

Cabinet

13 February 2024

Final Funding Formula for Mainstream Schools and Academies 2024-2025

Portfolio Holder: Councillor Tracy Coombs, Portfolio Holder for Education

Report from: Lee-Anne Farach, Director of People and Deputy Chief Executive

Author: Maria Beaney, Finance Business Partner

Summary

At Cabinet on 19 December 2023, the Cabinet approved the 2024-2025 Provisional Schools and Academies Funding Formula for mainstream schools and academies.

The Provisional Funding Formula was based on estimated pupil numbers and funding available. In December 2023, central government confirmed the final pupil numbers, and the total funding available via the Dedicated Schools Grant.

The Schools Forum met on 19 January 2024 to discuss, consider and to make recommendations on the 2024-25 Final Funding Formula for Cabinet to approve.

1. Recommendations

- 1.1 The Cabinet is asked to instruct officers to implement the Final 2024-25 Funding Formula for mainstream schools and academies, as set out in section 5 of this report.
- 1.2 The Cabinet is asked to agree that recommendation 1.1 is considered urgent and therefore should not be subject to call in.

2. Suggested reasons for decisions

- 2.1 The local authority is required to implement the funding formula changes from 2024-25 in accordance with the regulations and to inform the Education Skills Funding Agency.

3. Budget and policy framework

- 3.1 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.
- 3.2 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.
- 3.3 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.
- 3.4 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 22 January 2024, 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 Chairperson 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.

4. Background

- 4.1 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)
- 4.2 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 has made sufficient changes to the school funding system over the years but have stopped short of a national funding formula.

- 4.3 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.
- 4.4 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.
- 4.5 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.
- 4.6 The latest government paper Schools Funding 2024-25: Operational Guide outlines the schools and academies funding arrangements for the 2024-25 financial years.
- 4.7 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 a hard NFF or a Local Funding Formula (LFF) which must be moved to within 10% of the hard NFF. In previous years Medway has set a LFF based on a staged move towards the NFF.
- 4.8 Cabinet approved the following on 19 December 2023:
- To implement a new 2024-25 Medway schools and academies funding formula from April 2024.
 - To offer minimum funding per pupil of £4,655 for a primary school/academy and £6,050 per pupil for secondary school/academy in 2024/25.
 - To balance the funding formula allocation back to the actual funding received, the local authority should adjust the lump sum factor and reserve factors until the formula is affordable.
 - To adjust the funding formula to reflect the pupil numbers from the October 2023 census.

5. The Final 2024-25 Funding Formula

- 5.1 The DFE has confirmed the initial DSG in December 2023, with the Schools Block schools allocation totalling £253,356million and an LA's central services schools block allocation of £1.141million.
- 5.2 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.

- 5.3 At their meeting on the 19 January 2024, the Schools Forum agreed to recommend Cabinet to approve using the 2024-25 Final Funding Formula and the re-allocation of funding as follows:

| | |
|---|---------------|
| Initial Allocation Schools Block | £ 253,356,289 |
| Less: 2024-25 Growth Fund | £ (1,819,103) |
| Total for Allocation in Funding Formula | £ 251,537,186 |

- 5.4 Table 1 below shows the total LA's Centrally Retained and central services budgets for 2024-25:

Table 1 – Retained Central services and retained growth fund budgets.

| Spend Description | Amount £ |
|---|---------------------|
| Growth Fund | |
| New school places – Opening September 2024 | 1,819,103 |
| Schools In Financial difficulty – Pre Approved | 168,546 |
| Contingency | 1 |
| Sub-Total Growth Fund | 1,987,950 |
| | |
| Central Services - Statutory Functions | |
| Co-ordinated Pupil Admissions | 564,046 |
| Schools Forum Administration | 5,000 |
| Retained General Duties | 552,340 |
| Governor Services | 19,990 |
| Contingency | 1 |
| Sub-Total Central Services - Statutory Functions | 1,141,377 |
| | |
| De-delegated Services for maintained School functions | 731,388 |
| | |
| Total 2024-25 LA Retained Budgets | 3,860,715 |

* Rounding differences may appear in the above table

- 5.5 Table 2 below shows the funding available for each funding factor after the 2024-25 final funding formula has been “run”.

Table 2 – Funding distribution Table

| <u>Funding Factor</u> | 2024-25 Allocation £m | 2024-25 Percentage | 2023-24 Allocation £m | 2023-24 Percentage |
|----------------------------------|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|
| Basic Entitlement – Primary | 90.434 | 35.95% | 86.096 | 36.67% |
| Basic Entitlement – Secondary | 98.887 | 39.31% | 92.045 | 39.20% |
| Deprivation | 26.996 | 10.73% | 24.264 | 10.33% |
| Prior Attainment | 15.642 | 6.22% | 14.408 | 6.14% |
| EAL | 2.441 | 0.97% | 1.919 | 0.82% |
| Mobility | 0.719 | 0.29% | 0.620 | 0.26% |

| | | | | |
|--|----------------|---------------|----------------|----------------|
| Lump Sum | 12.000 | 4.77% | 11.040 | 4.70% |
| Split Sites | 0.081 | 0.03% | 0.133 | 0.06% |
| Sparsity | 0.000 | 0.00% | 0 | 0.00% |
| Rates | 1.742 | 0.69% | 1.845 | 0.79% |
| Exceptional Circumstances (Listed Building & Monument) | 0.000 | 0.00% | 0.00 | 0.00% |
| School Amalgamations | 0.000 | 0.00% | 0 | 0.00% |
| Sub Total | 248.943 | 98.97% | 232.730 | 98.96% |
| MFG | 2.595 | 1.03% | 2.431 | 1.04%% |
| Total Delegated | 251.537 | 100% | 234.884 | 100.00% |

* Rounding differences may appear in the above table

5.6 Appendix 1 shows the 2024-25-unit costs for each of the funding factors.

5.7 The Final Funding Formula has distributed:

- 75.3% through the basic entitlement factors.
- 93.5% through the pupil lead factors.
- Has had to reintroduce a 5% cap on gains per pupil to balance the formula. This was a reserved action as part of the provisional formula.
- Has had to reduce the basic entitlement unit costs for all education phase but will still within 2.5% of the national formula unit cost and is therefore considered to be at the national level.
- Is based on 25,367 primary aged pupils and 18,363.5 secondary aged pupils.
- Primary schools will receive at least £4,610 per pupil and £6,050 for secondary schools. Medway average per primary school is £5,052 per pupil and £6,590 for secondary schools.
- All unit costs and other factors, except the lump sum and the basic entitlement have been set using the NFF unit costs and levels.

5.8 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 2024-25.

6. Advice and analysis

6.1 The membership of the Schools Forum includes head teachers and governors from primary and secondary schools and academies. On 6 December 2023 and the 19 January 2024, the Schools Forum considered the issues relating to the funding formula at length.

6.2 At its meeting on the 19 January 2024, the Schools Forum recommended the Cabinet to approve the implementation of the Final 2024-25 Schools and Academies Funding Formula as set out section 3 of the report.

7. 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. | DII |
| 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. | DIII |
| 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 | DIII |

| Likelihood | Impact: |
|---|--|
| A Very likely B Likely C Unlikely D Rare | I Catastrophic II Major III Moderate IV Minor |

8. Consultation

8.1 The Funding Formula options and consultation responses were discussed with the Schools Forum on 6 December 2023 and provisionally agreed to implement a revised local funding formula for 2024-25, as reported above in section 6 of this report.

- 8.2 All schools and academies were consulted on the proposed local funding formula changes between 7 November 2023 and 26 November 2023.
- 8.3 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.

9. Financial implications

- 9.1 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.
- 9.2 The funding formula only affects mainstream schools and academies, with the potential impact on individual schools mitigated by the Government's Minimum Funding Guarantee. The funding of special schools and academies and Pupil Referral Units do not form part of these changes.
- 9.3 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.

10. Legal implications

- 10.1 Dedicated School Grant is paid to local authorities under section 14 of the Education Act 2002.
- 10.2 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.
- 10.3 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.

Lead officer contact

Maria Beaney
Finance Business Partner – Children, Education and Schools
maria.beaney@medway.gov.uk
01634 331204

Appendices

Appendix 1 - 2024-25 Final Local Funding Formula 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>

2024-25 Final Local Funding Formula Unit Costs

| Funding Factors | Description | 2023-24 Primary per pupil | 2023-24 Secondary per pupil | 2024-25 Primary per pupil | 2024-25 Secondary per pupil |
|---|--|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| Basic Entitlement | Primary (Years R-6) | 3,394 | - | 3,526 | 0 |
| | Secondary KS3 (Years 7 - 9) | - | 4,785 | | 4,972 |
| | Secondary - KS4 (Years 10 - 11) | - | 5,393 | | 5,605 |
| Deprivation | FSM | 480 | 480 | 490 | 490 |
| | FSM6 | 705 | 1,030 | 820 | 1,200 |
| | IDACI Band F | 230 | 335 | 235 | 340 |
| | IDACI Band E | 280 | 445 | 285 | 450 |
| | IDACI Band D | 440 | 620 | 445 | 630 |
| | IDACI Band C | 480 | 680 | 485 | 690 |
| | IDACI Band B | 510 | 730 | 515 | 740 |
| | IDACI Band A | 670 | 930 | 680 | 945 |
| English as an Additional Language (EAL) | EAL 3 | 580 | 1,565 | 590 | 1,585 |
| Mobility | Pupils starting school outside of normal entry dates | 945 | 1,360 | 960 | 1,380 |
| Prior attainment | Low Attainment % new EFSP - 38.4% | 1,155 | - | 1,170 | - |
| | Secondary low attainment (year 7) - 58.5% | - | 1,750 | | 1,775 |
| | Secondary low attainment (year 8) - 48.2% | - | 1,750 | | 1,775 |
| | Secondary low attainment (years 9 to 11) | - | 1,750 | | 1,775 |
| Lump Sum | Lump Sum | 115,000 | 115,000 | 125,000 | 125,000 |
| Sparsity | Sparsity | 56,300 | 81,900 | 57,100 | 83,000 |