

## **CABINET**

**27 OCTOBER 2015**

### **PROVISIONAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2016-2017**

Portfolio Holder: Councillor Mike O'Brien, Children's Services

Report from: Barbara Peacock, Director of Children and Adults Services

Author: Maria Beaney, Finance Business Partner

#### **Summary**

Officers have formulated and consulted upon the latest changes to 2015-16 for Medway's mainstream schools and academies funding formula. This will be the provisional funding formula for 2016-17, as required by the Department for Education, as the actual pupils numbers will not be known at this stage.

The deadline for notifying the Department for Education of the provisional funding formula is 30 October 2015.

#### **1. Budget and Policy Framework**

- 1.1 Funding for schools 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 or 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 and academy 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 and academy 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 paper *Schools Funding 2016-17: Operational Guide* (July 2015) continued the journey for financial year 2016-17.
- 2.5 The Education Funding Agency (EFA) have 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 (DFE). The EFA requires local authorities to confirm their provisional funding formula by 30 October 2015.
- 2.6 This deadline allows a very limited time to consult on the 2016-17 funding formula. The key steps in the process are as follows:

<b>Date</b>	<b>Milestones</b>
July 2015	Government issues paper on school funding reforms for 2016-17
September 2015	Consultation with Medway's schools and academies
7 September 2015	Medway's Schools' Forum met to consider the government's proposals and decide any funding formula changes, pending consultation with schools and academies.
30 September 2015	Closing date for responses to the consultation
5 October 2015	Meeting of the Schools Forum to consider the consultation responses and make recommendations to Cabinet
27 October 2015	Cabinet meeting to take decisions on changes to the funding formula for 2016-17
30 October 2015	Deadline for reporting the formula to the EFA

- 2.7 Within the paper *Schools Funding 2016-17: Operational Guide* (July 2015) the government's only proposed change is in respect of non-recoupment academies (NRA) funding which does not affect Medway as we have no non-recoupment academies.
- 2.8 As in previous years, the government has set the Minimum Funding Guarantee (MFG) at minus 1.5% for 2016-17 (the same as 2015-16). This

means that a school or academy cannot have a cut in funding of more than 1.5% per pupil per year over this period.

- 2.9 To fund the protection for losing schools the Schools' Forum recommended, as in 2015-16, capping the gains of schools and academies that are winners from the new formula by 1.5%.

### 3. Allocation of the 2016-17 Funding Formula

- 3.1 The 2016-17 *provisional* funding formula has been allocated as per the table below. This has been based on estimated pupil numbers of 22,344 primary aged pupils and 15,038 secondary aged pupils.

Nursery pupils and sixth form pupils are excluded as funding for these pupils is not through the funding formula.

<b><u>Factor</u></b>	<b><u>Provisional Allocation</u></b> <b><u>£m</u></b>
Basic Entitlement	125.5
Deprivation	9.0
Looked After Children	0.2
Prior Attainment	12.5
English as an Additional Language	0.5
Mobility	0.3
Lump Sum	9.0
Split Sites	0.1
Rates	1.7
Sparsity	0.05
Exceptional Items	0.03
<b>Total:</b>	<b>158.9</b>
Minimum Funding Guarantee / Capping	2.8
Growth Fund	1.5
<b>Total:</b>	<b>163.2</b>

*Rounding differences will occur in the above table*

- 3.2 The *final* allocation will be based on actual pupil numbers from the Autumn census in October 2015. This data will be released by the DFE in December 2015. When the final allocation is known, the values in the table above may be increased or decreased in order to balance to the final total allocation provided by the DFE to Medway. This is the same procedure as last year.
- 3.3 There are no proposed changes to the schools and academies funding formula from the approved 2015-16 formula other than a change in amount for the lump sum. The lump sum is now estimated at £112,000 per school compared to the £119,000 per school in 2015-16.

3.4 The following factors may need to be recalculated by adjusting the per pupil amounts;

- Basic Entitlement
- Deprivation
- Prior Attainment

3.5 The following values may need to be recalculated by adjusting the per school/academy amounts;

- Lump Sum

3.6 Cabinet is asked to approve the above methodology in order that the local authority can balance the funding formula budget to the funding actually received from government for 2016-17.

#### 4. Advice and analysis

4.1 The membership of the Schools Forum includes head teachers and governors from primary and secondary schools and academies. The Forum considered the issues relating to the funding formula at length and took account of the responses from the consultation with schools and the potential financial impact.

4.2 The Forum has asked that Cabinet implement the following recommendations relating to the funding formula:

- To continue with the same Medway schools and academies funding formula.
- To continue with the current 1.5% Cap on Gains. (see paragraph 2.9 of the report).
- In order to balance the funding formula allocation back to the actual funding received, the local authority should adjust the factors listed above. (see paragraphs 3.4 & 3.5 of the report).

#### 5 Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Small schools and academies become financially non-viable	The revised 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 ensure small schools remain viable.	E2

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 the Education Funding Agency.	D3
Increasing redundancy costs	Schools and academies 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 them take advantage of natural wastage	D3

## 6 Consultation

- 6.1 Proposals for the funding formula were discussed with the Schools' Forum (a group consisting of head teachers, governors and representatives of Medway educational establishments) on 7 September 2015 and 5 October 2015.
- 6.2 All schools and academies were consulted in the period 10 to 30 September 2015 and were informed of the potential financial impact.
- 6.3 The Schools Forum met on 5 October 2015 to consider the responses from schools and academies and also make recommendations to Cabinet.

## 7 Financial and legal implications

- 7.1 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.
- 7.2 The funding formula only affects mainstream schools and academies. The funding of special schools and academies, and specialist SEN provision within mainstream schools and academies does not form part of these changes.
- 7.3 The potential impact on individual schools is mitigated by the Government's 1.5% MFG guarantee. However the actual impact will depend on pupil numbers and other data drawn from the Autumn 2015 school census.
- 7.4 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.
- 7.5 Other than the legal framework within which Cabinet is being asked to make these decisions, which is set out in the body of this report, there are no other legal implications.

## **8. Recommendations**

- 8.1 Cabinet is asked to instruct officers to implement the 2016-17 funding formula for schools and academies as follows:
- (a) To continue to cap the gains from the funding formula at 1.5% per pupil, as set out in paragraph 2.9 of the report.
  - (b) To use the funding factors listed to balance the total allocated through the funding formula back to the funding actually received from government via the Dedicated Schools Grant (DSG), as set out in paragraphs 3.4 and 3.5 of the report.

## **9. Suggested reasons for decision(s)**

- 9.1 The local authority is required to implement the funding formula changes from 2016-17 in accordance with the regulations and to inform the Education Funding Agency of the formula by 30 October 2015.

### **Lead officer contact**

Maria Beaney  
Finance Business Partner - Education  
[maria.beaney@medway.gov.uk](mailto:maria.beaney@medway.gov.uk)  
01634 331204

Appendices: None

### **Background papers**

*Education Funding Agency (July 2015) - Schools Funding 2016 to 2017: Operational Guide*  
<https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to-2017>

Final Funding Formula for Mainstream Schools and Academies 2015-16 – Cabinet 10 February 2015  
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2962>

Funding formula for Mainstream Schools and Academies – Cabinet 28 October 2014  
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2958>