

CABINET

10 FEBRUARY 2015

FINAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2015-16

Portfolio Holder: Councillor Mike O'Brien, Children's Services (Lead Member)

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Summary

At Cabinet on 28 October 2014 officers explained the government's funding reforms to mainstream schools and academies. This started from April 2013 with further government updates from April 2014 which were implemented in 2014-15.

Officers, working with Schools' Forums, have consulted with schools and academies on the 2015-16 options and arrangements. The Schools' Forum recommended these options and arrangements to Cabinet in October 2014 which were approved.

This provisional funding formula was then submitted to the Education Funding Agency (EFA) and was approved. This was the Provisional Funding Formula as actual pupil numbers and total funding available was not known at this stage.

In December 2014, final pupil numbers and the total funding available through the Dedicated Schools Grant (DSG) was confirmed by government. The final allocation to schools and academies has now been made.

Schools' Forum have discussed the Final Funding Formula for 2015-16 and recommended this to Cabinet for approval.

1. Budget and Policy Framework

- 1.1 Funding for schools and academies is provided by central government in the form of the Dedicated Schools Grant (DSG). The DSG is ring-fenced and regulations prevent the DSG being spent on anything other than schools and academies
- 1.2 This report deals with the formula used to distribute DSG funds to Medway schools and academies and is therefore a matter for decision by the Cabinet.

2. Background

- 2.1 The coalition government announced its intention to reform the school funding system in its White Paper *The Importance of Teaching*, (November 2010) referring to the existing arrangements as:
- opaque and extremely complex
 - unfair, as they lead to schools and academies with similar intakes receiving very different levels of funding
 - failing to reflect need accurately
 - failing to support the new school system (i.e. academies and free schools)
- 2.2 In July 2011 the government launched its first consultation on school funding reform. This included a proposal for a national funding formula for schools and academies but, having reflected on the responses, the government decided to delay its introduction. The start date has still to be decided by government but local authorities were required to simplify their funding arrangements for schools and academies from April 2013 as a first step towards the national funding formula.
- 2.3 The government paper *School Funding Reform: Findings from the Review of 2013-14. Arrangements and Changes for 2014-15* (June 2013), continued the journey with changes to school and academy funding to be implemented for financial year 2014-15. These were implemented following Schools' Forum decisions and Cabinet approval.
- 2.4 The latest government papers, *Fairer Schools Funding: Arrangements for 2015-16* (July 2014) and *Schools Revenue Funding 2015-16: Operational Guide* (July 2014) continue this journey for financial year 2015-16.
- 2.5 The Education Funding Agency (EFA) has a significant role in overseeing the funding arrangements. The EFA was formed in April 2012 to take over the operational functions of the Department for Education.
- 2.6 The EFA requires local authorities to confirm their Final Funding Formula for 2015-16 by 20 January 2015, following Schools' Forum approval, with subsequent Cabinet ratification.
- 2.7 The key steps in the process are as follows:

Date	Milestones
June 2014	Government issues paper on school and academy funding arrangements for 2015-16
September 2014	Consultation with Medway's schools and academies
10 September 2014	Medway's Schools' Forum met to consider the government's proposals and decide most of the provisional funding formula changes, pending consultation with schools and academies.
26 September 2014	Closing date for responses to the consultation
8 October 2014	Medway's Schools' Forum met to consider the consultation and make recommendations to Cabinet on the provisional funding formula.

28 October 2014	Cabinet met and approved Schools' Forum recommendations for the provisional funding formula for 2015-16.
31 October 2014	Deadline for reporting the formula to the EFA
December 2014	Pupil numbers and the Dedicated Schools Grant (DSG) for 2015-16 was confirmed by the Department for Education
January 2015	Officers allocated Medway's Schools Block element of the DSG using the Funding Formula
8 January 2015	Medway Schools' Forum met and approved the Final Funding Formula. The Forum made recommendations to Cabinet to approve in their meeting of 10 February 2015
20 January 2015	Deadline for reporting Final Funding Formula to the EFA, pending subsequent Cabinet approval.
10 February 2015	Cabinet meeting to make decisions based on Schools' Forum recommendations approval of the Final Funding Formula for 2015-16
27 February 2015	Local Authorities to confirm Schools Block allocation to schools
31 March 2015	EFA to confirm allocations to academies

2.8 The October 2014 Cabinet paper explained government's arrangements and changes for 2015-16, highlights being::

- changes to the Sparsity factor
- confirmation of the Lump Sum factor for amalgamated schools and academies
- minimum funding guarantee of -1.5%
- cap on gains

2.9 Cabinet then approved the following, at the request of the Schools' Forum:

- To continue to cap the gains from the funding formula at 1.5% per pupil
- To continue to use the tapering method up to a maximum of £100,000 for the Sparsity factor
- To continue to support amalgamated schools and academies with a Lump Sum for one year
- To use the funding factors listed to balance the total allocation through the funding formula, back to the funding actually received from government through the Dedicated Schools Grant.

3. Further Change for 2015-16

3.1 The EFA's benchmarking document *Schools Block Funding Formulae 2014 to 2015: Analysis of Local Authorities' Schools Block Funding Formulae* (March 2014) compared funding factor rates across all local authorities for the 2014-15 funding formula. Medway's funding rates were in line nationally, with the exception of the Prior Attainment factor for the primary phase.

3.2 Medway's rate was £2,873 compared to a national range of between £250 - £2,000. The reason goes back to 2013 when the new funding formula was introduced and Medway allocated funding to various factors within the new formula.

- 3.3 Whilst this is not a concern at the moment, this may cause an issue when the new national funding formula is introduced by government, as Medway is currently an “outliner” on this funding factor. This may result in funding reductions on this factor for our primary schools and academies.
- 3.4 In order to mitigate this, the Schools’ Forum in January 2015 approved the move of funding from the primary phase of the Prior Attainment factor and this moved £700,000 to the primary phase of the Deprivation Factor and reduced the funding rate down from £2,873 to £2,500. This will be further reviewed for 2016-17.
- 3.5 Subsequently the percentage allocated through the Deprivation factor rose from 5.2% to 5.6%.

4. Final Funding Formula 2015-16

- 4.1 The Department for Education confirmed the Dedicated Schools Grant (DSG) in December 2014. The ‘Schools Block’ allocation is £162.0 million, as reported in the report to Cabinet on the Provisional Local Government Settlement on 13 January 2015.
- 4.2 The amount of funding to be delegated to schools and academies via the ‘Schools Block’ is decided upon by the Schools’ Forum following government guidance.
- 4.3 At their meeting of 8 January 2015, it was decided that the amount of funding for allocation in the Final Funding Formula for 2015-16 is £161.2 million as follows;

Schools Block 2015-16	£162.0 million
Less: DSG Reserves 2013-14	£-37,000
Less: Growth Fund 2015-16	£-371,000
Less: Statutory Functions of the LA 2015-16	£-371,000

- 4.4 The table below shows the Centrally Retained amount for 2015-16;

	Amount	Total
<u>Growth Fund</u>		
Ongoing Commitments for 2014-15	£96,000	
New Classes	£275,000	£371,000
<u>Statutory Functions of the Local Authority</u>		
Co-ordinated Pupil Admissions Process	£366,000	
Schools’ Forum Administration	£5,000	£371,000
Sub-Total Schools Block Centrally Retained 2015-16		£742,000
Memorandum Note:		
<u>De-Delegations</u> (funding pooled from LA-maintained schools, as agreed by Schools’ Forum, after allocation)		
‘Onside’ [<i>recorded as ‘Behaviour Support Services’ to EFA</i>] @ £6.57 per pupil (Primary Schools only)	£111,000	
Minority Ethnic Pupils/Under-achieving Groups @ £4.50 per pupil (Primary & Secondary Schools)	£79,000	

Assessment of Free School Meal Eligibility @ £0.72 per pupil (Primary & Secondary Schools)	£13,000	
Trade Union Facilities [recorded as 'Staff Costs Supply Cover' to EFA] @ £1.09 per pupil (Primary & Secondary Schools)	£19,000	£222,000

Rounding differences may occur in the above table

- 4.5 The Local Authority has now 'run' the formula as set out in paragraphs 2.6, 2.8 and 3.4. Below is a summary of the delegated allocation.

<u>Funding Factor</u>	<u>2015-16 Allocation</u>	<u>2015-16 Percentage</u>
a) Basic Entitlement – Primary	£63.2m	39.8%
b) Basic Entitlement – Secondary	£62.0m	39.0%
c) Deprivation	£8.9m	5.6%
d) LAC	£192k	0.1%
e) Prior Attainment	£12.2m	7.7%
f) EAL	£475k	0.3%
g) Mobility	£258k	0.2%
h) Lump Sum	£10.1m	6.3%
i) Split Sites	£111k	0.1%
j) Sparsity	£9k	0%
k) Additional Lump Sum for Amalgamated Schools / Academies	£0	0%
l) Rates	£1.5m	0.9%
m) Exceptional Circumstances (Listed Building & Monument)	£27k	0%
Sub-Total	£158.9m	100%
MFG/Cap	£2.3m	-
Total Delegated	£161.2m	-

Rounding differences will occur in the above table

Funding distributed through Basic Entitlement (factors a+b) 78.8%
Funding distributed through Pupil-Led factors (factors a-g) 92.6%

5. Advice and analysis

5.1 The membership of the Schools Forum includes headteachers and governors from primary and secondary schools and academies. The Forum considered the issues relating to the funding formula changes at length and took account of the responses from the consultation with schools and academies.

5.2 The Forum has asked that Cabinet implement the following recommendation relating to the funding formula:

- That the Final Funding Formula 2015-16 be approved.

6 Risk management

Likelihood:	Impact:
A Very high	1 Catastrophic
B High	2 Critical
C Significant	3 Marginal
D Low	4 Negligible
E Very low	
F Almost impossible	

Risk	Description	Action to avoid or mitigate risk	Risk rating
Small schools and academies become financially non-viable	The formula impacts adversely on small schools and academies and leaves them with insufficient funds to operate effectively	A significant lump sum has already been included in the formula. The Sparsity factor is targeted at small rural schools and academies to address viability.	D2
Increase in schools and academies with a budget deficit	Schools and academies that lose funding under the formula do not act to reduce their expenditure and incur deficits	Officers will work with schools to help them amend their budget plans and manage the impact. Academies will work with Education Funding Agency.	D3
Increasing redundancy costs	Schools that lose funding under the formula may need to reduce their staffing	The minimum funding guarantee provides schools and academies with transitional protection that will help take advantage of natural wastage	D3

7 Consultation

- 7.1 Funding formula arrangements and changes were discussed with the Medway Schools' Forum (a group consisting of headteachers and governors of Medway schools and academies along with representatives of; Early Years providers, 16-19 providers, Church of England and Catholic Dioceses, Teacher Associations) on 7 July 2014 and 10 September 2014.
- 7.2 All schools and academies were consulted in the period 16 to 26 September 2014 and were informed of the potential financial impact.
- 7.3 The Schools' Forum met on 8 October 2014 to consider the responses from schools and also make recommendations to Cabinet.

7.4 Schools' Forum decisions were reported to Cabinet on 28 October 2014 and approved.

7.5 The Schools' Forum met on 8 January 2015 to approve the Final Funding Formula for 2015-16 and to make recommendations to Cabinet, as set out in section 10 below.

8. Financial implications

8.1 The report relates to potential changes in the distribution of the Dedicated Schools Grant (DSG). Any impact will remain within the DSG and will not affect the Council's general fund.

8.2 The funding formula only affects mainstream schools and academies. The funding of special schools and academies, Pupil Referral Units and specialist SEN provision within mainstream schools and academies does not form part of these changes.

8.3 The funds provided through the Pupil Premium Grant, the early years single funding formula and school sixth form grants are unaffected by changes to the mainstream schools funding formula.

9. Legal Implications

9.1 Dedicated School Grant is paid to local authorities under section 14 of the Education Act 2002.

9.2 Medway Council has responsibility for setting the overall level of its individual schools budget and for determining schools' and academies' budget shares, subject to the School and Early Years Finance (England) Regulations 2014.

10. Recommendation

10.1 Cabinet is asked to instruct officers to implement the new funding formula for schools and academies and approve the Final Funding Formula 2015-16, as set out in paragraph 4.5 of this report.

11. Suggested reasons for decision

11.1 The local authority is required to implement the funding formula arrangements and changes from 2015-16 in accordance with the School and Early Years Finance (England) Regulations 2014. This is a Cabinet function.

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Background papers

1. Department for Education:
Fairer Schools Funding: Arrangements for 2015-16 (July 2014)
2. Education Funding Agency:
Schools Revenue Funding 2015-16: Operational Guide (July 2014)

Both papers located here;

<https://www.gov.uk/government/publications/fairer-schools-funding-arrangements-for-2015-to-2016>

3. Education Funding Agency:
Schools Block Funding Formulae 2014 to 2015: Analysis of Local Authorities' Schools Block Funding Formulae (March 2014)

<https://www.gov.uk/government/publications/schools-block-funding-formulae-2014-to-2015>

4. Funding Formula for Mainstream Schools and Academies, Cabinet 28 October 2014

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=25360>