

## **CABINET**

**7 FEBRUARY 2023**

### **FINAL 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**

At Cabinet on 13 December 2022, the Cabinet approved the 2023-2024 Provisional Schools and Academies Funding Formula for mainstream schools and academies.

The Provisional Funding Formula was based on estimated pupil numbers and the estimated funding available. In December 2022, the final pupil numbers, and the total funding available via the Dedicated Schools Grant (DSG) were confirmed by central government.

The Schools Forum met on 11 January 2023 to discuss, consider and to make recommendations on the Final Funding Formula for 2023-24 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. 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 (DFE) was 20 January 2023, 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 ESFA was formed in April 2012 to take over the operational functions of the 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.
- 2.8. The ESFA has removed the requirement for local authorities to submit a formal provisional funding formula but local authorities were required to confirm their final funding formula by 20 January 2023 (see paragraph 4.3 for further details).
- 2.9. Cabinet approved the following on 13 December 2022:
  - To implement a new 2023-24 Medway schools and academies funding formula from April 2023.
  - To adjust the funding formula to reflect the pupil numbers from the October 2022 census.
  - To offer a Minimum Funding Per Pupil Guarantee of £4,405 for a Primary school/academy and £5,715 per pupil for a secondary school/academy in 2023/24.
  - 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 2023-24

- 3.1. The DFE has confirmed the initial DSG in December 2022, with the Schools Block schools allocation totalling £235.437 million and an LA's central services schools block allocation of £1.033 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 11 January 2023, the Schools Forum agreed to recommend Cabinet to approve using the 2023-24 Final Funding Formula and the re-allocation of funding as follows:

Initial Allocation Schools Block	£235,436,725
Less: 2023-24 Growth Fund	£ 552,451
<b>Total for Allocation in Funding Formula</b>	<b>£234,884,274</b>

- 3.4. Table 1 below shows the total LA's Centrally Retained and central services budgets for 2023-24:

Spend Description	Amount (£)
<b>Growth Fund</b>	
New school places – Opening September 2023	171,450
Schools In Financial difficulty – New business cases	350,000
Schools In Financial difficulty – Pre Approved cases	31,000
Contingency	1
<b>Sub-Total Growth Fund</b>	<b>552,451</b>
<b>Central Services - Statutory Functions</b>	
Co-ordinated Pupil Admissions	433,120
Schools Forum Administration	5,000
Retained General Duties	595,271
Contingency	1
<b>Sub-Total Central Services - Statutory Functions</b>	<b>1,033,392</b>
De-delegated Services for maintained School functions	<b>745,458</b>
<b>Total 2023-24 LA Retained Budgets</b>	<b>2,331,301</b>

\* Rounding differences may appear in the above table

3.5. Table 2 below shows the funding available for each funding factor after the 2023-24 final funding formula has been “run”.

<u>Funding Factor</u>	2022-23 Allocation £m	2022-23 Percentage	2023-24 Allocation £m	2023-24 Percentage
Basic Entitlement – Primary	80.409	37.09%	86.096	36.67%
Basic Entitlement – Secondary	84.423	38.95%	92.045	39.20%
Deprivation	21.369	9.86%	24.264	10.33%
Prior Attainment	13.362	6.16%	14.408	6.14%
EAL	1.604	0.74%	1.919	0.82%
Mobility	0.509	0.23%	0.620	0.26%
Lump Sum	7.802	3.60%	11.040	4.70%
Split Sites	0.124	0.06%	0.133	0.06%
Sparsity	0	0.00%	0	0.00%
Rates	1.700	0.78%	1.845	0.79%
Exceptional Circumstances (Listed Building & Monument)	0.076	0.04%	0.00	0.00%
School Amalgamations	0	0.00%	0	0.00%
<b>Sub Total</b>	<b>211.378</b>	<b>97.51%</b>	<b>232.730</b>	<b>98.96%</b>
MFG	5.389	2.49%	2.431	1.04%%
<b>Total Delegated</b>	<b>216.767</b>	<b>100.00%</b>	<b>234.884</b>	<b>100.00%</b>

\* Rounding differences may appear in the above table

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

<b><u>Funding Factor</u></b>	<b>SB DSG Allocation £</b>	<b>Formula Allocation £</b>	<b>Variance £</b>
Pupil Funding	231,340,168	230,621,261	(718,907)
Premises Factors	1,925,427	1,977,584	52,157
Growth Funding	2,171,129	2,837,879	666,750
<b>Total Funding</b>	<b>235,436,724</b>	<b>235,436,724</b>	<b>0</b>

3.7. Please see Appendix 1 for an explanation of the funding factors and Appendix 2 for the 2023-24 unit costs for each of the funding factors.

3.8. The Final Funding Formula has distributed:

- 76.3% through the basic entitlement factors.
- 93.9% through the pupil lead factors.
- Based on 25,367 primary aged pupils and 18,363.5 secondary aged pupils.
- No school will see a cap on gains per pupil.
- Primary schools will receive at least £4,405 per pupil and £5,715 for secondary schools, with a Medway average of £4,746 per pupil per primary school and £6,273 per pupil, per secondary school.
- All unit costs and other factors, except the lump sum has been set using the NFF unit costs and levels.

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 received from government for 2023-24.

#### 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 7 December 2022 and the 11 January 2023, the Schools Forum considered the issues relating to the funding formula at length. At their meeting on 7 December 2022, the Schools Forum members took account of the responses from the consultation with schools/academies and the potential financial impact.

4.2. At its meeting on the 11 January 2023, the Schools Forum recommended the Cabinet to approve the implementation of the Final 2023-24 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 7 December 2022 and on the 11 January 2023, as reported above in section 4 of the report.
- 6.2. All schools and academies were consulted on the proposed new funding formula options between the 31 October to 20 November 2022 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.

## 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.
- 7.4. 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.
- 7.5. 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. Recommendations

- 8.1. The Cabinet is asked to instruct officers to implement the Final 2023-24 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 2023-24 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 20 January 2023.

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## Appendices

Appendix 1 – explanation of the funding factors for the Medway 2023-24 local funding formula

Appendix 2 - 2023-24 unit costs for each of the funding factors

## 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>



**Medway 2023-2024 Local Funding Formula****a) Basic Entitlement**

A compulsory factor which assigns funding according to the age-weighted pupil unit (AUPW) multiplied by a unit per pupil cost to each individual school or academy based on the October census. There may be 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. LA's can either use the free schools meals indicator and/or the income deprivation affecting children Index (IDACI); Medway use both. Different funding rates can be attached to each level of the IDACI system and the funding rates can be different 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 (EYFSP) and for secondary pupils not reaching L4 at KS2 in either English or maths.

**d) English as another Language**

This is an optional factor where EAL pupils may attract funding for up to 3 years after they enter the school system.

**e) Pupil Mobility**

This is an optional factor which measures the pupils who entered a school during the last 3 years who did not start in August, September or January if a reception class. There is a 10% threshold therefore if a school/academy has a 12% mobility factor then 2% (12% - 10%) of the school/academy pupils would 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; first they are located in an area where pupils would have to travel significant distance to the nearest school; and second, they are small schools.

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 amount which can be awarded to a school or academy is £56,300 for a primary school and £81,900 for a secondary school.

**g) Lump Sum**

This is an optional factor where each school will receive a maximum amount up to £128,000. The lump sum amounts may be different for primary and secondary schools or academies. Medway's Lump sum will be £115,000

**h) Split Sites**

This is an optional factor which designed to help support schools which are located on separate sites. 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 adjust the rates funding to account for any over or under funding of rates from the previous years when the rates bills are known. This will now not be sent out to schools for payment but instead will be paid directly to the LA.

**j) Exceptional Premises Factors**

This is an optional factor which LA's can apply to the EFA to use exceptional factors relating to premises and must be more than 1% of the schools budget and applies to fewer than 5% of Medway schools and academies. Medway has no qualifying schools.

**2023-24 Final Local Funding Formula Unit Costs**

<b>Funding Factors</b>	<b>Description</b>	<b>2023-24 Primary per pupil</b>	<b>2023-24 Secondary per pupil</b>	<b>2022-23 Primary per pupil</b>	<b>2022-23 Secondary per pupil</b>
Basic Entitlement	Primary (Years R-6)	3,394	-	3,217	-
	Secondary KS3 (Years 7 - 9)	-	4,785	-	4,536
	Secondary - KS4 (Years 10 - 11)	-	5,393	-	5,112
Deprivation	FSM	480	480	470	470
	FSM6	705	1,030	590	865
	IDACI Band F	230	335	220	320
	IDACI Band E	280	445	270	425
	IDACI Band D	440	620	420	595
	IDACI Band C	480	680	460	650
	IDACI Band B	510	730	490	700
	IDACI Band A	670	930	640	890
English as an Additional Language (EAL)	EAL 3	580	1,565	565	1,530
Mobility	Pupils starting school outside of normal entry dates	945	1,360	925	1,330
Prior attainment	Low Attainment % new EFSP - 38.4%	1,155	-	1,130	-
	Secondary low attainment (year 7) - 58.5%	-	1,750	-	1,710
	Secondary low attainment (year 8) - 48.2%	-	1,750	-	1,710
	Secondary low attainment (years 9 to 11)	-	1,750	-	1,710
Lump Sum	Lump Sum	115,000	115,000	83,000	83,000
Sparsity	Sparsity	56,300	81,900	55,000	80,000