

From:

Sarah Hammond, Corporate Director of Children, Young People and Education

To: **Rory Love, Cabinet Member for Education and Skills**

Subject: **School Funding Arrangements for 2023-24**

Decision Number and Title **23/00006 - Changes to the KCC local funding formula for schools**

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 – 17th January 2023

Future Pathway of report: Executive Decision

Electoral Division: ALL

Summary:

The Government has confirmed the funding allocations for schools' funding including primary & secondary schools, early years and high needs (Special Educational Needs) for 2023-24. Kent County Council will receive an additional £40m of Schools Block Dedicated Schools Grant in 2022-23 to distribute to Kent primary and secondary schools (and academies via the Education and Skills Funding Agency). Along with nearly £30m for high needs and just under £5m for early years free entitlement. Local Authorities remain responsibility for agreeing the distribution of funding to schools and educational establishments in accordance with the Government guidance.

The distribution of funding to primary & secondary schools is calculated through the operation of a Local Funding Formula (LFF) and this paper predominately advises Members 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. This paper is an opportunity for Members of this Committee to comment on these proposals ahead of a key decision being taken by the Cabinet Member in February.

Recommendation(s):

The Cabinet Member for Education & Skills is asked to take the proposed decision to implement the proposals set out in 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. Since 2018-19, the *soft* National Funding Formula (NFF) was introduced, whereby Local Authorities were able to distribute the total funding they received from the Department of Education (DFE) for primary and secondary schools in their area through a Local Funding Formula (LFF) using a prescribed list of factors set by the DFE.
- 1.2 Local Authorities are also responsible for setting the payment rates to early years providers for Free Entitlement Rates for both two-, three- and four-year olds along with the funding rates to support Special Educational Needs across early years, schools and post 16 providers.
- 1.3 In 2021, the Chancellor set out details of the future planned spending levels for schools' including further funding of £4.7 billion by 2024-25. On 19 July 2022, the Chancellor confirmed the intention to honour this increase in school funding by £1.5 billion in 2023-24, of which £570m will be targeted to the High Needs block. Furthermore, on 17th November, the Chancellor announced a further £2.0 billion will be invested in schools (of which £400m will be invested in high needs) from 2023-24 bringing the total increase in school funding in 2023-24 to £3.5 billion.
- 1.4 On the 16th December, the Government also announced the intention to increase the overall funding available for Early Years Entitlements by a total of £200m by 2023-24, of which approximately £144m was new funding (equivalent to 3.8% increase) and £56m was funding previously received as a separate grant.
- 1.4 The Council must now decide how the Kent's LFF for schools, early years providers and special educational needs payments should change from 1 April 2023 taking into account views from both schools and the Schools Funding Forum.
- 1.5 The Schools Funding Forum is a statutory body made up of a representative group of headteachers, governors or other senior members of staff (i.e. school finance manager) within Kent schools including academy trusts, maintained schools, primary, secondary and special schools. Along with Post 16 and Early Years providers.

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 2023-24 announced in December are set out in table 1 below:

Table 1: Indicative Dedicated Schools Grant Block Amounts (estimated in July 2022)

Schools Block (SB)	High Needs Block (HNB)	Early Years Block (EYB)	Central Schools Services Block (CSSB)
£1,202.121m	£311.984m	£97.919m	£11.852m

- 2.2 The School Block allocation is the funding available for primary and secondary school core budgets. The 2023-24 allocation has recently been updated to reflect the latest pupil numbers as recorded on the October 2022 school census confirming a total increase of £40.2m compared to 22-23 comparative level of which £16.5m reflects increases in pupil numbers and £24.0m relating to general increases in funding rates (equivalent to approximately 2% per pupil increase).
- 2.3 This paper and the associated consultation with schools focused on the distribution of the additional £24m through the Local Funding Formula in 2023-24.
- 2.4 In addition to their core school budget, schools will also receive a separate Grant called “Mainstream Schools Additional Grant” for 2023-24 to distribute the additional funding announced as part of the Autumn 2022 spending review (part of the £2.0 billion). Schools will have the flexibility to prioritise the spending of this grant to best support the needs of their pupils and staff and to address cost pressures. This funding will be distributed at standard rates based on pupil numbers and number of children eligible for free school meals. It is intended this funding will be incorporated into the core schools’ budget in future years. Modelling suggests this will increase primary & secondary school funding by a further c3.5% per pupil (therefore primary & secondary school funding will increase by approximately 5.5% in total for 2023-24).
- 2.5 Over the past year the Government has confirmed its intention to complete its ambition whereby schools’ budgets (for primary and secondary schools) will be set based on a single, national formula rather than each Local Authority being responsible for setting their own Local Funding Formula (LFF) to distribute School funding in their area. This is expected to be completed by 2027-28 and, to ensure a smooth transition for schools, the Government will increasingly tighten the restrictions on Local Authorities when setting their Local Funding Formula from 2023-24. For example: in 2023-24, all local Authorities must include all NFF factors in their local formulae (except the locally determined premises factors) and must also move closer to the NFF rates. The consultation document includes a list of NFF factors that must be used in the schools funding formula for 2023-24 (<https://letstalk.kent.gov.uk/kent-school-funding-formula-2023-24>).
- 2.6 Following the 2022 Autumn spending review and subsequent announcements just before Christmas, the High Needs Funding allocation for Kent is now expected to increase by a total of £29.8m in 23-24 to £311m, £12.1m higher than the original announcement in July. The Government is mandating all local

authorities to increase the funding rates for 2023-24 by a minimum of 3.4% for all maintained & academy special and alternative provision (AP) schools, based on the number of places being funded in 2022 to 2023.

- 2.7 The Department of Education also confirmed on 16th December, the Local Authority funding basis for the Early Years Block for 2023-24. Kent's indicative allocation is due to increase by £4.7m, equivalent to 5.1% (compared to the equivalent figures for 2022-23). This includes the hourly funding rates for Free Entitlement for two-, three- and four-year olds increasing by 5%. Along with the Early Years Pupil Premium and Disability Access Fund rate paid for eligible children increasing by 3.3% and 3.5% respectively. The Department have also rolled in the funding for historic teachers' pay & pension grants along with updating the calculation for the maintained nursery schools supplementary funding equivalent to just under a 20% increase.

3. Schools (Primary & Secondary) Funding Formula Consultation Proposals for 2023-24

- 3.1 The Kent Schools' Local Funding Formula 2023-24 consultation was launched during November to coincide with the wider Headteacher briefings that took place during this time. 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: <https://letstalk.kent.gov.uk/kent-school-funding-formula-2023-24>.
- 3.2 The consultation document contains full details of the proposals.
- 3.3 The consultation contained proposals focused on:
- a) Areas of local concern
 - b) Changes to funding factor factors and funding rates
- 3.4 In recent 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 2023-24 to help to fund SEN Support Services in mainstream schools.
- 3.5 The consultation also sought views as to how we should set our Local Funding Formula for 2023-24 and whether we:
- continue to replicate the principles of current formula used in previous years by mirroring the NFF rates for all factors except Ever6FSM, basic entitlement and mobility factor which are reduced (along with setting the minimum funding guarantee at lowest allowable value) to fund the High Needs transfer & Falling Roll Fund, or
 - move to an approach where we move closer to the NFF and mirror the NFF factors & rates as closely as possible by applying a more equal

reduction to all factor rates within the formula to fund the High Needs transfer & Falling Roll Fund? This also included the possibility of reducing the protection valve factors.

- 3.6 The consultation results were shared with the School Funding Forum on 6th December where their views and recommendations were also sought.

4. Schools Funding Formula Consultation Results 2023-24

- 4.1 Appendix A 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 924 visitors to the website with 250 unique responses, with 189 out of 459 primary schools responding, 47 out of 101 secondary & all-through schools and 6 out of 24 special schools. There were also 8 responses where their school type was not identified. The response rate was significantly higher than in previous years.

- 4.2 There were 17 members present at the Schools Funding Forum meeting on 6th December. The meeting was quorum.

1% Transfer from Schools to High Needs Block

- 4.1 The first 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 the funding of SEN support services in mainstream schools. 86% of respondents agreed with this approach. 16 members of the Schools' Funding Forum agreed with the proposal and one abstained.
- 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 the consultation document (Appendix 3). 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 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 2022-23 the forecast grant shortfall is £46m. 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. The DfE have also invited the Council to take part in the Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery; this may include further funding from the DfE to pay off part of the deficit but only if the Council can demonstrate a credible plan for future financial sustainability.
- 4.4 The Government published its long-awaited SEN Green Paper in 2022 which sets out the Government's proposed reforms to the SEND and alternative provision (AP) system, which in part, is expected to support a more sustainable

high needs funding system. The implementation plan is due to be published in Spring 2023 although it is recognised this unlikely to have an immediate effect and there will still be a requirement for local actions. The consultation on future National Funding Formula for setting Schools' budgets also confirmed the Government's intention to allow continued flexibility to transfer funding from core schools funding to LA's high needs budgets to support deficit recovery measures. Therefore, similar requests are likely to be considered in the future whilst the High Needs budget returns to a more sustainable position.

- 4.5 It is important to note, we are only proposing to transfer the same proportion of funding 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 we are intending to pass any extra funding from the 2023-24 settlement 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 2023-24.

Local Funding Formula Factor and Rate Changes for 2022-23

- 4.7 The second question focused on proposed changes to the formula factors in Kent's Local Funding Formula for primary and secondary schools (LFF) if there was continued support for the 1% transfer. The views from the schools were less conclusive than the first question with a more equal split across the 3 options proposed. 78 (31%) of respondents favoured continuing with the current formula. A total of 151 (60%) of the respondents supported either option 2 or 3 favouring a move away from the current approach by reducing all factor valves more equally to fund the 1% transfer. Of which, slightly more of the respondents (85 of 151) favoured reducing all factors including the protection factor valves (minimum per pupil funding level and minimum funding guarantee, see point 4.9 for further details).
- 4.8 Based on the results on the school's consultation the Schools Funding Forum agreed to formally vote on Scenario 3 (all factor valves reduced including protection factor valves) of which 14 members of the Schools' Funding Forum agreed with the proposal, 2 disagreed and one abstained.
- 4.8 If the transfer is ultimately not supported, the proposal would have defaulted to 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 In recent years, the Local Authority has taken the approach of ensuring Kent's formula rates increase in a similar way to the National Funding Formula (i.e. if a NFF rate increase by 2% then we increase equivalent local funding formula rate by 2%) – this has meant that some schools are now closer to the National Funding Formula than others, and there is a more variable contribution by individual schools towards the funding of the High Needs Transfer (ranging from 0% to 3.5% of their total school budget). By aligning the formula to follow NFF rates more closely would ensure schools will be contributing more equally, when compared to the budget allocation they would receive through the NFF.

- 4.9 In addition, the funding formula includes 2 protection factors, which allocate further funding to a school budget, to ensure all schools receive either a minimum amount of funding per pupil (MPPL) or minimum percentage annual increase (minimum funding guarantee, MFG). These protection factors will “top-up” a school budget when the budget calculated on the characteristics of a school is lower than these protection thresholds. By including a reduction to these protection factors, in the same way as the other factor valves, would ensure all school budgets contribute towards the funding of the High Needs Transfer. The reduction to the MPPL would be subject to Secretary of State approval.
- 4.10 There were representations from both sides at the Schools Funding Forum on whether the protection valves should be reduced or not, particularly in relation to the minimum per pupil funding level. The Government will be increasing the Minimum Per Pupil Funding level in the National Funding Formula by 0.5% in 2023-24 (unlike other factors which will increase by 2-5%) therefore by applying a reduction to this factor will mean that school budgets whose funding is determined by the protection factors will not get an increase in their core school budget for 2023-24. There were also concerns this approach undermined the principle of the formula. Conversely there was also support for collective responsibility and the need for all schools to contribute to transfer.
- 4.11 The proposal is to reduce the minimum per pupil level by 0.5% whilst other factors will be reduced by c1.5% compared to the NFF rates. In addition, the Mainstream Schools Additional Grant will ensure all schools will receive an uplift in funding in 2023-24. Final allocations are yet to be published but modelled data suggest schools should get at a further 3% average increase in per pupil funding for 2023-24. This will be received separately to the core budget.
- 4.12 With the Schools Funding Forum support, and subject to the agreement of the Secretary of State, it is proposed that if the 1% transfer is agreed the Local Funding Formula for primary and secondary school budgets will be set by moving closer to the National Funding Formula (NFF) and reducing all NFF factor values more equally including the protection Factor Values (the minimum per pupil funding level and minimum funding guarantee) in 2023-24.

5 Other Formula Rate Proposals 2023-24

- 5.1 Due to the timing of funding announcements for both Early Years Block and High Needs (Special Education Needs) Block, consultations with the Schools Funding Forum on the proposed rates will take place at the beginning of February, ahead of Cabinet Member taking Key Decision. Key considerations will include:

Early Years Funding Formula Rates 2023-24

- 5.2 Following confirmation of funding increase proposals will include how the teachers pay and pension grants, previously received as a separate grant, should be incorporated into the main Early Years Funding Formula; any further changes required to the maintained nursery funding agreement and overall uplifts to the basic rate.

High Needs Funding Formula Rates 2023-24

- 5.3 The total value of High Needs funding is expected to increase by nearly £30m from £282m in 22-23 to £311m in 2023-24, an increase of nearly 11%. This is still insufficient to meet the current in-year deficit on the High Needs block which is forecast to be £46m in 2022-23. The High Needs budget is used to fund payments to top up funding to mainstream schools & post 16 providers for individual children with SEN, Specialist Resource Provisions, Special Schools Funding. Any standard funding rate increases for educational providers 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 rise in teachers' and support staff salaries along with wider energy costs (including the Government's commitment to reach £30,000 starting salary for teachers). The Government has also stipulated special school rates must increase by at least 3.4% for 2023-24.

6 Financial Implications

- 6.1 All funding proposals associated with the Schools' Local Funding Formula proposals (primary & secondary schools) are made within the total school block available for distribution in 2023-24. The Government requires the full school block to be distributed to schools, except where a block transfer has been agreed.
- 6.2 Similarly, all funding proposals linked to the Early Years block are expected to be made within the estimated total Early Years Block available for distribution in 2023-24. The Government only expects 95% of budgeted block to be passported to early years providers to deliver the government's free entitlements.
- 6.3 The High Needs Block is significantly overspent and therefore all proposals must consider the financial impact and subsequent savings that will need to be achieved to meet any commitments to increase funding rates to support children with Special Educational Needs.
- 6.2 The final rate values may vary for affordability purposes as all proposals in the consultation document are based on modelled data.

7 Legal implications

- 7.1 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 2023-24. School Budgets must be published by 28th February of each year and the Early Years funding rates must be published by 31st March for the forthcoming financial year.
- 7.2 The Schools Funding Forum generally have a consultative role whose composition, constitution and procedures of schools forums are set out in the Schools Forums (England) Regulations 2012 (S.I. 2012/2261) (as amended).

8 Equalities implications

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

9 Other corporate implications

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

10 Governance

10.1 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.

11 Alternatives considered

11.1 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.

12 Conclusions

12.1 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 2022-23 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 fund SEN support services 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.

12.2 The Schools Funding Forum considered the feedback from the schools' consultation in reaching their position on the principles of the schools' budgets for 2023-24 and this has been reflected in the recommendations put forward in this paper to move closer to the National Funding Formula when setting the Local Funding Formula for 2023-24 and seeking approval from the Secretary of State for both the 1% transfer and to reduce the minimum per pupil funding level.

12.3 The Schools Funding Forum will be consulted on the principles for setting Early Years Funding Formula and any standard inflationary increases for rates paid from the High Needs Block. The Cabinet Member for Education & Skills will be asked to make this decision in early February in readiness for formal publication at the end of February 2023.

13 Further Update

13.1 Since the presentation at Cabinet Committee on 17th January, additional information on schools' budgets has been confirmed and recommendations

discussion with the Schools Funding Forum on 3rd February 2023. The Schools Funding Forum endorsed all recommendations set out in sections 13.2 to 13.6.

Early Years Funding Formula 2023-24

- 13.2 Background is provided in section 2.7 & 5.2. Local Authorities are responsible for setting the early years funding rate paid to providers for free entitlement and the recommendation is to pass in full the funding rate increase of 24p and 29p paid to local authorities directly providers by increasing the base rate paid three- and four-year olds and two-year olds respectively. This ensures all providers benefit from this increase.
- 13.3 In addition, the full the funding received from the mainstreaming of the TPPG grants will be passed to providers through increasing the Quality Supplement Rate for those settings with a nominated leader with a Qualified Teacher Status and employed on and paid under the Statutory Teachers' Terms and Conditions by increasing the rate from 90p per hour to £1.05 per hour. Supplements added to the base rate for deprivation and Quality Supplement (qualified staff not employed under Teachers terms & conditions) will remain unchanged for 2023-24. This continues the Council's approach to pass on (in full) the additional funding given by the Department of Education to providers.
- 13.4 In the past two years the criteria for the Disability Access Fund has been extended to include two-years old (in addition to the statutory requirement for three and four year olds) based on affordability. The affordability of this proposal has been reviewed and the recommendation is to continue to provide the age extension to this offer, with a future review date of 2025-26.

High Needs Funding Formula Rates 2023-24

- 13.5 Background is provided in sections 2.6 & 5.3 and following discussions with the Schools Funding Forum have been reflected in the Cabinet Member decision including providing a 4.3% uplift to all high needs funded formula budgets and increasing the threshold for access to the additional mainstream top up funding (also known as the SEN Notional Budget top Up) from 28% to 40% of a schools notional SEN budget to better align the criteria with the DFE guidance.

Primary & Secondary Schools Funding Formula 2023-24

- 13.6 Following support from both the Schools and Schools Funding Forum the dis-applications outlined in section 4 has been agreed by the Secretary of State.

14 Recommendation(s):

- 14.1 The Cabinet Member for Education & Skills is asked to take the proposed decision to implement the proposals set out in appendix A.

14 Background Documents

10.1 The Kent Schools' Local Funding Formula 2023-24 Consultation documentation can be found in the link below:

<https://letstalk.kent.gov.uk/kent-school-funding-formula-2023-24>.

15 Contact details

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