

CABINET

13 DECEMBER 2022

PROVISIONAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2023-2024

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

Officers have formulated and consulted upon the 2023-24 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 2023-24: Operational Guide outlines the schools and academies funding arrangements for the 2023-24 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 financial year, each LA can either opt to implement the NFF or a Local Funding Formula (LFF) which is moved to within 10% of the 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 Per Pupil Funding level Guarantee (MFG) and a Primary school will receive at least £4,405 per pupil and a secondary school will receive at least £5,715 per pupil.
- 2.9 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 20 January 2023 (see paragraph 4.3 for further details).
3. Allocation of the 2023-24 Funding Formula
- 3.1 Two Funding Formula options (with financial modelling) will be presented to the Schools Forum on 7 December 2022 for their consideration. These options are:

- i) To keep the same Local Funding Formula (including unit costs) as 2022-23.
 - 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 except for the lump sum.
- 3.2 The financial modelling was built using the October 2021 census data but the final budget allocations will be based on actual pupil numbers from the Autumn census in October 2022 and this data will be released by the DFE in Mid December 2022.
- 3.3 The lump sum funding factor has been set at £88,300 per school - increased from £83,000 in 2022-23 - 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 £128,000 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 2023-24 NFF does not include a cap on what schools can gain via the funding formula on a per pupil level. However, we may have to apply a gains cap of 6% once our final DSG allocation is confirmed and as part of the final formula. This cap does not protect against an increase or decrease in pupil numbers.
- 3.6 The Schools Forum are expected to recommend to Cabinet to implement a Local Funding Formula which is moving towards the NFF including offering the government's MFG requirements as outlined in sections 2.7, 2.8 and 2.9 of this report at their meeting on 7th December 2022.
- 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 received from government for 2023-24.

4. Advice and analysis

- 4.1 The membership of the Schools Forum includes representatives of head teachers, Chief Executive Officers, Chief Finance Officers and governors from primary and secondary schools and academies.
- 4.2 On 7 December 2022, the Schools Forum will consider the issues relating to the funding formula and are expected to ask 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 2023.
 - To offer a Minimum Funding Per Pupil Guarantee of £4,405 for a Primary school/academy and £5,715 per pupil for secondary

schools/academies in 2023-24. (See paragraph 2.7, 2.8, 2.9, 3.3 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 3.5 of this report).

4.3 If the recommendations outlined in paragraph 4.2 above, are approved, Medway's Local Funding Formula will mirror the national funding formula in all but one funding factor which is used to adjust the formula so it is affordable within the budget envelope.

4.4 The Cabinet will receive a further report on 7 February 2023; this will present the final recommendations from the Schools Forum (11 January 2023) 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 20 January 2023, it is proposed that the Cabinet will be asked to waive call-in on its decision in respect of the final funding formula for 2023/24 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 20 January 2023 subject to Cabinet approval.

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

Likelihood	Impact:
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

6. Consultation

- 6.1 The Funding Formula options and consultation responses will be discussed with the Schools Forum on 7 December 2022. The Schools Forum are expected to provisionally agree to implement a revised local funding formula for 2023-24. However as the Schools Forum meeting is after the publication deadline for this Cabinet report, a supplementary report will be published to confirm the Schools Forum recommendations after they have met.
- 6.2 All schools and academies were consulted on the proposed local funding formula changes between 31 October 2022 and 20 November 2022.
- 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 13 January 2023 to consider the final funding formula taking account of the latest school census data.

7. Financial 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 2022 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.

8. Legal implications

8.1 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.

9. Recommendation

9.1 The Cabinet is asked to instruct officers to implement the 2023-24 provisional funding formula, as detailed in paragraph 4.2 of the report, and to note the Schools Forum's comments, which are to be provided in a supplementary agenda, will recommend approval of the final funding formula to Cabinet.

10. Suggested reasons for decision

10.1 The local authority is required to implement the funding formula changes from 2023-24 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>