

CABINET

5 FEBRUARY 2019

FINAL 2019-20 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 People – Children and Adults Services
Author:	Maria Beaney, Finance Business Partner

Summary

At Cabinet on 20 November 2018, the Cabinet approved the 2019-2020 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 2018, the final pupil numbers and the total funding available via the Dedicated Schools Grant (DSG) were confirmed by government.

The Schools Forum met on 15 January 2019 to discuss, consider and to make recommendations on the Final Funding Formula for 2019-20 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 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.
- 1.4 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 (ESFA) is 21 January 2019, which means that the Council submitted the final formula in draft form subject to final approval by the Cabinet. On this occasion it is proposed that the call in period be waived to prevent any further delay confirming the Cabinet's decision to the ESFA and to allow the authority to implement the funding formula changes in accordance with the regulations. 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 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 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 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 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. Medway have set the MFG at -1.5%.
- 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 Cabinet approved the following on 20 November 2018:
- To implement a new 2019/20 Medway schools and academies funding formula from April 2019.
 - To adjust the funding formula to reflect the pupil numbers from the October 2018 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 required local authorities to confirm their Final Funding Formula for 2019-20 by 21 January 2019, following Schools Forum approval, with subsequent Cabinet approval. As indicated in paragraph 1.3 above the final funding formula has been submitted to the ESFA in draft form subject to final approval by the Cabinet.

3. Final Funding Formula for 2019-20

- 3.1 The Department for Education has confirmed the initial DSG in December 2018, with the Schools Block schools allocation totalling £179.5 million and an LA's central services schools block allocation of £0.743 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 15 January 2019, The Schools Forum were asked to consider and recommend to Cabinet the funding for re-allocation using the 2019-20 Final Funding Formula of £177.570 million as follows:

Schools Block 2019-20	£179.530m
Less: Copyright Licenses	£ (0.258m)
Less: Growth Fund 2019-20	£ (1.063m)
Less: transfer to the HN Block	£ (0.898m)

3.4 Table 1 below shows the total LA's Centrally Retained and central services budgets for 2019-20;

	Amount £	Total £
<u>Growth Fund</u>		
New Class start-up costs	72,631	
2018-19 on-going commitments	660,000	
Small Class Sizes	330,000	
Total Growth Fund		1,062,631
<u>Central Services - Statutory Functions</u>		
Co-ordinated Pupil Admissions	373,603	
Schools' Forum Administration	5,000	
Retained General Duties	364,397	
Sub-Total Statutory Functions.		743,000
School Block/High Needs Block – One off transfer		897,650
Total LA Retained Budgets 2019-20		2,703,281

3.5 Table 2 below shows the funding available for each funding factor after the 2019-20 final funding formula has been "run".

Factor	2019-20 Allocation	2019-20 Allocation
	£m	%
Basic Entitlement - Primary	70.481	40.00%
Basic Entitlement - Secondary	65.594	37.20%
Deprivation	16.570	9.40%
Prior Attainment	9.259	5.25%
English as an Additional Language	1.435	0.78%
Mobility	0.063	0.04%
Lump Sum	7.200	4.09%
Split Sites	0.115	0.07%
Sparsity	0.002	0.01%
Rates	1.693	0.96%
Exceptional Items	0.109	0.06%
Total:	172.460	97.87%
Minimum Funding Guarantee / Capping	5.110	2.13%
Total:	177.570	100.00%

Rounding differences will occur in the above table

- 3.6 The Final Funding Formula has distributed:
- 77.9% through the basic entitlement factors.
 - 92.4% through the pupil lead factors.
 - Based on 24,482 primary aged pupils and 16,080 secondary aged pupils.
 - All unit costs, except three (primary prior attainment, primary basic entitlement and the lump sum) have been set using the NFF unit costs.
- 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 head teachers and governors from primary and secondary schools and academies. On 4 October 2018, 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 its meeting on 15 January 2019, the Schools Forum recommended to Cabinet to approve the implementation of the Final 2019-20 Schools and Academies Funding Formula as set out section 3 of the report.

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 maintained 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 reductions through natural means.	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 4 October 2018 and on 15 January 2019.
- 6.2 All schools and academies were consulted on the proposed new funding formula options between the 14 September 2018 to 30 September 2018 and they were informed of the potential financial impact under each of the 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 the main Council website.
- 6.4 The Schools Forum decisions on the provisional funding formula were reported and subsequently approved by Cabinet on 20 November 2018.
- 6.5 The Schools Forum met on 15 January 2019 to consider and recommend the Final Funding Formula for 2019-20 to the Cabinet, as detailed in sections 3 and 4 of the 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.
- 7.4 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.
- 7.5 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. Recommendations

- 8.1 The Cabinet is asked to instruct officers to implement the Final 2019-20 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 2019-20 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 21 January 2019. However, on this occasion, the draft final funding formula was submitted by the deadline pending final approval by the Cabinet.

Lead officer contact

Maria Beaney
Finance Business Partner – Children’s Services, Schools and Education
maria.beaney@medway.gov.uk
01634 331204

Appendices

None

Background papers

Provisional Funding Formula for Mainstream Schools and Academies 2019-20 –
Cabinet 20 November 2018

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=44507>

Education Funding Agency (July 2015) - Schools Funding 2016 to 2017: Operational
Guide

<https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to2017>