

CABINET

25 OCTOBER 2016

PROVISIONAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2017-2018

Portfolio Holders: Councillor Andrew Mackness, Children's Services
(Lead Member)
Councillor Martin Potter, Educational Attainment and Improvement

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Summary

Officers have formulated and consulted upon the 2017-18 schools' and academies' funding arrangements and recommend the following changes to Medway's mainstream schools' and academies' funding formula.

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 or academies.
- 1.2 The remainder of this report deals with the funding formula used to distribute DSG funds to Medway schools and academies in a fair and transparent way, as well as the funding retained centrally to support schools and is therefore a matter for decision by the Cabinet.

2. Background

- 2.1 The then 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 then government launched its first consultation on school and academy funding reform. This included proposals for a national funding formula for schools and academies but, having reflected on the responses, the government decided to delay its introduction. The government have made sufficient changes to the school funding system over the years but have stopped short of a national funding formula.
- 2.3 The government papers, *School Funding Reform: Findings from the Review of 2013-14, Arrangements and Changes for 2014-15* and *Schools Funding 2016-17: Operational Guide* continued the journey with changes to schools and academy funding.
- 2.4 In July 2015 the government began consulting on a new national funding formula (NFF). This is a two stage consultation and the new NFF was expected to be introduced from April 2017. However due to the number of responses received and a change to the political landscape, the NFF has now been delayed until April 2018.
- 2.5 The latest government paper *Schools Funding 2017-18: Operational Guide* outlines the schools' and academies' funding arrangements for the 2017-18 financial years.
- 2.6 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 (DFE).
- 2.7 The EFA has removed the requirement for local authorities to submit the provisional funding formula and to confirm their final funding formula by 20 January 2017. The key steps to achieving this deadline are outlined below as follows:

Date	Milestones
July 2016	Government issues paper on school funding reforms for 2017-18
13 September 2016	Medway's Schools' Forum met to consider the government's proposals and decide any funding formula changes, pending consultation with schools and academies.
Mid-September – Early October 2016	Consultation with Medway's schools and academies using 2015 pupil data.
7 October 2016	Closing date for responses to the consultation
17 October 2016	Meeting of the Schools Forum to consider the consultation responses on the provisional funding formula and make recommendations to Cabinet
27 October 2016	Cabinet meeting to take decisions on changes to the funding formula for 2017-18
Mid-December 16	School Census Data available to populate the final funding formula

9 January 2017	Medway's Schools Forum meet to consider any changes required to the schools and academies funding formula after the formula has been populated with the 2016 pupil data and make recommendations to Cabinet.
17 January 2017	Cabinet agree the final 2017-18 funding formula
20 January 2017	Deadline for reporting the final funding formula to the EFA

2.8 As in previous years, the government has set the Minimum Funding Guarantee (MFG) at minus 1.5% for 2017-18 (the same as 2016-17). 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 have provisionally agreed to recommend to Cabinet, the capping of school and academy gains to a maximum of 1.5% per pupil subject to consultation with schools and academies.

3. Allocation of the 2017-18 Funding Formula

3.1 Four Funding Formula options were presented to the Schools Forum for their consideration. Financial modelling was provided to allow the Schools Forum, schools and academies to understand the financial implications under each of the different formula options.

3.2 The Four Funding formula options were:

- i) To keep the same Funding Formula as 2016-17.
- ii) To remove LAC and Mobility funding factors.
- iii) To keep the same funding factors but reduce the overall unit cost funding gap between the primary and secondary.
- iv) To remove the LAC and mobility funding factors and to reduce the primary and secondary overall unit cost funding gap.

3.3 The financial modelling was built using the October 2015 census data but the *final budget* allocation will be based on actual pupil numbers from the autumn census in October 2016 and this data will be released by the DFE in December 2016.

3.4 For each school and academy, the value of the following factors may need to be recalculated when the final pupil numbers are known. This is the same procedure as last year;

- Basic Entitlement.
- Deprivation.
- Prior Attainment.

3.5 The Lump Sum funding factor may need to be recalculated when the final pupil numbers are known to ensure the funding formula can be contained with the allocated DSG budget. This is the same procedure as last year.

3.6 Cabinet will be 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 2017-18.

4. Advice and analysis

4.1 The membership of the Schools Forum includes head teachers and governors from primary and secondary schools and academies. On 13 September 2016 the Forum considered the issues relating to the funding formula at length.

4.2 The Schools Forum will be recommended, on 17 October 2016, to ask the Cabinet to implement the following recommendations relating to the funding formula:

- To implement a new Medway schools and academies funding formula from April 2017.
- To continue with the current 1.5% Cap on Gains. (See paragraph 2.8 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).

4.3 The Cabinet will receive a further report on 17 January 2017; this will present the final recommendations from the Schools Forum for the final funding formula taking account of the latest school census data.

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
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6. Consultation

- 6.1 Four Funding Formula options were discussed with the Schools' Forum (a group consisting of head teachers, governors and representatives of Medway educational establishments) on 13 September 2016. The Schools Forum has provisionally agreed to implement funding formula option 4 subject to consultation with schools.
- 6.2 All schools and academies were consulted on these four options between the 19 September to 7 October 2016 and they were informed of the potential financial implications under each of the four funding options.
- 6.3 The Schools Forum will meet on the 17 October 2016 to consider the responses from schools and academies and to make recommendations to Cabinet. The outcome of this meeting will be reported to Cabinet in an addendum report.

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 2016 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. Recommendation

- 8.1 The Cabinet will be asked to instruct officers to implement the 2017-18 funding formula.

9. Suggested reasons for decision(s)

- 9.1 The local authority is required to implement the funding formula changes from 2017-18 in accordance with the regulations and to inform the Education Funding Agency.

Lead officer contact

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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 2016-17 – Cabinet 9 February 2016

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=3167&Ver=4>

Provisional Funding Formula for Mainstream Schools and Academies 2016-17 – Cabinet 27 October 2015

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=3163&Ver=4>

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>