

## **Cabinet**

**11 February 2025**

### **Final Funding Formula for Mainstream Schools and Academies 2025/2026**

Portfolio Holder: Councillor Tracy Coombs, Portfolio Holder for Education

Report from: Lee-Anne Farach, Director of People – Children and Adults Services

Author: Maria Beaney, Finance Business Partner

#### **Summary**

Officers have formulated the 2025-26 funding arrangements for schools and academies and recommend the following changes to Medway's local mainstream schools and academies funding formula.

The Schools Forum met on 21 January 2025 to discuss, consider and to make recommendations on the 2025-26 Final Funding Formula for Cabinet to approve.

#### **1. Recommendations**

1.1 The Cabinet is asked to instruct officers to implement the 2025-26 Final 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 Final Funding Formula changes for 2025-26 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 a ring-fenced grant

and regulations prevent the DSG being spent on anything other than schools or academies.

- 3.2 The remainder of this report deals with the final funding formula used to distribute the schools block 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 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 2025, 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. Governments have made several changes to the school funding system over the years but have stopped short of a hard national funding formula.
- 4.3 In July 2016 the then 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.
- 4.4 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. From March 2025 the ESFA is set to close with the functions returning to the DfE.

- 4.5 The latest government paper Schools Funding 2025-26: Operational Guide outlines the schools and academies funding arrangements for the 2025-26 financial years was delayed and was published at the end of November 2024 with the DSG funding allocations published in mid-December 2024.
- 4.6 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 moving to within 10% of the hard NFF. In previous years Medway has set a LFF based on a staged move towards the NFF.
- 4.7 The government has set a Minimum Per Pupil Funding Level Guarantee (MFG) and a Primary school will receive at least £4,955 per pupil, and a secondary school will receive at least £6,465 per pupil.
- 4.8 LA's must also set a MFG of between -0.5% and 0.0% per pupil and can choose to set a cap on gains per pupil amount. Medway's 2024-25 LFF included a 0% MFG and a 5% cap on school gains.
- 4.9 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 22 January 2025.

## 5. The Final 2025-26 Funding Formula

- 5.1 The DFE has confirmed the initial DSG in December 2024, with the Schools Block schools allocation totalling £277,856million and an LA's central services schools block allocation of £1.302million.
- 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 21 January 2025, the Schools Forum agreed to recommend Cabinet to approve using the 2025-26 Final Funding Formula and the re-allocation of funding as follows:

Initial Allocation Schools Block(after NNDR)	£275,358,078
Less: 2025-26 Growth Fund	£ 870,437
Less: 0.5% SB to High Needs Transfer	£ 1,389,278
<b>Total for Allocation in Funding Formula</b>	<b>£273,098,363</b>

- 5.4 Table 1 below shows the total LA's Centrally Retained and central services budgets for 2025-26:

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

<b>Spend Description</b>	<b>Amount £</b>
<b>Growth Fund</b>	
Committed school places – Opening September 2025	385,436

New Bulge Classes – September 2025	485,000
Contingency	1
<b>Sub-Total Growth Fund</b>	<b>870,437</b>
<b>Central Services - Statutory Functions</b>	
Co-ordinated Pupil Admissions	642,556
Schools Forum Administration	5,000
Retained General Duties – Education Team, DMT and CMT contributions	619,393
SACRE	15,094
Governor Services	19,990
Contingency	1
<b>Sub-Total Central Services - Statutory Functions</b>	<b>1,302,034</b>
De-delegated Services for maintained School functions - £84 per pupil.	604,800
<b>Total 2025-26 LA Retained Budgets</b>	<b>2,777,271</b>

\* Rounding differences may appear in the above table

- 5.5 Table 2 below shows the funding available for each funding factor after the 2025-26 final funding formula has been “run”.

Table 2 – Funding distribution Table

<b><u>Funding Factor</u></b>	<b>2024-25 Allocation £m</b>	<b>2024-25 Percentage</b>	<b>2025-26 Allocation £m</b>	<b>2025-26 Percentage</b>
Basic Entitlement – Primary	90.434	35.95%	97.858	35.8%
Basic Entitlement – Secondary	98.887	39.31%	106.446	39.0%
Deprivation	26.996	10.73%	31.364	11.5%
Low Prior Attainment	15.642	6.22%	16.001	5.9%
EAL	2.441	0.97%	2.771	1.0%
Mobility	0.719	0.29%	0.900	0.3%
Lump Sum	12.000	4.77%	13.152	4.8%
Split Sites	0.081	0.03%	0.081	0.0%
Sparsity	0.000	0.00%	-	0.0%
Rates	1.742	0.69%	2.579	0.9%
<b>Sub Total</b>	<b>248.943</b>	<b>98.97%</b>	<b>271.151</b>	<b>99.3%</b>
MFG	2.595	1.03%	1.944	0.7%
<b>Total Delegated</b>	<b>251.537</b>	<b>100%</b>	<b>273.095</b>	<b>100.0%</b>

\* Rounding differences may appear in the above table

- 5.6 Appendix 1 shows the 2025-26 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 kept the 5% cap on school gains per pupil to balance the formula.

- Is based on 25,952 primary aged pupils and 19,177.5 secondary aged pupils.
- Primary schools will receive at least £4,955 per pupil and £6,465 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.

## 6. Advice and analysis

- 6.1 The membership of the Schools Forum includes representatives of head teachers and governors from primary, secondary and special schools and academies.
- 6.2 On 21 January 2025, the Schools Forum considered the issues relating to the funding formula and asked the Cabinet to implement a local funding formula which is the same as the 2024 to 2025 formula except for the unit costs attached to each funding factor and a 0.5% transfer from the schools block to the high needs block.
- 6.3 If the recommendations outlined in section 5 and paragraph 6.2 above, are approved, Medway's LFF 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.
- 6.4 For the avoidance of doubt, officers will have submitted the final funding formula to the ESFA by 22 January 2025 subject to Cabinet approval.

## 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.	DIII
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	DIII

Risk	Description	Action to avoid or mitigate risk	Risk rating
		Education Funding Agency.	
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

## 8. Consultation

- 8.1 The Funding Formula options and consultation responses were discussed with the Schools Forum on 21 January 2025. The Schools Forum agreed to implement a revised local funding formula for 2025-26.
- 8.2 All schools and academies were consulted on the local funding formula between the 6 January 2025 and 12 January 2025 and their consultation responses were discussed with the Schools Forum on 21 January 2025.
- 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. The LA recognise the consultation time for schools was squeezed this year and therefore proposed to keep changes to the formula to a minimum.

## 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. The funding of special schools and academies and Pupil Referral Units do not form part of these changes.
- 9.3. The potential impact on individual schools is mitigated by the Government's Minimum Funding Guarantee.
- 9.4. The funds provided through the pupil premium grant, the early years single funding formulas 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

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>

## **Appendix 1 - 2025-26 Final Local Funding Formula Unit Costs**

<b>Funding Factors</b>	<b>Description</b>	<b>2025-26 Primary per pupil</b>	<b>2025-26 Secondary per pupil</b>	<b>2024-25 Primary per pupil</b>	<b>2024-25 Secondary per pupil</b>
Basic Entitlement	Primary (Years R-6)	3,790	0	3,526	0
	Secondary KS3 (Years 7 - 9)	0	5,343		4,972
	Secondary - KS4 (Years 10 - 11)	0	6,024		5,605
Deprivation	FSM	495	495	490	490
	FSM6	1,060	1,555	820	1,200
	IDACI Band F	235	340	235	340
	IDACI Band E	285	450	285	450
	IDACI Band D	445	635	445	630
	IDACI Band C	490	695	485	690
	IDACI Band B	520	745	515	740
	IDACI Band A	685	950	680	945
English as an Additional Language (EAL)	EAL 3	595	1,595	590	1,585
Mobility	Pupils starting school outside of normal entry dates	965	1385	960	1,380
Prior attainment	Low Attainment % new EFSP	1,175	0	1,170	-
	Secondary low attainment (year 7)	0	1,785	0	1,775
	Secondary low attainment (year 8)	0	1,785	0	1,775
	Secondary low attainment (years 9 to 11)	0	1,785	0	1,775
Lump Sum	Lump Sum	144,000	144,000	125,000	125,000
Sparsity	Sparsity	57,400	83400	57,100	83,000