

From: **Keith Abbott, Director, School Resources**

To: **Education and Young People Services Cabinet Committee –
22 April 2014**

Subject: **DfE consultation “Fairer funding in schools 2015/16”**

Classification: **Unrestricted**

Electoral Division: All

Summary: This report informs the Committee of the DfE consultation on “Fairer funding in schools 2015/16”.

Recommendation:

The Education and Young People Services Cabinet Committee is asked to consider the information provided on the consultation.

1. Background

- 1.1 In 2010 the DfE made it clear that they intended to move towards a National Funding Formula (NFF) for schools. Changes introduced by the DfE in April 2013 were a substantial move in that direction and were the most significant changes to be introduced to school funding since Local Management in 1990/91. As Members will be aware from previous reports the changes introduced in 2013/14 severely restricted the number of factors that Local Authorities (LAs) and their Schools’ Funding Forum (SFF) can have within their formula to just 10 factors. It has resulted in more than 90% of a school budget being based upon pupil numbers and other related factors. This has removed almost all local authority discretion through those factors which had been developed in Kent with the Schools’ Funding Forum over many years to meet specific local needs and circumstances. As predicted this ‘simplification’ of the budget is having a detrimental impact upon a number of schools coming at a time of very low rolls in the secondary sector and considerable financial constraint. KCC is unable to help in these situations, as was the case with the previous funding arrangement. We are now in our fourth year of ‘flat cash’ settlements for schools, which also means that funding has in effect reduced in line with inflation and cost pressures such as energy.
- 1.2 The DfE had indicated that there would be further consultation before Christmas 2013 on the move towards implementing the NFF in 2015/16. This was delayed until late March 2014 when the DfE issued a consultation ‘Fairer funding in schools 2015/16’ but which was not the widespread consultation that LAs had been expecting. The consultation made it clear that the move towards a National Funding Formula would need to be tied into the next

Comprehensive Spending Review round. Consequently, the earliest that changes to school funding can be introduced is now 2016/17. The DfE did however accept that there was a case to improve the funding of schools in those authorities described by the DfE as 'the least fairly funded'. It announced that £350m of additional funding would be made available in the Dedicated Schools Grant (DSG) to schools in those authorities who were not being 'fairly funded'.

2. The consultation

2.1 The consultation is not the wide ranging one that was expected and it focuses solely on a set of proposals on how this new money should be allocated for 2015/16 only. Under current proposals 62 LAs will receive additional funding ranging from £24.8m for Surrey through to £01.m for Derby. Kent is one of those authorities whose DSG funding has always been towards the lower end of the national league table and as such we are a member of the F40 group – a pressure group of the worst funded LAs whose campaigning has been instrumental in persuading the DfE to look at the distribution of DSG and provide this one-off money for next year. However, although we currently rank 99th out of 151 LAs in terms of funding per pupil, and 62 LAs are likely to benefit from these proposals, Kent is not one of them. In common with some other members of the F40 group we will not receive any additional funding if this new money is allocated as currently proposed.

2.2 Whilst this consultation is limited to one-off funding for 2015/16 it does provide a clear indication of DfE thinking in terms of a NFF. The proposals for allocating the £350m are based upon minimum funding levels per pupil for the five following criteria:

- Age Weighted Pupil Unit
- Deprivation
- Looked After Children
- Low Attainment
- English As An Additional Language

These, together with changes to the lump sum available to each school and the sparsity factor, produce a minimum funding level per pupil for each authority. This has then been compared to the DSG (School Block) Guaranteed Unit of Funding (GUF) figure for each authority. Where the new minimum level is higher than the current Schools Block GUF then that authority will see an increase in its funding. In the case of Kent the new minimum figure is £4,276 per pupil but as our current Schools Block GUF is £4,367 Kent will not see any benefit from these changes.

3. The methodology

- 3.1 The current proposals have caused many LAs to contact the DfE to query their rationale. The Department has so far promised to make the data available shortly and respond to the queries. We have already raised our concerns with the F40 group who have identified the same fundamental problem that we have and are already discussing this further with the DfE.
- 3.2 The distribution of DSG between LAs has been an issue since it was created in 2006. Despite numerous changes to school funding no government has been prepared to look at this issue. It has been a flaw in every set of proposals and in common with other LAs it is something we have consistently highlighted in our responses to DfE funding consultations over many years. Since its creation it has been uplifted to address DfE priorities, inflation (though not in recent years) and the mainstreaming of specific grants, but from the outset it failed to reflect relative needs between LAs. The “spend plus” approach over the past 8 years has simply distorted that further.
- 3.3 Until 2013/14 there was a single GUF for each authority (£4,885 per pupil for Kent) and the DSG was simply an overall block of school and pupil related funding. The changes introduced by the DfE in April 2013 required all LAs to split the DSG into three funding blocks:
- Schools
 - Early Years
 - High Needs (SEN in effect)

Whilst the overall funding did not change (Kent still receives a GUF of £4,885 per pupil) this new system created separate GUFs for these three blocks and it is the Schools Block figure that the DfE have used for the purposes of comparison to the new minimum funding levels. The key weakness in this is that the Schools Block is, to all intents and purposes, the figure delegated to schools with a very small element of centrally retained budgets. However, if an authority retains centrally a high proportion of SEN funding that (under the new regulations) has to be allocated to the High Needs Block even if the funding is paid out or devolved to schools during the year. So, LAs with a lower level of delegation would generally have a lower GUF in the Schools Block and higher amounts within the Early Years and High Needs Block. As such they are likely to benefit from the new additional funding proposals.

- 3.4 From what we can see Kent is being penalised for having a high level of delegation to schools that includes much of the SEN activity still retained centrally by some authorities. The table below demonstrates the impact of this comparing Kent to Surrey and Bromley whose DSG GUF in 2012/13 was broadly similar to our own.

3.5 The table shows that although the three LAs share overall similar funding the outcome of the proposals is markedly different and would appear to be hugely influenced by how funding has been split across the three new DSG funding blocks. That split is largely driven by the degree and nature of the budgets delegated to schools or retained centrally. Given the changes introduced in April 2013 this mainly reflects the way in which SEN budgets are managed locally. Kent delegated a lot of SEN budgets/activity to its schools many years ago and has continued to do so. It would seem that we are now being penalised for delegating more to schools – something that has been in line with the policies of successive governments over the past 20 years and which has acknowledged the desire of Kent schools to have greater control and autonomy.

	Kent	Surrey	Bromley
	£s per pupil	£s per pupil	£s per pupil
2012/13 Overall GUF (same for 2014/15 because of “flat cash”)	4,885	4,804	4,944
Funding transferred to new Early Years and High Needs Blocks as result of 2013/14 funding changes	-518	-708	-862
2013/14 Schools Block GUF as a result of the 2013/14 changes	4,367	4,096	4,082
DfE Minimum Funding Level for 2015/16	4,267	4,282	4,534
Per pupil increase for 2015/16	0	186	461
% Increase per pupil for 2015/16	0	4.5%	11.3%
Total increase in DSG for 2015/16	0	£24.8m	£19.1m

4. Next Steps

4.1 The consultation closes on 30 April 2014. At the time of preparing this report we are awaiting further information from the DfE and the outcome of the work being undertaken by the F40 group before finalising our response. A draft response will be shared with the Schools’ Funding Forum following our presentation to them on 21 March as at that meeting they indicated that they would like some support in framing their own response as it will be in line with that which we intend to submit.

- 4.2 Our proposed response will broadly welcome the additional funding and recognition of the challenges faced by LAs with poorer funding but it will also highlight the issues about the methodology proposed and the fundamental flaw within it. We will also take the opportunity to raise again our concerns over the impact of some of the changes made in April 2013 and press again for the return of some local discretion in respect of the formula.

5. Recommendation

Recommendation:

The Education and Young People Services Cabinet Committee is asked to consider the information provided on the consultation.

6. Background Documents

- 6.1 DfE Consultation on school funding reform: Proposals for a fairer system

<https://www.education.gov.uk/consultations/downloadableDocs/July%2011%20Consultation%20on%20School%20Funding%20Reform%20FINAL.pdf>

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