

## **CABINET**

**17 DECEMBER 2019**

### **PROVISIONAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2020-2021**

Portfolio Holders: Councillor Mrs Josie Iles, Portfolio Holder for Children's Services (Lead Member)  
Councillor Martin Potter, Portfolio Holder for Education and Schools

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

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#### **Summary**

Officers have formulated and consulted upon the 2020-21 funding arrangements for schools and academies and recommend the following changes to Medway's mainstream schools and academies provisional 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 2016 the government began consulting on a new schools national funding formula (NFF). This was a two stage consultation and resulted in a soft NFF introduced in 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 *Schools Funding 2020-21: Operational Guide* outlines the schools and academies funding arrangements for the 2020-21 financial years.
  - 2.7 The total Schools Block DSG funding for each Local Authority (LA) will be calculated using the NFF and for the next few years, each LA can either opt to implement the NFF or a Local Funding Formula (LFF) which is moving to a national hard NFF. In previous years Medway has set a LFF based on a staged move towards the NFF.
  - 2.8 The government has set a Minimum Funding Guarantee (MFG) between +0.5% and +1.84% on a per pupil basis in years R to 11. Early years, Special Educational Needs (SEN) places and post 16 pupils are excluded from this MFG calculation. The MFG also excludes the 2020-21 lump sum, sparsity and rates funding factors from the calculation. A school or academy may still receive a reduction in funding under this MFG calculation, if they have a large reduction in pupil numbers from one year to the next for example.
  - 2.9 The government has set Minimum Per Pupil Funding level Guarantee and a Primary school will receive at least £3,750 per pupil, a secondary school will receive at least £5,000 per pupil and an all-through school will receive at least £4,270 per pupil.
  - 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 2020 (see paragraph 4.3 for further details).

### **3. Allocation of the 2020-21 Funding Formula**

- 3.1 Two Funding Formula options (with financial modelling) were presented to the Schools Forum on 6 November 2019 for their consideration. These options were:
- i) To keep the same Local Funding Formula (including unit costs) as 2019-20.
  - ii) To adjust and match the unit costs attached to each of the funding factors used within the Local Funding Formula to the National funding rates with the exception of the lump sum.
- 3.2 The financial modelling was built using the October 2018 census data but the *final budget* allocations will be based on actual pupil numbers from the Autumn census in October 2019 and this data will be released by the DFE in December 2019. However due to the general election there may be a delay with the publication of this data.
- 3.3 The lump sum funding factor has been set at £90,000 per school - increased from £75,000 in 2019-20 - 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. The national funding formula rate is £114,000 per school. This is the same procedure as last year.
- 3.4 The adjustment to the unit costs attached to the funding factors, now means all funding factors except one will be 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 £4,270 per pupil. The request asks for the ESFA to approve an MFG for Medway's one all-through school of up to £4,800 per pupil as the school has more secondary age pupils than primary.
- 3.6 The Schools Forum have recommended to Cabinet to implement a Local Funding Formula which is moving towards the NFF including offering the government's MFG requirements as outlined in section 2.8 and 2.9 of this 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 2020-21.

### **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 6 November 2019, 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 2020.

- To offer a Minimum Funding Per Pupil Guarantee of £3,750 for a Primary school/academy, £5,000 per pupil for secondary schools and £4,800 for an all-through school in 2020/21. (See paragraph 2.8, 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 If the recommendations outlined in section 4.2 above are approved by the Cabinet, Medway's LFF will mirror the national funding formula in all but one funding factor which is used to adjusted the formula so it is affordable within the budget envelope. As such, the Schools Forum's recommendation to the Cabinet has been made on the basis of adopting option ii (as detailed in paragraph 3.1 above), subject to affordability.

4.4 The Cabinet will receive a further report on 4 February 2020; this will present the final recommendations from the Schools Forum (15 January 2020) for the final funding formula taking account of the latest school census data. As the final funding formula must be submitted to the ESFA by 21 January 2020, it is proposed that the Cabinet will be asked to waive call-in on its decision in respect of the final funding formula for 2020/21 to prevent any further delay to submission to the ESFA. For the avoidance of doubt, officers will submit the final funding formula to the ESFA by 21 January 2020 subject to Cabinet approval.

## 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
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## 6. Consultation

- 6.1 The Funding Formula options and consultation responses were discussed with the Schools Forum on 6 November 2019. The Schools Forum has provisionally agreed to implement a revised local funding formula for 2020-21.
- 6.2 All schools and academies were consulted on the proposed local funding formula changes between 4 November 2019 and 24 November 2019.
- 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 2020 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 Pupil Referral Units 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 2019 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 agree to instruct officers to implement the 2020-21 provisional funding formula, as detailed in paragraph 4.2 of the report, and to note that the Schools Forum, on 15 January 2020, will recommend approval of the final funding formula to Cabinet.

## **9. Suggested reasons for decision**

- 9.1 The local authority is required to implement the funding formula changes from 2020-21 in accordance with the regulations and to inform the Education Skills Funding Agency.

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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 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>