

From: Matt Dunkley CBE, Corporate Director of Children, Young People and Education

To: Shellina Prendergast, Cabinet Member for Education and Skills

Subject: School Funding Arrangements for 2022-23

Decision Number and Title – for Cabinet Member Decisions only

Key/Non-Key decision –

- It affects more than 2 Electoral Divisions
- It involves expenditure or savings of maximum £1m – including if over several phases

Classification: Unrestricted

Past Pathway of report: Children’s and Young People’s Cabinet Committee – 11th January 2022

Future Pathway of report: Executive Decision

Electoral Division: ALL

Summary:

2022-23 will be the final year of a three-year Spending Round for schools’ budgets. Kent County Council will receive an additional £50m of Schools Block Dedicated Schools Grant in 2022-23 to distribute to Kent schools (and academies via the Education and Skills Funding Agency). Details of future year increases at Local Authority level has not yet been provided.

The distribution to schools is calculated through the operation of a Local Funding Formula (LFF) and this paper advises the Member about the recommendations to change to the LFF which was contained within the School Funding Formula Consultation to schools. The consultation was completed in November.

Recommendation(s):

The Cabinet Member for Education & Skills is asked to take the decision to implement the proposals set out within the Kent Schools’ Local Funding Formula 2022-23 consultation attached as appendix A’

1. Introduction

1.1 Since 2010, the Government has been reforming the school funding system so that it is fairer, simpler and more transparent. Their aim has been to create a system where schools and local authorities will be funded on up-to-date assessment of need that reflects the characteristics of their pupils.

- 1.2 In 2013-14, the school funding system was simplified and made easier to understand. In 2018-19 the soft National Funding Formula (NFF) was introduced, where the DFE allocate funding to local authorities based on a nationally prescribed formula and Local Authorities are responsible for setting a Local Funding Formula (LFF) to distribute this funding to schools in their area.
- 1.3 In September 2019, the Chancellor set out details of a three-year Spending Round for schools' commencing on 1 April 2020, which confirmed national school funding would increase by £7.1 billion (compared to 2019-20) by 2022-23. On the 19 July 2021, The Chancellor reconfirmed the intention to honour this pledge by increasing the school budget by the final £2.3 billion required for 2022-23. The Council must now decide how the Kent's LFF should change from 1 April 2022 taking into account views from both schools and the Schools Funding Forum.

2. Background

- 2.1 The Dedicated Schools Grant (DSG) funding is allocated through 4 separate blocks, with each block calculated using their own nationally set formula (known as a National Funding Formula). The estimated block allocations for Kent for 2022-23 announced in July are set out in table 1 below:

Table 1: Indicative Dedicated Schools Grant Block Amounts (estimated in July 2021)

Schools Block (SB)	High Needs Block (HNB)	Early Years Block (EYB)	Central Schools Services Block (CSSB)
£1,102.960m	£269.291m	£87.971m	£11.358m

- 2.2 The allocations for 2022-23 have recently been updated to reflect the latest pupil numbers as recorded on the October 2021 school census confirming the final School Block allocation to be £1,129.2m a total increase of £49.6m compared to 21-22 levels of which £26.2m reflects increases in pupil numbers and £23.4m relating to general increases in funding rates.
- 2.3 This paper and the associated consultation focused on the distribution of the additional £23.4m through the Local Funding Formula in 2022-23.
- 2.4 In addition to their core school budget, schools will also receive a separate Schools Supplementary Grant for 2022-23, which is not the subject of this report. This was first announced as part of the Autumn 2021 spending review and is intended to provide support for the costs of the Health and Social Care Levy and wider costs which were not taken account for when the schools block settlement was announced in July. This funding will be distributed at standard rates based on pupil numbers and number of children eligible for free school meals.

3. Consultation Proposals for 2022-23

- 3.1 The Kent Schools' Local Funding Formula 2022-23 consultation was launched on 4 November 2021 and closed on 24 November 2021. The consultation

document, an illustration tool showing the impact of the proposals on individual school budget, an on-line response form and an equality impact assessment could be accessed via the following link:

www.kent.gov.uk/schoolfundingconsultation.

- 3.2 The consultation document contains full details of the proposals and we have not replicated the content of the consultation document within this report. We therefore strongly recommend that consultation document is read alongside this paper.
- 3.3 The consultation contained proposals focused on:
 - a) Areas of local concern
 - b) Changes to funding factor factors and funding rates
- 3.4 A recent Government consultation on the future of school funding has reiterated the Department of Education's long-term intention for all schools' budgets (for primary and secondary schools) to be set on the basis of a single, national formula (known as the National Funding Formula or NFF). The results of the consultation and confirmation of next steps are yet to be published but the proposals suggest incremental steps towards this will start from 2023-24.
- 3.5 Over the last three years KCC (with support from both schools and the Schools Funding Forum) has been guided by the general principle that "our Local Funding Formula should move towards the National Funding Formula (used to distribute school block funding to local authorities), but at the same time continue to utilise local flexibility to address areas of local concern". The main purpose of the consultation was to seek schools' views as to whether to continue to support the local area of concern of transferring 1% of the Schools Block to the High Needs Block in 2022-23 to support inclusive practices in mainstream schools. This would be added to the funding transferred in previous years to support the implementation and ongoing operation of inclusion services.
- 3.6 The consultation also sought views as to whether we use the same formula factors to distribute funding to schools as in 2020-21 or update the formula to include the mobility factor. The mobility factor would distribute additional funding to those schools who have a higher proportion of children who start on a non-standard date. There was also a separate question on what level the minimum funding guarantee should be set which determines the minimum increase per pupil a school would expect to receive.

4. Consultation Results 2022-23

- 4.1 Appendix B provides details of the responses. The consultation results were taken into consideration when the Schools Funding Forum put forward their recommendations to the proposals. In total there were 776 visitors to the website but only 96 unique responses, with 67 out of 459 primary schools responding, 22 out of 101 secondary & all-through schools and 7 out of 24 special schools. The response rate was down from the previous years where there had been 150 responses. The Schools Funding Forum suggested this

may have been a direct consequence in the similarity of the questions from previous years and that schools see this request as the “norm” therefore they do not feel the need to respond.

1% Transfer from Schools to High Needs Block

- 4.1 The main question was in relation to whether schools continue to support the transfer of 1% of the schools’ block to the high needs block to support services focused on inclusive practices in mainstream schools. 78% of respondents agreed with this approach and the Schools’ Funding Forum also unanimously agreed.
- 4.2 The Department of Education require all block transfer requests to be consulted with schools and to ensure the Council provides the schools with full background details of the request. This is outlined in Appendix 3 of the consultation document. Block transfers cannot be automatically repeated each year therefore schools must be consulted on an annual basis and where the transfer is greater than 0.5%, the Secretary of State must also agree, in addition to a formal Cabinet Member decision. At the time of writing, we are waiting a response to our request from the Secretary of State.
- 4.3 Appendix 3 of the consultation document, along with section 10 of the Cabinet financial monitoring reports outlines both the latest financial position and proposed principles to addressing the in-year deficit in this grant. In 2021-22 the forecast grant shortfall is £42m. This transfer request forms part of the wider approach to helping to manage the Dedicated Schools Grant deficit recovery alongside reviewing the council’s local policies and process in relation to supporting children with SEN and continuing to lobby Government on both additional funding and wider structural reforms to help manage demand in the future.
- 4.4 It had been hoped the much-delayed SEN review would have been published which would have possibly negated the need to continue to request this transfer however, this is now due to be published in Spring 2022, alongside a green paper and therefore it is unlikely Government proposals will have an immediate effect. Any similar requests in the future will depend on:
 - the outcomes of the SEN review in terms of supporting demand for SEN services,
 - the ability to make transfers of this requests with the possible roll out of the National Funding Formula and,
 - demands from the Department of Education in supporting deficit recovery.
- 4.5 It is important to note, we are only proposing to transfer the same amount as in previous years therefore we are not proposing to take any more money from schools than has been the case in previous years which means any extra funding from the 2022-23 settlement would be passed in full to the schools.
- 4.6 With both the Schools and Schools Funding Forum support and subject to the agreement of the Secretary of State, it is proposed to continue with the 1% transfer from the Schools block to the High Needs Block in 2022-23.

Local Funding Formula Factor and Rate Changes for 2022-23

- 4.7 The two remaining questions focused on changes that could be made to the formula factors in Kent's Local Funding Formula (LFF) if there was continued support for the 1% transfer. 59% of respondents favoured the approach to continue with the current Formula Factors and not introduce the mobility factor and 51% of respondents agreed with proposal to increase the Minimum Funding Guarantee by 0.5%. The Schools Funding Forum also unanimously agreed with these outcomes.
- 4.8 If there had not been support for the transfer, the proposal would have defaulted to the mirroring of the National Funding Formula rates as closely as possible. This is in line with the overall guiding principle agreed by the schools and the Schools Funding Forum in previous years.
- 4.8 The mobility factor is provided to those schools where they have a high number of children starting on non-standard dates in the last three years. The impact of the introducing this factor would not have made a significant difference to the majority of schools and where they were eligible the amount provided was relatively low. Therefore, the proposal is to stick with the principles of Kent's Local Funding Formula for a further year and distribute increases in line with national increases as supported by both schools and the Schools Funding Forum.
- 4.9 A similar approach is also proposed for the minimum funding guarantee rate. The minimum funding guarantee rate sets the minimum percentage level the per pupil funding for each school must increase by each year. In previous years, Kent has favoured to apply the minimum level the DFE allows, in this case 0.5% as it is viewed as a mechanism to provide higher levels of funding for some schools in Kent based on historic circumstances. The proposal is to maintain this position for a further year.

5. Financial Implications

- 5.1 All funding proposals associated with the Schools' Local Funding Formula proposals are made within the total school block available for distribution in 2022-23. The Government requires the full school block to be distributed to schools, except where a block transfer has been agreed.
- 5.2 The final rate values may vary for affordability purposes as all proposals in the consultation document are based on modelled data.

6. Legal implications

- 6.1 There are no legal implications, but the Council is required to set the schools budget in accordance with Education Act 2002 and the Conditions of DSG Grant 2022-23. .

7. Equalities implications

- 7.1 An equalities impact assessment has been completed and is included as part of the consultation documentation. There were no adverse impacts identified.

8. Other corporate implications

8.1 This does not have an impact on other areas of the Council.

9. Governance

9.1 Corporate Director for Children, Young People and Education will be delegated responsibility to enact the decision and to make any further necessary changes to funding rates in light of any final affordability issues.

10. Alternatives considered

10.1 The alternatives to the recommendations within this paper are set out as part of the consultation and have been referenced in the body of this report.

11. Conclusions

11.1 The estimated increase of £23m to the funding rates for Kent schools in 2022-23 reflects an average increase of 2.8% per pupil. This is the final year of a three-year spending commitment to increase schools' budgets. It represents a significant increase (on top of the 2018-20 increases) and starts to improve the funding provided to Kent, which has traditionally been a lower funded Education Authority.

11.2 The Government requires schools to be consulted on an annual basis regarding any proposed changes to Local Funding Formula and the request to transfer funding from the school's block to high needs block. The consultation sought views as to whether to replicate the methodology used in setting school budgets in 2021-22 and continue to recognise and address areas of local concern or move further towards the National Funding Formula and therefore no longer reflect the local circumstances in Kent. It is recognised the request to repeat the transfer of 1% from the schools to high needs block to support inclusive practices in schools is particularly sensitive, but if we did not it would mean we are not exploiting all options open to us to do all that we can to help manage this significant high needs budget challenge.

11.3 The Schools Funding Forum considered the feedback from the schools' consultation in reaching their position on the principles of the schools' budgets for 2022-23 and this has been reflected in the recommendations put forward in this paper to continue with the same methodology in setting the Local Funding Formula for 2022-23. The Cabinet Member for Education & Skills will be asked to make this decision in January in readiness for formal publication at the end of February 2022.

12. Further Update:

12.1 Since the presentation at the Children's, Young People and Education Cabinet Committee on 11th January, additional information on schools' budgets has been confirmed by the Department of Education and recommendations discussed with the Schools Funding Forum on 20th January 2022.

- 12.2 The Department of Education has confirmed the Local Authority funding basis for the Early Years Block for 2022-23. The funding rate for Free Entitlement provision will increase by 17p for three- and four-year olds and 21p for two-year olds (average 3.6% increase). The Early Years Pupil Premium and Disability Access Fund rate paid for eligible children is also expected to rise from 53p to 60p per hour and £615 to £800 per year, respectively.
- 12.3 Local Authorities are responsible for setting the early years funding rate paid to providers for free entitlement and the recommendation is pass in full the funding rate increase of 17p and 21p paid to local authorities directly providers by increasing the base rate paid three- and four-year olds and two-year olds. This ensures all providers benefit from this increase. Supplements added to the base rate for deprivation and quality will remain unchanged for 2022-23. The Schools Funding Forum endorsed these recommendations.
- 12.3 Section 2.4 of this report summarised the Government’s intention to provide a separate Supplementary Grant to primary and secondary schools, in addition to the School Budget. This was intended to support the costs of the Health and Social Care Levy and wider costs which were not taken account for when the schools block settlement was announced in July. The Department of Education have now confirmed the total value of this supplementary grant totalling £1.2 billion nationally, and Kent schools are expected to receive approximately £33m. When this is added to the school funding increases announced in the Summer (Section 2), the average funding rate increase per pupil is expected to rise between 5-6%.
- 12.4 Supplementary grant funding will also be added to the High Needs block allocation bringing the total value of High Needs funding from £248m in 21-22 to £282m in 2022-23, an overall increase of £33m or 13%. This is still insufficient to meet the current in-year deficit on the High Needs block which is forecast to be £42m in 2021-22, therefore any funding increases have to be balanced between adding further pressure to the High Needs block and recognising inflationary pressures that SEN education providers are facing including the increase in national insurance, expected rise in teachers’ and support staff salaries along with wider energy costs. The Department of Educations have set out its expectation of “significant but sustainable” increases for experienced teachers from September 2022, whilst also making significant strides towards a minimum starting salary of £30,000. Discussions with the Schools Funding Forum have been reflected in the Cabinet Member decision.
- 12.5 Following support from both Schools and the Schools Funding Forum the disapplication was sort from the Secretary of State to transfer 1% (£10m) from the Schools to the High Needs Block (as outlined under 4.1 to 4.6). KCC was formally notified of agreement to this transfer on 19th January 2021.

9. Recommendation(s): *select relevant wording from below:*

- 9.1 The Cabinet Member for Education & Skills is asked to take the decision to implement the proposals set out within the Kent Schools’ Local Funding Formula 2022-23 consultation attached as appendix A

10. Background Documents

- 10.1 The Kent Schools' Local Funding Formula 2022-23 Consultation documentation can be found in the link below:
www.kent.gov.uk/schoolfundingconsultation.

11. Contact details

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