between primary and secondary.

A comparison between each sector's allocation under these proposals and each sector's allocations under the NFF (based on 2019-20 data) indicates that these proposals would distribute £2.6m less funding to primaries than the NFF. However, the impact of these proposals is a rebalancing of funding towards primary. Under these proposals (and based on 2019-20 budget share data) the Hertfordshire

primary secondary funding ratio would be 1:1.292. This compares to a Hertfordshire ratio of 1:1.306 (and a national average of 1:1.297) in 2019-20.

These proposals:

- provide both sectors with the same percentage uplift in unit funding rates (after removing the element of the AWPU funded from reserves),
- re-balance resources slightly towards primary as a result of the introduction of the MPFLs.
- provide the secondary sector with an overall uplift of approximately 3%, to fund inflation.

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. (The MFG does not protect against the reduction in funding from reserves.)

For 2020-21 local authorities will continue to have limited discretion over the level of the Minimum Funding Guarantee, providing that the level is set between +0.5% and +1.84%. (The DfE has moved the lower level of the MFG from -1.5% in 2019-20 to +0.5% in 2020-21, to take account of the higher level of increase in school funding in 2020-21.)

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.

It is therefore proposed to continue to set the level of the MFG at the lower end of the permitted range, which is +0.5% in 2020-21, in order to maximise the resource available for distribution to all schools. (In 2019-20 we set the MFG level at -1.5%, the lowest level allowable, in line with last year's consultation response from schools.)

Update to 2020-21 funding data

The budget share calculations will be updated at the end of December 2019 when the funding data for 2020-21 (largely based on the October 2019 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 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.

Funding according to the number of pupils entitled to free school meals (FSMs)

It is anticipated that the proportion of children entitled to FSMs will increase significantly between the October 2018 and October 2019 censuses. This is due to changes in eligibility for FSMs associated with the introduction of universal credit. In this situation there will be a compensating reduction between 2019-20 and 2020-21 in the unit funding rate of the FSM factor. Thus, despite the general uplift in funding rates proposed for the allocation of the additional resource, it is likely that the unit funding rate for the FSM factor will fall.

(A similar situation would arise with other additional needs factors if there is a significant increase between years in the number of pupils identified.)

Private Finance Initiative (PFI) Factor

The PFI factor provides an allocation to Hertfordshire's PFI school which effectively caps the PFI costs at 10% of the school's budget share.

We are proposing to change the PFI protection factor. This is in response to benchmarking information for comparable schools indicating that allocating 10% of budget to those services covered by the PFI contract is excessively high, and that a 2% reduction would bring the position in the PFI school into closer alignment with what appear to be typical levels.

It is therefore proposed to amend the threshold used to calculate protection funding under the PFI factor from 10% to 8% of the school budget share – in order to increase the level of protection offered by 2% of the budget share (equating to approximately £150k).

Funding factors that are not changing

Under the proposals in this document, the following funding factors will not change, although where applicable they will be updated for new data in 2020-21.

- Secondary Lump Sum
- Rates
- Split site factor

- 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.

3. Financial Impact

Appendix A to this document shows for each school the indicative allocations if the proposals for additional resource were implemented in the Hertfordshire school funding formula, based on 2019-20 budget share data. Separate figures are shown for reversing out the use of reserves, the uplift in unit funding rates, mobility and the introduction of minimum per pupil funding protection. A Minimum Funding Guarantee level of plus 0.5% is assumed.

In the indicative allocations we have shown the minimum funding guarantee protection separately. Schools with MFG protection will note that the additional funding offsets against the protection funding they receive. The MFG does not protect against the reduction in funding from reserves.

The allocations in appendix A are illustrative as they show the estimated funding which schools would receive in 2020-21 if pupil numbers and other data were unchanged from 2019-20. Actual 2020-21 budget shares will be calculated using 2020-21 funding data (based largely on the October 2019 pupil census) and year on year changes in data may have a significant impact. Also, the Schools Budget for 2020-21 is not yet finalised and therefore the balance of resource available may change significantly from the estimate of £27.2m 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.

Appendix B shows the indicative unit funding rates for each formula factor under these proposals, together with the differences to the current rates.

Some academies may note that their general annual grant (GAG) allocations differ significantly from their allocations under the Hertfordshire funding formula. This may be due to different baselines (or occasionally different pupil numbers) used by the DfE to calculate academies' GAG allocations, outside of the Hertfordshire formula. Also, academy funding is calculated on an academic year basis (rather than according to the local authority financial year). These differences will continue irrespective of the changes to the Hertfordshire formula being consulted on in this document.

Finally, please note that this consultation does not cover early years funding, sixth form funding or separate grants, such as the Pupil Premium.

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 1st January 2020**.

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

5. Consultation Questions

School Funding Proposals 2020-21

Proposal 1	Distribution of net additional funding – an equal percentage uplift in unit funding rates after removing element of AWPU funded from reserves	
<p>We are proposing that all of the additional resource, other than what is needed to deliver the minimum per pupil funding levels and for mobility, should be distributed 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).</p> <p>For the AWPU's this uplift will be applied after removing the element that was funded from reserves in 2019-20.</p>		
Question 1: Do you agree with this proposal?		

Proposal 2	Change in the Mobility factor	
<p>We are proposing not to reduce 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.</p>		
Question 2: Do you agree with this proposal?		

Proposal 3	Minimum Funding Guarantee	
<p>We are proposing to set the minimum funding guarantee at +0.5%, in order to maximise the resources available for distribution to all schools.</p>		
<p>Question 3: Do you agree with this proposal?</p>		

Proposal 4	Updating for 2020-21 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 2020-21 funding through the factor, for each sector, will equal the 2019-20 funding, after adjusting for:</p> <ul style="list-style-type: none"> -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. 		
<p>Question 4: Do you agree with this proposal?</p>		

Proposal 5	Private Finance Initiative Factor	
<p>We are proposing to amend the threshold used to calculate protection funding under the Private Finance Initiative factor, from 10% to 8% of the school's budget share – in order to increase the level of protection offered.</p>		
<p>Question 5: Do you agree with this proposal?</p>		

6. Note 1 - Why the Authority is not adopting the National Funding Formula (NFF)

The Authority has the option of adopting the NFF as its local school funding formula. We have decided not to do so for the following reasons:

- a) Lack of a needs led analysis underpinning the NFF
The NFF is not based on a needs-led analysis of the costs of educating pupils across different sectors or in schools of different size and pupil characteristics.
- b) Small rural schools
The lump sum in the NFF is much smaller than that in Hertfordshire's funding formula, which would potentially call into question the viability of small rural schools.

Lump sum including London fringe area uplift	Primary	Secondary
Hertfordshire (including proposals above)	£167,494	£174,882
National Funding Formula	£119,742	£119,742

- c) Political Uncertainty
Depending on the policy direction of the new government after the general election, 2021-22 might see a national requirement for all school budget shares to be calculated through the NFF, or a different approach, including significant changes to the makeup of the NFF. Thus, it seems to make sense to await the new political direction before embarking on major changes.
- d) Minimising turbulence
Hertfordshire has generally adopted a gradual approach to making changes in school funding, to minimise turbulence and ensure stability. In particular, we want to try to ensure as far as possible that both primary and secondary sectors (and schools of different sizes and characteristics) receive funding increases to reflect the cost of inflation.