

## **Title of report: National Funding Formula Update 2022/23**

**Meeting: Herefordshire schools forum**

**Meeting date: Friday 24 September 2021**

**Report by: Strategic Finance Manager**

### **Classification**

Open

This is not an executive decision

### **Wards affected**

(All Wards);

### **Purpose**

To seek the views of the forum on local and national school funding issues, including the recommendations of the budget working group (BWG) on the following matters:

- Herefordshire schools budget 2022/23 including schools consultation paper
- Fair funding for all - government consultation paper 7 July 2021
- High needs budget 2022/23

### **Recommendation(s)**

That:

- a) **the initial budget proposals for 2022/23 for schools and high needs be approved for consultation with schools during the autumn term;**
- b) **the Budget Working Group's proposed response to the DfE consultation paper be approved for submission by the due date of 30 September**

### **Alternative options**

1. Alternative options will be fully considered by the BWG prior to the BWG formulating final budget recommendations for consideration by Schools Forum in January 2022. At this stage only a preliminary view has been sought in order to determine how the budget proposals can be developed further. The high needs budget will require further detailed

work following the expected DfE funding announcement in mid-December 2021 and recommendations will be agreed by School Forum in March 2022 prior to a formal decision by the Cabinet member for Children's and Families.

## Key considerations

2. In July the DfE announced provisional funding allocations for 2022-23 through the schools, high needs and central school services national funding formulae (NFF). The allocations distribute the final year of the three-year school funding settlement that the Secretary of State for Education announced to Parliament on 3 September 2019. Core school funding increased by £2.6bn in 2020-21, and is increasing by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2019-20.
3. These allocations are part of the normal annual funding cycle and are separate to the other major interventions made to support education recovery in response to the COVID-19 pandemic – over £3bn in total funding support for recovery that will be provided on top of the Dedicated Schools Grant allocations for local authorities and schools.
4. In summary, funding through the schools NFF is increasing by 3.2% overall in 2022-23, and by 2.8% per pupil. The NFF will distribute this funding based on schools' and pupils' needs and characteristics. The main features in 2022-23 are:
  - The core factors in the NFF (such as basic per-pupil funding, and funding for additional needs such as deprivation) will increase by 3%.
  - The funding floor will ensure that every school is allocated at least 2% more pupil-led funding per pupil compared to its 2021-22 NFF allocation.
  - The minimum per pupil funding levels will increase by 2%, compared to 2021-22. This will mean that, next year, every primary school will receive at least £4,265 per pupil, and every secondary school at least £5,525.
  - Support for small and remote schools (through the “sparsity” factor) will receive a further increase. In 2022-23 the additional funding that such schools can attract is rising to up to £55,000 for primary schools, and up to £80,000 for secondary schools – in both cases, a £10,000 increase from 2021-22. DfE are also moving to using road distances instead of straight line distances when measuring a school's remoteness. This will significantly increase the number of schools attracting this funding. As a result, the funding allocated through the sparsity factor is increasing from £42 million in 2021-22 to £95 million in 2022-23.
  - High needs funding is increasing by £780m, or 9.6%, in 2022-23 – following the over £1.5bn increase over the last two years. This brings the total high needs budget to £8.9bn, an increase of over a third since 2019-20. The high needs NFF will ensure that every local authority receives at least an 8% increase per head of population, with some authorities seeing gains of up to 11%. This vital extra resource will continue to help local authorities manage their cost pressures in this area, while the government remains focused on completing the cross-departmental review of the SEND system to ensure

that it supports children and young people with SEND as efficiently and effectively as possible.

- Central school services funding funds local authorities for the ongoing responsibilities they continue to have for all schools. The total funding for ongoing responsibilities is £284 million in 2022-23. In line with the process introduced for 2020-21 to withdraw funding over time based on the historic commitments local authorities entered into before 2013-14, funding for these historic commitments will decrease by 20%.
- These provisional NFF allocations will be updated, based on the latest pupil data, to produce final allocations in December that local authorities will receive through the Dedicated Schools Grant.
- Local authorities will continue to use that funding to determine final allocations for all local mainstream schools. In parallel with the changes being implemented for 2022-23, the Government is in the process of consulting on the completion of the reforms to the schools NFF in the longer term – whereby funding allocations for individual schools are determined by one single national formula, rather than 150 separate, different, local authority formulae.

## **DRAFT SCHOOL BUDGET CONSULTATION PAPER**

5. The draft consultation paper sets out the proposed schools budget strategy for 2022/23 as follows:
  - Fully fund schools at the National Funding Formula values
  - Transfer funding to high needs block to continue funding the SEN protection scheme
  - Within the high needs block, fund increases in independent schools, add an inflation rise to top-up tariffs particularly for special schools, get a good fix on Beacon College costs
  - Use any surplus in the high needs block to top-up DSG reserves
6. The draft schools consultation paper is attached as Appendix 1 and provides greater detail of the funding support necessary from schools to continue the SEN protection scheme. The response form is attached as Appendix 2.
7. The DfE's paper "Fair school funding for all: completing our reforms to the National Funding Formula - Government consultation" is attached as appendix 3.

## **HIGH NEEDS BLOCK STRATEGY 2022/23**

8. Herefordshire continues to be one of few councils nationally that has not accumulated a high needs deficit and has been provisionally allocated an increase of approx £2m in high needs funding for 2022/23. Initial proposals are to set a balanced budget and to use this extra funding for additional high needs cost pressures of £0.75m in independent school

placements, inflationary increase for top-up tariffs and increases in special school places. Further work on the high needs budget will be undertaken during the autumn term with the Budget Working Group.

9. Initial expenditure forecasts for 2021/22 indicate that expenditure on high needs is likely to be £144k over budget for 2021/22 although it is too early to be certain as further pupil placements for independent schools and complex needs are always possible.
10. It is intended to use the additional £2m funding mainly to support the new Beacon College, which will require further work to confirm the necessary funding, restructuring support for the PRU (split site allowance £38k and TLR protection £35k) full year costs of the nurture groups (£100k plus £20k support from the behaviour team ) and inflation on tariffs A-F and some growth in post-16 places, MFG for special schools (provisionally £100k), growth in places and top-ups in special schools, resource units and potentially hospital places.
11. These are very much initial proposals, and are subject to the final DSG settlement in December 2021 and dependent upon containing expenditure within the remainder of the financial year. However they do provide a base for the high needs budget for 2022/23 as follows

• No growth is proposed for complex needs places	£0m
• Growth in out-county independent school places	£0.75m
• Growth in special school and unit places	£0.2m
• Increases in tariffs A-C (2%) D-F(5%)	£0.585m
• Full year cost of nurture groups	£0.1m
• Additional PRU split site working costs and TLR protection	£0.1m
• Additional hospital places and top-up funding	£0.05m
• Additional post-16 places	£0.1m
• Growth in SEN protection scheme	£0.05m
• Beacon College – places and top-up funding - tbc	£0.25m
• Reinstate DSG reserves	£0.2m
• Total additional high needs expenditure 2021/22	£2.385m
• Expected increase in high needs block funding	£1.95m
• SEN Protection cost met by transfer from schools block	£0.435m

12. The SEN protection scheme was expanded to include secondary schools in 2020/21 and was supported by a transfer of £0.3m from the schools block in 2021/22. The cost of the scheme continues to grow, as estimated spend in 2021/22 is £440k so a budget increase of at least £50k will be needed for 2022/23. The scheme is hugely supported by schools and it is anticipated that a funding transfer to the high needs block of approx. £0.435m will be necessary to fund the SEN protection scheme.
13. Further detailed work will be undertaken on the high needs budget during the autumn term, particularly the 2022/23 cost implications for the Beacon College, and an updated budget

plan will be shared with the Budget Working Group at either the December or January meeting. The final high needs budget plan will be agreed with the Budget Working Group and Schools Forum in March 2022.

## **DfE's CONSULTATION PAPER "Fair school funding for all: completing our reforms to the National Funding Formula"**

14. This DfE consultation is seeking views on the approach to moving to a direct, "hard" NFF and how DfE can most effectively transition towards this completed NFF in the years ahead. This is the first stage of the consultation on a hard NFF: DfE plans to publish a second stage consultation with more detailed proposals, following feedback to this first consultation.
15. The consultation sets out the DfE's proposals and seeks respondents' views on the proposed scope for the hard NFF and the next steps for transitioning towards it as follows;
  - Section 3.1 sets out proposals for **the scope of the direct NFF**. In order to deliver on its fundamental aims, DfE propose that the aim should be that all NFF funding factors – pupil-led and school-led – are included in the hard formula and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further adjustments by Local Authorities.
  - Section 3.2 sets out proposals for **developing the schools NFF to support the direct NFF**. This particularly focuses on proposals for how to improve premises factors within the NFF in advance of the introduction of the hard formula, so that allocations are based on a consistent, objective assessment of current need, rather than the previous years' local spending decisions.
  - Section 3.3 sets out the **approach to funding for schools experiencing significant growth in pupil numbers**, such that these funding arrangements reflect the overall principles of a hard NFF – i.e. simple, transparent and fair.
  - Section 3.4 sets out the proposals for ensuring a **smooth transition for schools to the direct NFF**. DfE recognise that moving to the NFF will be a significant transition for schools in some areas, which is why DfE propose a careful and measured approach to its introduction, testing the impact at each stage. From 2023-24 DfE will begin to tighten those rules, so that schools' allocations through local formulae move closer to the NFF distribution, ensuring a smooth transition towards a hard formula and delivering a more consistent funding system.
  - Section 4 considers the important implications and interactions with wider aspects of the funding system. The funding system must respond to the respective roles that schools, academy trusts, and Local Authorities play in education. This will mean supporting a greater strategic role for trusts - recognising, in particular, their status as the key vehicles for school improvement – while supporting Local Authorities to deliver their remaining responsibilities and services, and ensuring a greater voice for schools in receipt of these services where appropriate.

- Section 4.1 sets out the continued importance of **multi-academy trusts' (MATs) ability to pool their funding** within the move to a hard NFF.
- Section 4.2 sets out proposals for reforming the approach to **funding for central school services** delivered by Local Authorities. It is crucial that the system for funding mainstream schools, and the move to a hard NFF, **supports effective special educational needs and disabilities (SEND) provision.**
- Section 4.3 sets out the **overarching implications that the move to a hard formula has for SEND provision** in mainstream schools and how moving to a hard NFF can help to deliver a strong and sustainable overall SEND system that supports pupils with SEND in mainstream schools. DfE will consult further on this crucial element of the overall funding system for schools in more detail following the publication of the SEND Review outcomes.
- Section 4.4 recognises the need to continue **local and national consultation in decision making**, though - as we transition to a hard formula - this will necessarily change. Section 4.4 sets out our proposals for how the role of schools forums will change as we move to a hard NFF and how national consultation will take place.
- Section 4.5, poses an open question on the potential value of **moving to a consistent funding year** across maintained schools and academies. Currently maintained schools are funded on a financial year basis and academies on an academic year basis, and we are keen to understand the appetite for a change in funding year for maintained schools, to an academic year basis, as part of the shift to a hard formula.

16. Schools Forum members are invited to comment and amend the proposed response to the DfE's consultation – attached as appendix 4.

## Community impact

17. Increasingly school and high needs funding is directed by government and the council can only allocate funding given by government. School governing bodies retain the responsibility to spend the school budget on meeting pupil needs. Schools, colleges and post-16 providers and potentially parents will need to be consulted on any changes to the high needs services.

## Environmental Impact

18. This is a consultation with Schools Forum on school and high needs funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the Council's Environmental Policy

## **Equality duty**

19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

20. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. In relation to school finance it is the responsibility of individual governing bodies to commit expenditure according to individual pupil need. Changes in high needs provision will require consultation with users and further advice from legal services will be sought should this be necessary. However the decisions of the school forum should have regard to this duty and the potential implications of any decisions made.

## **Resource implications**

21. The schools budget is fully funded by Dedicated Schools Grant (DSG). At this stage the financial assessment is indicative only pending the final DSG announcement by government in mid-December 2021.

## **Legal implications**

22. The Schools Forum is a decision making and consultative body in relation to matters concerning schools' budgets as defined in the School and Early Years Finance Regulations (2018) and the School Forums (England) Regulations 2010

23. The School and Early Years Finance (England) Regulations 2018 determine those matters on which the council must or may consult Schools Forum and those in respect of which the Schools Forum can make decisions. These Regulations make provision for the financial arrangements of councils in relations to the funding of schools.

24. This report complies with the legal requirements in this regard.

## **Risk management**

25. As the budget proposals are only indicative at this stage, the full risk analysis has not yet been undertaken.

## Consultees

26. No consultation has yet been undertaken with schools, early years providers or service Users. Consultation with schools on the schools budget will follow after School Forum's views have been included in the consultation paper.
27. The BWG was consulted 10 September 2021 regarding the schools budget consultation and reviewed the content of the draft consultation paper for schools and the accompanying response form and, subject to the inclusion of a note on the impact of the revised sparsity factor, no further changes were identified.
28. BWG agreed to consider the budget proposals further after the budget consultation with schools had been completed and the DfE had announced final DSG allocations. BWG agreed that the Schools Forum should consider the draft consultation paper at their next meeting on 24 September, before distribution to schools

## Appendices

- Appendix 1 – Herefordshire school budget consultation
- Appendix 2 – Herefordshire school budget consultation response form
- Appendix 3 – Fair school funding for all: completing our reforms to the National Funding Formula - Government consultation July 2021
- Appendix 4 – Proposed response to DfE Fair funding consultation

## Background papers

None identified

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

BWG Budget Working Group (of Schools Forum)  
CAMHS Children and Adolescent Mental Health Service  
DSG Dedicated Schools Grant  
DfE Department for Education  
EHCP Education Health Care Plan  
ESFA Education and Skills Funding Agency  
PRU Pupil Referral Unit  
H3 Home and Hospital Teaching Team (Hub, Home, Hospital)  
SEN Special Education Needs  
SEND Special Education Needs and Disability