

## The Schools and Academies Funding Formula

- 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.
- 2 The government first introduced a national funding formula (NFF) to determine school and academy funding in April 2018. Between April 2018 up to March 2022 local authorities can opt to use a local funding formula (LFF) which is moving towards a hard-national funding formula.
- 3 Each year the government issues guidance to ensure each local authority calculates its school funding using the same methodology, but it currently remains a local decision whether to use the NFF or an LFF. There are 13 funding factors a local authority can choose to include in its LFF.
- 2 Medway Schools and Academies Local Funding Formula uses 10 of these funding factors, which are:
  - a) **Basic Entitlement**  
A compulsory factor which assigns funding on a per pupil basis for each school or academy, based on the October census multiplied by a unit funding rate. There are different funding rates for key stage 3 and 4 as well as primary age pupils.
  - b) **Deprivation**  
A compulsory factor which assigns funding to pupils from deprived areas. LAs can either use the free schools meals indicator and/or the income deprivation affecting children Index (IDACI). Medway uses both and different funding rates are attached to each level of the IDACI system with different funding rates for primary and secondary.
  - c) **Prior Attainment**  
This is an optional factor which acts as a proxy indicator for low level, high incidence special educational needs. Funding is applied for primary pupils not achieving the expected level of development within the early years foundation stage and for secondary pupils not reaching L4 at KS2 in either English or Maths.
  - d) **English as Another Language (EAL)**  
This is an optional factor where EAL pupils may attract funding for up to three years after they enter the school system based on census data.
  - e) **Pupil Mobility**  
This is an optional factor which measures the pupils who entered a school during the last three years who did not start in August, September or January of a reception class. There is a 10% minimum threshold; therefore, if a school/academy has a 12% mobility factor, 2% (12% - 10%) of the school/academy pupils will attract mobility funding.

**f) Sparsity**

This is an optional factor. In order to qualify for this funding the school or academy must meet two criteria set by the government; first they are located in an area where pupils would have to travel significant distance to the nearest school; and second, they are a small school.

Primary schools/academies must have a sparsity distance greater than 2 miles and an average year group of less than 21.4.

Secondary school/academies must have a sparsity distance greater than 3 miles and an average year group of less than 120.

All through school/academies must have a sparsity distance greater than 2 miles and an average year group of less than 62.5.

The maximum funding is £100,000 tapered (pro-rata) to the class size and distance.

**g) Lump Sum**

This is an optional factor where each school will receive a maximum lump sum up to £175,000. The lump sum may be different for primary and secondary schools/academies, but Medway has the same lump sum for both primary and secondary schools/academies and it is set at £75,000. This is the only funding factor for Medway that is not set at the NFF level.

**h) Split Sites**

This is an optional factor which is designed to help support schools which are located on separate sites. The school sites must be separated by a road. Schools sharing facilities, federated schools and schools with remote sixth forms are NOT eligible for split site funding.

**i) Rates**

This is an optional factor which funds a school or academy based on their estimated rates bills for the coming year. Medway also adjusts the rates funding to account for any over or under funding of rates from the previous financial year.

**j) Exceptional Premises Factors**

This is an optional factor where local authorities can apply to the EFA to use exceptional factors relating to premises. These factors must be more than 1% of a schools budget and apply to fewer than 5% of schools and academies. There are two EFA approved exceptional factors for Medway. Firstly a listed building factor and secondly an Amalgamated Schools/Academies factor.

- 3 In addition to the ten factors above, the funding formula must also distribute at least 80% of the funding through pupil led factors, i.e. sections A-E above.
- 4 The funding formula must also ensure the government's Minimum Per Pupil Funding level Guarantee (MFG) is achieved. A Primary school will receive at least £4,180 per pupil and a secondary school will receive at least £5,415 per pupil.

- 5 The 2021-22 NFF does not include a cap on what schools can gain via the funding formula on a per pupil level. At present Medway propose the LFF will mirror the NFF and remove the cap on gains. However, this may have to be reintroduced (6-8%) to make the LFF affordable once our final DSG allocation is confirmed. This cap does not protect against an increase or decrease in pupil numbers.
- 6 Two Funding Formula options will be presented to the Schools Forum on 3 December 2020 for their consideration. The options are:
  - i) To keep the same Local Funding Formula (including unit costs) as 2020-21, or
  - 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.
- 7 A report will be presented to Cabinet on 15 December 2020 to instruct officers to implement the 2021-22 provisional funding formula, and to note that the Schools Forum, at its meeting on 13 January 2021 will recommend approval of the final funding formula to Cabinet.
- 8 The final funding formula must be submitted to the ESFA by 21 January 2021, and Cabinet will be asked to waive call-in on its decision in respect of the final funding formula for 2021/22 to prevent any further delay to submission to the ESFA.
- 9 A further report will be presented to Cabinet on 21 February 2021 to instruct officers to implement the 2021-22 final funding formula.