

CABINET

9 FEBRUARY 2016

FINAL 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

At Cabinet on 27 October 2015, Members approved the 2016-2017 Provisional Schools and Academies Funding Formula for mainstream schools and academies.

The Provisional Funding Formula was submitted to the Education Funding Agency (EFA) on the 30 October 2015 and was subsequently approved. The Provisional Funding Formula was based on estimated pupil numbers and estimated funding available.

In December 2015, the final pupil numbers and the total funding available via the Dedicated Schools Grant (DSG) were confirmed by government.

The Schools' Forum have discussed the Final Funding Formula for 2016-17 and recommended this to Cabinet for approval.

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 a ring-fenced grant and regulations prevent the DSG from being spent on anything other than schools, academies or educational providers.
- 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.
- 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 can't 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%.

- 2.10 The October 2015 Cabinet approved:
- To continue to cap school/academy gains from the funding formula at 1.5% per pupil.
 - To use the 11 funding factors to balance the total allocation through the funding formula, back to the funding actually received from government via the Dedicated Schools Grant.
- 2.11 The EFA requires local authorities to confirm their Final Funding Formula for 2016-17 by 21 January 2016, following Schools' Forum approval, with subsequent Cabinet ratification.

3. Final Funding Formula for 2016-17

- 3.1 The Department for Education confirmed the Dedicated Schools Grant (DSG) in December 2015 and the Schools Block allocation of £164.3 million.
- 3.2 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.
- 3.3 At their meeting on 13 January 2016, The Schools Forum approved the funding for re-allocation using the 2016-17 Final Funding Formula of £162.6m as follows;

Schools Block 2016-17	£164.346m
Less: 14-15 School Block overspend	£ -0.372m
Less: Growth Fund 2016-17	£ -1.017m
Less: Statutory Functions of the LA 2016-17	£ -0.371m

- 3.4 Table 1 below shows the Centrally Retained budget for 2016-17;

	Amount £	Total £
<u>Growth Fund</u>		
New Class Funding - bulge classes	247,680	
New Class Funding - start-up costs	165,000	
New Class Funding - 2015-16 on-going Commitments	605,000	
Total Growth Fund		1,017,680
<u>Statutory Functions of the Local Authority</u>		
Co-ordinated Pupil Admissions Process	365,685	
Schools' Forum Administration	5,000	
Sub-Total Statutory Functions of the LA.		370,685
Total Schools Block Centrally Retained 2016-17		1,388,365

3.5 Table 2 below shows the funding available for each funding factor after the 2016-17 final funding formula has been “run”.

<u>Factor</u>	<u>2016-17 Allocation £m</u>	<u>2016-17 Allocation %</u>
Basic Entitlement - Primary	64.7	40.5%
Basic Entitlement - Secondary	61.9	38.7%
Deprivation	8.0	5.0%
Looked After Children	0.218	0.14%
Prior Attainment	11.7	7.4%
English as an Additional Language	0.384	0.24%
Mobility	0.421	0.26%
Lump Sum	10.7	6.8%
Split Sites	0.101	0.06%
Sparsity	0	0%
Rates	1.6	0.97%
Exceptional Items	0.03	0.02%
Total:	159.8	98.4%
Minimum Funding Guarantee / Capping	2.5	1.6%
Total:	162.3	100%

Rounding differences will occur in the above table

3.6 The Final Funding Formula has

- Distributed 79.22% through the basic entitlement factor.
- Distributed 92.22% through the pupil lead factors.
- been based on 23,511 primary aged pupils and 15,013 secondary aged pupils.

3.7 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:

- That the Final Schools and Academies Funding Formula 2016-17 be approved.

5 Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
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.
- 6.4 The Schools' Forum decisions were reported to Cabinet on 27 October 2015 and approved by Cabinet.
- 6.5 The Schools' Forum met on 13 January 2016 to approve the Final Funding Formula for 2016-17 and to make recommendations to Cabinet, as set out in section 8 below.

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 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.
- 7.4 Dedicated School Grant is paid to local authorities under section 14 of the Education Act 2002.
- 7.5 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.
- 7.6 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. Recommendation

- 8.1 Cabinet is asked to instruct officers to implement the new funding formula for schools and academies and approve the Final Funding Formula 2016-17, as set out in paragraph 3.5 of this 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 School and Early Years Finance (England) Regulations 2014. This is a Cabinet function.

Lead officer contact

Maria Beaney
Finance Business Partner - Education
maria.beaney@medway.gov.uk
01634 331204

Background papers

Provisional Funding Formula for Mainstream Schools and Academies – Cabinet 27 October 2015

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=28736>

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>

Appendices: None