

CABINET

17 JANUARY 2017

FINAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2017-2018

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

Report from: Ian Sutherland, Interim Director of Children and Adults
Services

Author: Maria Beaney, Finance Business Partner

Summary

At Cabinet on 25 October 2016, the Cabinet approved the 2017-2018 Provisional Schools and Academies Funding Formula for mainstream schools and academies.

The Provisional Funding Formula was based on estimated pupil numbers and estimated funding available. In December 2016, the final pupil numbers and the total funding available via the Dedicated Schools Grant (DSG) were confirmed by government.

The Schools Forum will meet on the 9 January 2017 to discuss, consider and to make recommendations on the Final Funding Formula for 2017-18 to Cabinet for approval. This will be reported to Cabinet in an addendum report.

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 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.

1.3 In line with rule 15.11 of Chapter 4, Part 5 of the Constitution, call-in can be waived where any delay likely to be caused by the call-in process would seriously prejudice the Council's or the Public's interests. In this case, the deadline for the submission of the final funding formula to the Department for Education is 20 January 2017. The Chairman of the Children and Young People Overview and Scrutiny Committee has agreed that the decisions proposed are reasonable in all the circumstances and to them being treated as a matter of urgency and to waive call-in.

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 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 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* continued the journey for financial year 2017-18.

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 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.

- 2.8 To fund the protection for losing schools the Schools Forum are expected to recommend to Cabinet, the capping of school and academy gains to a maximum of 1.5% per pupil after consultation with schools and academies.
- 2.9 Cabinet approved the following on 25 October 2016:
- To implement a new Medway schools and academies funding formula from April 2017. (As outlined by option 4 set out in paragraph 3.2 of the main October 2016 Cabinet report).
 - To continue with the current 1.5% cap on school and academy gains.
 - In order to balance the funding formula allocation back to the actual funding received, the local authority should adjust the basic entitlement, deprivation, prior attainment and lump sum factors.
- 2.10 The EFA requires local authorities to confirm their Final Funding Formula for 2017-18 by 20 January 2017, following Schools Forum approval, with subsequent Cabinet approval.

3. Final Funding Formula for 2017-18

- 3.1 The Department for Education has confirmed the initial DSG in December 2016, with the Schools Block allocation totalling £166.6 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 the 9 January 2017, The Schools Forum is being recommended to approve the funding for re-allocation using the 2017-18 Final Funding Formula of £164.545m as follows;

Schools Block 2017-18	£166.628m
Less: 15-16 School Block overspend	£ (0.315m)
Less: Copyright Licenses	£ (0.239m)
Less: Growth Fund 2017-18	£ (1.155m)
Less: Statutory Functions of the LA 2017-18	£ (0.371m)

- 3.4 Table 1 below shows the centrally retained budget for 2017-18;

	Amount £	Total £
<u>Growth Fund</u>		
New Class Funding - bulge classes	219,880	
New Class Funding - start-up costs	165,000	
New Class Funding - 2016-17 on-going Commitments	770,000	
Total Growth Fund		1,154,880
<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 2017-18		1,525,565

3.5 Table 2 below shows the funding available for each funding factor after the 2017-18 final funding formula has been "run".

Factor	2017-18 Allocation £m	2017-18 Allocation %
Basic Entitlement - Primary	66.703	40.54%
Basic Entitlement - Secondary	62.952	38.26%
Deprivation	9.415	5.72%
Prior Attainment	11.242	6.83%
English as an Additional Language	0.363	0.22%
Mobility	0.000	0.00%
Lump Sum	10.848	6.59%
Split Sites	0.111	0.07%
Sparsity	0.011	0.01%
Rates	1.876	1.14%
Exceptional Items	0.027	0.02%
Total:	163.548	99.39%
Minimum Funding Guarantee / Capping	0.996	0.61%
Total:	164.545	100.0%

Rounding differences will occur in the above table

3.6 The Final Funding Formula has distributed:

- 79.27% through the basic entitlement factors.
- 92.12% through the pupil lead factors.
- based on 23,957 primary aged pupils and 15,158 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 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. 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 Schools Forum are expected to recommend to Cabinet to approve the implementation of The Final Schools and Academies Funding Formula for 2017-18.

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 13 September 2016, 17 October 2016 and will be discussed on the 9 January 2017.

- 6.2 All schools and academies were consulted on the proposed new funding formula options between the 19 September to 7 October 2016 and they were informed of the potential financial impact.
- 6.3 The Schools Forum met on the 17 October 2016 to consider the responses from schools and academies and also make recommendations to Cabinet.
- 6.4 The Schools Forum decisions were reported to Cabinet and subsequently approved by Cabinet on 25 October 2016.
- 6.5 The Schools Forum will meet on 9 January 2017 to consider and approve the Final Funding Formula for 2017-18 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 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. Recommendations

- 8.1 The Cabinet is asked to instruct officers to implement the Final Funding Formula for 2017-18.
- 8.2 The Cabinet is asked to agree that recommendation 8.1 is considered urgent and therefore should not be subject to call in.

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 School and Early Years Finance (England) Regulations 2014. This is a Cabinet function.

9.2 The deadline for the submission of the final funding formula to the Department for Education is 20 January 2017.

Lead officer contact

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

Appendices

None

Background papers

Provisional Funding Formula for Mainstream Schools and Academies 2017-18 – Cabinet 25 October 2016

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=33209>

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>