

## **CABINET**

**20 NOVEMBER 2018**

### **PROVISIONAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2019/20**

Portfolio Holders:	Councillor Andrew Mackness, Children's Services (Lead Member)  Councillor Martin Potter, Educational Attainment and Improvement
Report from:	Ian Sutherland, Director of People – Children and Adults Services
Author:	Maria Beaney, Finance Business Partner

#### **Summary**

This report sets out the recommendation from the Schools Forum on proposed changes to Medway's mainstream schools and academies provisional funding formula for 2019/20.

#### **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.
- 1.3 Representatives from schools and academies make up the Schools Forum. The Forum acts as a consultative body on some issues and a decision making body on others. In this instance, the Schools Forum acts in a consultative role with regard to proposed changes to the local funding formula, with the Local Authority making the final decision.

## 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 (NFF) 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 NFF. This was a two stage consultation and resulted in a soft NFF introduced in April 2018.
- 2.5 The Education and 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 *Schools Funding 2019/20: Operational Guide* outlines the schools and academies funding arrangements for the 2019/20 financial years.
- 2.7 The total Schools Block DSG funding for each LA will be calculated using the NFF and for the next two years, each LA can either opt to implement the NFF or a Local Funding Formula (LFF) which is moving to a national hard NFF.
- 2.8 The government has set a 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. A school or academy may receive a cut in funding of more than 1.5% if they have a large reduction in pupil numbers from one year to the next. Each local authority can set its own MFG ranging from -1.5% up to 1% compared to the 2017/18 baseline as part of the funding formula.
- 2.9 This year, the government has announced MFGs as follows:
  - A Minimum Funding per Pupil Level: schools/academies will receive a 1.0% increase on the pupil lead factors compared to the 2017/18 baseline.
  - A Minimum Funding Guarantee: A Primary school will receive at least £3,500 per pupil, a secondary school will receive at least £4,800 per pupil and £4,042 per pupil for an all-through school in 2019/20.

2.10 The ESFA has removed the requirement for local authorities to submit a formal provisional funding formula but Medway must confirm their final funding formula by 21 January 2019 (please see paragraph 4.3).

### **3. Allocation of the 2019/20 Funding Formula**

3.1 Two Funding Formula options (with financial modelling) were presented to the Schools Forum for their consideration. These options were:

- i) To keep the same Local Funding Formula as 2017/18.
- ii) To adjust 10 of the unit costs attached to six funding factors used in the Local Funding Formula. The LFF is moving towards the National Funding Formula.

3.2 The financial modelling was built using the October 2017 census data but the *final budget* allocations will be based on actual pupil numbers from the Autumn census in October 2018 and this data will be released by the DFE in December 2018.

3.3 The lump sum funding factor has been reset at £110,000 per school but may need to be recalculated when the final pupil numbers are known to ensure the funding formula can be contained within the allocated DSG budget. This is the same procedure as last year.

3.4 The adjustment to the 10 unit costs attached to the six funding factors, now means all funding factors except one are set based on the National Funding Formula.

3.5 The Schools Forum approved and supported the LA's request to submit a disapplication request to the ESFA to dis-apply the MFG for all-through schools and academies of £4,042 per pupil. This request asks the ESFA to approve an MFG for Medway's 1 all-through school of up to £4,700 per pupil.

3.6 The Schools Forum have recommend to Cabinet to implement a LFF which is moving towards the NFF including offering both the government's MFG requirements as outlined in section 2.9 of the report.

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 2019/20.

### **4. Advice and analysis**

4.1 The membership of the Schools Forum includes representatives of head teachers and governors from primary and secondary schools and academies.

4.2 On 4 October 2018, the Schools Forum considered the issues relating to the funding formula at length and asks the Cabinet to implement the following recommendations relating to the funding formula:

- To implement a new Medway schools and academies local funding formula from April 2019.
- To offer a Minimum Funding Per Pupil Level increase of 1% on the pupil lead factors compared to the 2017/18 baseline year (see paragraph 2.9 of the report).

- To offer a Minimum Funding Per Pupil Guarantee of £3,500 for a Primary school/academy, £4,800 per pupil for secondary schools and £4,700 for an all-through school in 2019/20. (See paragraph 2.9 and 3.4 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 paragraph 3.3 of this report).

4.3 The Cabinet will receive a further report on 5 February 2019; this will present the final recommendations from the Schools Forum (15 January 2019) for the final funding formula taking account of the latest school census data.

4.4 As the final funding formula must be submitted to the ESFA by 21 January 2019, it is proposed that it is submitted subject to final approval by the Cabinet on 5 February 2019. The Cabinet will be asked to waive call-in on its decision in respect of the final funding formula for 2019/20 given the delay in the final submission to the ESFA.

## 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 The Funding Formula options and consultation responses were discussed with the Schools Forum on 4 October 2018. The Schools Forum has provisionally agreed to implement a revised local funding formula for 2019/20.
- 6.2 All schools and academies were consulted on the proposed local funding formula changes between the 14 September 2018 to 30 September 2018 and they were informed of the potential financial implications under each of the funding 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 the main Council website.
- 6.4 Following Cabinet, the Schools Forum will meet on 15 January 2019 to consider the final funding formula taking account of the latest school census data.

## **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 PRUs do not form part of these changes.
- 7.3 The potential impact on individual schools is mitigated by the Government's Minimum Funding Guarantee. However the actual impact will depend on pupil numbers and other data drawn from the Autumn 2018 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 is asked to instruct officers to implement the 2019/20 provisional funding formula and to note that the Schools Forum will recommend approval of the final funding formula to Cabinet on 5 February 2019.

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

- 9.1 The local authority is required to implement the funding formula changes from 2019/20 in accordance with the regulations and to inform the Education Skills Funding Agency.

**Lead officer contact**

Maria Beaney  
Finance Business Partner - Education  
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>