

## **CABINET**

**8 FEBRUARY 2022**

### **FINAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2022-2023**

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 14 December 2021, the Cabinet approved the 2022-2023 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 2021, the final pupil numbers, and the total funding available via the Dedicated Schools Grant (DSG) were confirmed by government.

The Schools Forum met on the 12 January 2022 to discuss, consider and to make recommendations on the Final Funding Formula for 2022-23 to Cabinet for approval.

#### **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 regarding 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 Department for Education was 21 January 2022, which meant 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 Education and Skills Funding Agency (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 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 2022-23: Operational Guide outlines the schools and academies funding arrangements for the 2022-23 financial year.
- 2.7 The total Schools Block DSG funding for each Local Authority (LA) is calculated using the NFF and for the next financial year, 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 Minimum Per Pupil Funding Level Guarantee (MFG) and a Primary school will receive at least £4,265 per pupil, a secondary school will receive at least £5,535 per pupil.
- 2.9 The ESFA has removed the requirement for local authorities to submit a formal provisional funding formula but Medway was required to confirm their final funding formula by 21 January 2022.
- 2.10 Cabinet approved the following on 15 December 2021:
- To implement a new 2022-23 Medway schools and academies funding formula from April 2022.
  - To adjust the funding formula to reflect the pupil numbers from the October 2021 census.
  - To offer a Minimum Funding Per Pupil Guarantee of £4,265 for a Primary schools/academy, £5,535 per pupil for secondary schools and £4,800 for an all-through school in 2022/23
  - 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.

### 3. Final Funding Formula for 2022-23

- 3.1 The Department for Education has confirmed the initial DSG in December 2021, with the Schools Block schools allocation totalling £216.757 million and an LA's central services schools block allocation of £0.958 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 12 January 2022, The Schools Forum agreed to recommend to Cabinet to approve using the 2022-23 Final Funding Formula and the re-allocation of funding as follows:

Initial Allocation Schools Block	£ 220,245,782
Less: 2022-23 Growth Fund	£ 1,969,700
Less: HN Block Transfer	£ 850,000
Less: Outreach Service	£ 505,000
Less: 2021-22 Overspend	£ 164,000

**Total for Allocation in Funding Formula****£ 216,757,082**

3.4 Table 1 below shows the total LA's Centrally Retained and central services budgets for 2022-23;

<u>Spend Description</u>	<u>Amount</u>
<b>Growth Fund</b>	
New school places – Unnamed classes September 2022	165,750
New school places – Named classes September 2022	331,500
Ongoing new school PAN commitments	1,122,450
Schools In Financial difficulty business cases	350,000
<b>Sub-Total Growth Fund</b>	<b>1,969,700</b>
<b>Central Services - Statutory Functions</b>	
Co-ordinated Pupil Admissions	414,557
Schools Forum Administration	5,000
Retained General Duties	538,785
<b>Sub-Total Central Services - Statutory Functions</b>	<b>958,342</b>
<b>One-Off Transfers</b>	
2021-22 Overspend repayment – Bulge classes	<b>164,000</b>
2022-23 Outreach Contract	<b>505,000</b>
School Block/High Needs Block	<b>850,000</b>
De-delegated Services for maintained School functions	<b>572,616</b>
<b>Total 2022-23 LA Retained Budgets</b>	<b>5,019,658</b>

3.5 Table 2 below shows the funding available for each funding factor after the 2022-23 final funding formula has been “run”.

<u>Funding Factor</u>	<u>2021-22 Allocation £m</u>	<u>2021-22 Percentage</u>	<u>2022-23 Allocation £m</u>	<u>2022-23 Percentage</u>
Basic Entitlement – Primary	77.744	37.40%	80.409	37.09%
Basic Entitlement – Secondary	79.840	38.41%	84.423	38.95%
Deprivation	19.618	9.44%	21.369	9.86%
Prior Attainment	13.233	6.37%	13.362	6.16%
EAL	1.453	0.70%	1.604	0.74%
Mobility	0.223	0.11%	0.509	0.23%

Lump Sum	7.163	3.45%	7.802	3.60%
Split Sites	0.121	0.06%	0.124	0.06%
Sparsity	0	0.00%	0	0.00%
Rates	1.714	0.82%	1.700	0.78%
Exceptional Circumstances (Listed Building & Monument)	0.073	0.04%	0.076	0.04%
School Amalgamations	0.059	0.03%	0	0.00%
<b>Sub Total</b>	<b>201.241</b>	<b>96.80%</b>	<b>211.378</b>	<b>97.51%</b>
MFG	6.645	3.20%	5.389	2.49%
<b>Total Delegated</b>	<b>207.887</b>	<b>100.00%</b>	<b>216.767</b>	<b>100.00%</b>

3.6 Table 3 below shows the difference between the ESFA DSG School Block allocation provided and how the formula has allocated the funding.

<u>Funding Factor</u>	<u>SB DSG Allocation £m</u>	<u>Formula Allocation £m</u>	<u>Variance £m</u>
Pupil Funding	216.150	213.602	(2.548)
Premises Factors	1.960	1.900	(0.060)
Growth Fund – including last year's PAN on going adjustments	2.136	3.225	1.089
Block Transfers and other movements	0	1.519	1.519
<b>Total Funding</b>	<b>220.246</b>	<b>220.246</b>	<b>0.000</b>

3.7 Please see appendix 1 for the final 2022-23-unit costs for each of the funding factors.

3.8 The Final Funding Formula has distributed:

- 76.2% through the basic entitlement factors.
- 93.18% through the pupil lead factors.
- Based on 24,995 primary aged pupils and 17,757 secondary aged pupils.
- No school will see a cap on gains per pupil.
- Primary schools will receive at least £4,265 per pupil and £5,525 for secondary schools, with a Medway average of £4,464 per pupil per primary school and £5,938 per pupil, per secondary school.
- All unit costs, except the lump sum has been set using the NFF unit costs.

3.9 Cabinet is asked to approve the above methodology in order that the local authority can balance the funding formula budget to the funding actually confirmed from government for 2022-23.

#### 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 1 December 2021 and

the 12 January 2022, the Schools Forum considered the issues relating to the funding formula at length. At their meeting on 1 December 2021, the Schools Forum members took account of the responses from the consultation with schools and the potential financial impact.

- 4.2 At its meeting on the 12 January 2022, the Schools Forum recommended to Cabinet to approve the implementation of the Final 2022-23 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 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 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 1 December 2021 and on the 12 January 2022.
- 6.2 All schools and academies were consulted on the proposed new funding formula options between the 1 November 2021 to 21 November 2021 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 decisions were reported and subsequently approved by Cabinet on 14 December 2021.
- 6.5 The Schools Forum met on 12 January 2022 to consider and approve the Final Funding Formula for 2022-23 and to make recommendations to Cabinet as outlined in section 8.

## 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 2022-23 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 decisions

- 9.1 The local authority is required to implement the funding formula changes from 2022-23 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 was 21 January 2022.

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### Appendices

Appendix 1 - 2022-23 Funding Factor Unit Costs

### 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>