

CABINET

4 FEBRUARY 2020

FINAL 2020-21 MAINSTREAM SCHOOLS AND ACADEMIES FUNDING FORMULA

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

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Summary

At Cabinet on 17 December 2019, the Cabinet approved the 2020-2021 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 2019, 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 2020 to discuss, consider and to make recommendations on the Final Funding Formula for 2020-21 to Cabinet for approval.

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) was 21 January 2020, 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 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 Cabinet approved the following, with regards to the provisional funding formula, on 17 December 2019:
- To implement a new 2020-21 Medway schools and academies funding formula from April 2020.
 - To adjust the funding formula to reflect the pupil numbers from the October 2019 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 2020-21 by 21 January 2020, 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 2020-21

- 3.1 The Department for Education has confirmed the initial DSG in December 2019, with the Schools Block schools allocation totalling £190.7 million and an LA's central services schools block allocation of £0.768 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 2020, the Schools Forum recommended the Cabinet to approve the funding for re-allocation using the 2020-21 Final Funding Formula of £187.438 million as follows;

Schools Block 2020-21	£ 190.724m
Less: SB 2018-19 Repayment	£ (0.797m)
Less: Growth Fund 2020-21	£ (1.535m)
Less: transfer to the HN Block	£ (0.954m)

- 3.4 The 2018-19 schools block DSG overspent its budget by £797,205 mainly due to the additional funding, which was required to be distributed to six schools

during the year. This was to pay for backdated national non domestic rates invoices received by several schools, which were backdated for several years and one exceptional building funding factor, which was not accurately paid through the formula. This overspend is being repaid from the 2020-21 DSG allocation with the Schools Forum approval.

3.5 The 2020-21 operational guidelines allow up to 0.5% of funding to be transferred between the different DSG funding blocks with the Schools Forum's approval. At its meeting on 15 January 2020, the Schools Forum members approved the transfer of £953,622 from the schools block to the high needs block, to help manage the increasing budget pressure on the high needs block.

3.6 Table 1 below shows the total LA's Centrally Retained and central services budgets for 2020-21;

	Amount £	Total £
<u>Growth Fund</u>		
Newly approved new class start-up costs	90,000	
On-going new class commitments	660,000	
Approved Small Class Size Funding	110,000	
Contingency: New class start-up costs	118,500	
Contingency: Small Class Sizes Funding	385,000	
Contingency	171,500	
Total Growth Fund		1,535,000
<u>Central Services - Statutory Functions</u>		
Co-ordinated Pupil Admissions	373,603	
Schools' Forum Administration	5,000	
Retained General Duties	389,734	
Sub-Total Statutory Functions.		768,337
2018-19 Overspend repayment One off transfer		797,205
School Block/High Needs Block One off transfer 0.5%		953,622
Total LA Retained Budgets 2020-21		4,054,164

3.7 Table 2 below shows the funding available for each funding factor after the 2020-21 final funding formula has been run.

Factor	2019-20 Allocation	2019-20 Allocation	2020-21 Allocation	2020-21 Allocation
	£m	%	£m	%
Basic Entitlement - Primary	70.481	40.00%	71.167	37.97%
Basic Entitlement - Secondary	65.594	37.20%	70.291	37.50%
Deprivation	16.570	9.40%	16.821	8.97%
Prior Attainment	9.259	5.25%	13.132	7.01%
English as an Additional Language	1.435	0.78%	1.434	0.77%
Mobility	0.063	0.04%	0.416	0.22%
Lump Sum	7.200	4.09%	7.301	3.9%
Split Sites	0.115	0.07%	0.115	0.06%
Sparsity	0.002	0.01%	0.011	0.01%
Rates	1.693	0.96%	1.782	0.95%
Exceptional Items	0.109	0.06%	0.068	0.04%
Total:	172.460	97.87%	182.529	97.38%
Minimum Funding Guarantee/ Capping	5.110	2.13%	4.908	2.62%
Total:	177.570	100.00%	187.437	100%

Rounding differences will occur in the above table

3.8 In order to balance the final funding formula within its funding envelope identified in section 3.3 above, the lump sum and the secondary free school meals funding unit costs have been adjusted from the provisional formula unit costs. Please see appendix 1 for the final 2020-21 unit costs for each of the funding factors.

3.9 The Final Funding Formula has distributed:

- 75.84% through the basic entitlement factors.
- 92.89% through the pupil lead factors.
- Based on 24,658 primary aged pupils and 16,473.5 secondary aged pupils.
- Primary schools will receive at least £3,750 per pupil and £5,000 for secondary schools.
- All unit costs, except the lump sum and the FSM secondary unit costs have been set using the NFF unit costs.

3.10 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 head teachers and governors from primary and secondary schools and academies. On 6 November 2019, the Schools Forum considered the issues relating to the funding formula at length. At its meeting on 15 January 2020, the Schools Forum members took account of the responses from the consultation with schools and the potential financial impact and recommended to Cabinet to approve the implementation of the

Final 2020-21 Schools and Academies Funding Formula as set out section 3 of the report.

4.2 Accordingly, it is recommended that Cabinet approve the Schools Forum's proposals.

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 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 6 November 2019 and on the 15 January 2020.

6.2 All schools and academies were consulted on the proposed new funding formula options between the 4 November 2019 to 24 November 2019 and they were informed of the potential financial impact under the proposed changes to the formula.

- 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's recommendations on the provisional funding formula were reported and subsequently approved by Cabinet on 17 December 2019.
- 6.5 The Schools Forum met on 15 January 2020 to consider the Final Funding Formula for 2020-21 and made recommendations to Cabinet as outlined in section 3 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.
- 7.5 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 2020-21 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 2020-21 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 2020.

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Appendices

Appendix 1 – 2020-21 Funding Factor Unit Costs

Background papers

Provisional Funding Formula for Mainstream Schools and Academies 2020-21 –

Cabinet 17 December 2019

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=50147>

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

Guide [https://www.gov.uk/government/publications/schools-funding-arrangements-](https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to2017)

[2016-to2017](https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to2017)

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>

2020-21 Funding Factor Unit Costs

Funding Factors	Description	Primary per pupil	Secondary per pupil
Basic Entitlement	Primary (Years R-6)	2,857.00	-
	Secondary KS3 (Years 7 - 9)	-	4,018.00
	Secondary - KS4 (Years 10 - 11)	-	4,561.00
Deprivation	FSM	450.00	450.00
	FSM6	560.00	560.00
	IDACI Band F	210.00	300.00
	IDACI Band E	250.00	405.00
	IDACI Band D	375.00	535.00
	IDACI Band C	405.00	580.00
	IDACI Band B	435.00	625.00
	IDACI Band A	600.00	840.00
English as an Additional Language (EAL)	EAL 3	535.00	1,140.00
Mobility	Pupils starting school outside of normal entry dates	875.00	1,250.00
Prior attainment	Low Attainment % new EFSP - 38.4%	1,065.00	-
	Secondary low attainment (year 7) - 58.5%	-	1,610.00
	Secondary low attainment (year 8) - 48.2%	-	1,610.00
	Secondary low attainment (years 9 to 11)	-	1,610.00
Lump Sum	Lump Sum	76,050.00	76,050.00
Sparsity	Sparsity - Tapered	25,000.00	65,000.00