

CABINET

16 JANUARY 2018

FINAL 2018-19 MAINSTREAM SCHOOLS AND ACADEMIES FUNDING FORMULA

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

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

Author: Maria Beaney, Finance Business Partner

Summary

At Cabinet on 21 November 2017, the Cabinet approved the 2018-2019 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 2017, 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 10 January 2018 to discuss, consider and to make recommendations on the Final Funding Formula for 2018-19 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 Education Skills Funding Agency is 19 January 2018. 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; and
- 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 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 2016 the government began consulting on a new schools national funding formula (NFF). This was a two-stage consultation and it was announced in July 2017, that the NFF would be introduced from April 2018.

2.5 The Education Skills Funding Agency (ESFA) was formed in April 2012 to take over the operational functions of the Department for Education (DFE) and has a significant role in overseeing the funding arrangements.

2.6 The latest government paper *Pre-16 Schools Funding 2018-19: Operational Guide* outlines the schools and academies funding arrangements for the 2018-19 financial years.

2.7 The total Schools Block DSG funding for each Local Authority will be calculated using the NFF and for the next two years, each local authority can either opt to implement the NFF or a Local Funding Formula (LFF).

2.8 In previous years, the government has set the Minimum Funding Guarantee (MFG) at minus 1.5% meaning that a school or academy cannot have a cut in funding of more than 1.5% per pupil per year over this period. In order to fund this, the Schools Forum recommended to Cabinet, that a MFG cap of 1.5% should be applied to stop schools or academies from gaining more than 1.5%.

- 2.9 This year, the government has announced MFGs as follows:
- A Minimum Funding Per Pupil Level– schools/academies will receive a 0.5% increase on the pupil lead factors between 17/18 and 18/19.
 - A Minimum Funding Guarantee - A Primary school will receive £3,300 per pupil and £4,600 per pupil for secondary schools in 2018/19.

However, each local authority can set its own MFG ranging from -1.5% up to 0.5% as part of the funding formula.

2.10 Cabinet approved the following on 21 November 2017:

- To implement a new Medway schools and academies funding formula from April 2018. (As outlined by option 3 set out in paragraph 3 of the November 2017 Cabinet report).
- To adjust the funding formula to reflect the pupil numbers from the October 2017 census.
- In order to balance the funding formula allocation back to the actual funding received, the local authority should adjust the lump sum factor until the formula is affordable.

2.11 The ESFA requires local authorities to confirm their Final Funding Formula for 2018-19 by 19 January 2018, following Schools Forum approval, with subsequent Cabinet approval.

3. Final Funding Formula for 2018-19

3.1 The Department for Education has confirmed the initial DSG in December 2017, with the Schools Block schools allocation totalling £174.8 million and an LA's central services schools block allocation of £0.714 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 10 January 2018, The Schools Forum are being recommended to approve the funding for re-allocation using the 2018-19 Final Funding Formula of £173.180m as follows;

Schools Block 2017-18	£174.775m
Less: Copyright Licenses	£ (0.248m)
Less: Growth Fund 2018-19	£ (1.347m)

3.4 Table 1 below shows the total LA's Centrally Retained and central services budgets for 2018-19:

	Amount £	Total £
<u>Growth Fund</u>		
Bulge classes	148,511	
New Class start-up costs	73,000	
2017-18 on-going commitments	825,000	
Falling rolls fund	300,000	
Total Growth Fund		1,346,511
<u>Central Services - Statutory Functions</u>		
Co-ordinated Pupil Admissions	365,685	
Schools' Forum Administration	5,000	
Retained General Duties	343,315	
Sub-Total Statutory Functions.		714,000
Total LA Retained Budgets 2018-19		2,060,511

3.5 Table 2 below shows the funding available for each funding factor after the 2018-19 final funding formula has been "run".

Factor	2018-19 Allocation	2018-19 Allocation
	£m	%
Basic Entitlement - Primary	69.467	40.11%
Basic Entitlement - Secondary	65.250	37.68%
Deprivation	15.396	8.89%
Prior Attainment	8.485	4.90%
English as an Additional Language	1.328	0.77%
Mobility	0.125	0.07%
Lump Sum	12.768	7.37%
Split Sites	0.111	0.06%
Sparsity	0.017	0.01%
Rates	1.128	0.65%
Exceptional Items	0.027	0.02%
Total:	174.102	100.53%
Minimum Funding Guarantee / Capping	-0.922	-0.53%
Total:	173.180	100.00%

Rounding differences will occur in the above table

3.6 The Final Funding Formula has distributed:

- 77.79% through the basic entitlement factors.
- 92.35% through the pupil lead factors.
- based on 24,395 primary aged pupils and 15,722 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 2018-19.

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 16 October 2017, the Schools 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 At their meeting on 10 January 2018, the Schools Forum are expected to recommend to Cabinet to approve the implementation of the Final 2018-19 Schools and Academies Funding Formula.

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 Skills 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 16 October 2017 and will be discussed on the 10 January 2018.

- 6.2 All schools and academies were consulted on the proposed new funding formula options between the 4 October 2017 to 15 October 2017 and they were informed of the potential financial impact under each of the three funding formula options.
- 6.3 Using the Council's online contact system, e-mails were sent to Head teachers, Finance Officers and office/finance at addresses of both maintained schools and academies. Copies of the consultation were uploaded to SLA online and emailed directly to head teachers. Presentations were presented and discussed at the September school finance meetings (26 September and 4 October 2017) with finance officers of both maintained schools and academies.
- 6.4 The Schools Forum met on the 16 October 2017 to consider the responses from schools and academies and also make recommendations to Cabinet.
- 6.5 The Schools Forum's decisions were reported and subsequently approved by Cabinet on 21 November 2017.
- 6.6 The Schools Forum will meet on 10 January 2018 to consider and approve the Final Funding Formula for 2018-19 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 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.
- 7.3 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 2018-19 Funding Formula for mainstream schools and academies, as set out in section 3 of the report.
- 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 2018-19 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 19 January 2018.

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 2018-19 – Cabinet 21 November 2017

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=38807>

Education Skills Funding Agency (October 2017) – Pre16 Schools Funding 2018 to 2019: Operational Guide

<https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>

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

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

Education Skills 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>