



Subject Heading:

Schools Funding 2022-23

Report Author:

**Nick Carter – Principal Finance Officer
(Schools)**

Eligibility to vote:

All school and academy members

SUMMARY

This report provides details of the Consultation on Schools and High Needs Funding 2022-23 which closed on Tuesday 30th November. A summary of the consultation responses received from schools and academies will be presented at the meeting.

RECOMMENDATIONS

That the Schools Funding Forum:

- (i) considers the responses to the Consultation on Schools and High Needs Funding 2022-23 submitted by schools and academies
- (ii) considers whether any action is required following the results of the consultation and prior to Local Authority receiving final funding allocations from the Department for Education later this month

REPORT DETAIL

Consultation on Schools and High Needs Funding 2022-23

At the meeting held on 21 October 2021 the Schools Funding Forum received a report on the indicative Dedicated Schools Grant (DSG) Schools Block funding for financial year 2022-23.

The Local Authority presented two options for the distribution of funding to schools and academies. In the first of these options there would be no transfer of funds from the Schools Block to the High Needs Block, the Minimum Funding Guarantee would be set at 2.0%, the maximum permitted, and there would be no gains cap.

The second option included the transfer of 0.5% of the Schools Block to the High Needs Block, to facilitate an increase in high needs funding for schools. The Minimum Funding Guarantee would be set at 1.0% and there would be a gains cap of 2.5%.

Both options used the DfE's National Funding Formula Rates and both options allowed for a transfer of £681k to maintain funding rates for growth and falling rolls at the current levels.

The Schools Funding Forum agreed that the two options presented should form the basis of the consultation with schools and academies on funding for 2022-23.

The funding consultation was issued on 12th November 2021 with a closing date of 30th November. The closing date means that the responses could not be included on the agenda papers but could be reported at the meeting on 2nd December 2021.

The consultation document is shown at Appendix A and the response form at Appendix B.



Consultation on Schools and High Needs Funding 2022-23

Introduction

This consultation document proposes options for the allocation of funding to schools for the financial year 2022-23 through the funding formula and in support of pupils with high needs. Schools are asked to consider the funding options outlined and respond to the Local Authority for further consideration by the Schools Funding Forum.

At this stage, all figures used in the calculations are from the October 2020 Census, but with the National Funding Formula (NFF) rates that will apply in 2022-23 formula. The final calculation will be based on the October 2021 Census.

The DfE do not release the October 2021 Census data until late December 2021. Therefore LAs consult using the previous year's dataset to agree the principles for the forthcoming financial year.

Process

A summary of responses to the consultation will be reported to the meeting of the Schools Funding Forum on 2nd December 2021, and will form part of the final decisions taken by the Local Authority in January, before schools are issued with their funding for the 2022-23 financial year.

Responding to the Consultation

This consultation paper is sent to the Head Teachers of all schools and academies. Please bring this to the attention of Chairs of Governors, Chairs of Resources, Board Members and Trustees as appropriate.

Responses should be emailed to:

education.finance@havering.gov.uk

Closing date of consultation: Tuesday 30th November 2021

If you require clarification on any point please contact:

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Schools Funding 2022-23

Background to the funding options for 2022-23

This year we are consulting schools on a single issue, whether to transfer funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant. In short this means reducing the funding distributed through the schools funding formula and increasing the funding available to support pupils with high needs in schools. Local Authorities, with the agreement of their Schools' Funding Forum, are permitted to transfer 0.5% of the Schools Block funding to High Needs funding. Based on indicative figures for 2022-23 this would equal £1,006,000.

Two options for the allocation of 2022-23 funding are presented in this consultation:

Option A - no transfer to High Needs

Option B - 0.5% transfer from Schools Block to High Needs

Further details of these options, and of the impact on schools' formula funding are outlined in this document and on the attached appendices.

It has become increasingly apparent in recent years that the cost of supporting pupils with high needs is placing an undue burden on school budgets. This is particularly the case for those schools with a high number of pupils with an Education Health Care Plan (EHCP) and those schools with an Additional Resources Provision (ARP). There is a risk that financial considerations begin to jeopardise inclusivity and that schools with a large number of pupils with high needs find it increasingly difficult to reach a balanced budget.

A Task and Finish Group comprised of Head Teachers and Local Authority officers, has been established to examine high needs funding for schools. Further details on the work carried out are given below. The Group are assessing a package of measures that would increase the high needs funding allocated to schools by around £2.5m per year. Financing these measures would require the 0.5% (£1m) transfer from the Schools Block. The remaining £1.5m needed would be met from the Council's DSG High Needs budget.

1 Dedicated Schools Grant (DSG)

Shortly before the start of the academic year 2019-20, the Government announced a £14 billion cash boost for schools. This provided an additional £2.6 billion in 2020-21, a further £2.2 billion in 2021-22 and a further £2.3 billion in 2022-23. This is shown in the table below.

	£bn	£bn	£bn	£bn
2020-21	2.6			2.6
2021-22	2.6	2.2		4.8
2022-23	2.6	2.2	2.3	7.1
Cumulative	7.8	4.4	2.3	14.5

Local authorities received indicative allocations of their DSG Schools and High Needs Blocks for the financial year 2022-23.

Since then, as part of the Spending Review 2021, the Government have announced an additional £4.7 billion for schools in England by 2024-25, over and above the previous Spending Review settlement for schools in 2022-23.

The details of the additional funding announced have not yet been released. It is likely that the extra funding for 2022-23 will be used to cover the cost of the National Insurance increase from April 2022, for funding the move towards a starting salary of £30k for new teachers, and for continuing Covid recovery programmes, rather than for an increase in the funding available for school formula allocations.

2 Havering's Schools Block funding 2022-23

Local authority allocations are based on primary and secondary units of funding (PUFs and SUFs). The indicative allocations released by the DfE are calculated using October 2020 data and will be updated in December for October 2021 pupil numbers.

	Actual primary unit of funding (PUF) £	Actual secondary unit of funding (SUF) £	Primary pupil numbers	Secondary pupil numbers	Pupil funding £	Rates (NNDR) £	Total funding £
2022-23	4,667	6,285	22,701	14,777	198,818,062	2,430,762	201,248,824
2021-22	4,559	6,097	22,701	14,777	193,595,869	2,241,145	195,837,015
Diff	108	188	0	0	5,222,193	189,617	5,411,809

The total Schools Block allocation also includes funding for pupil growth and falling rolls as below.

	Growth & falling rolls funding £	Total Schools Block funding £
2022-23	1,491,267*	202,740,091
2021-22	1,596,950	197,433,966
Diff	-105,683	5,306,125

* Locally calculated estimate

2.1 The National Funding Formula

Havering took the decision to adopt the National Funding Formula (NFF) factors and values in 2018-19 when they were introduced. The Schools Funding Forum has agreed that they should again be used in the calculation of schools' funding allocations for 2022-23.

As part of the Government's national increase in funding for schools, the NFF funding rates for core factors, additional needs factors and the school lump sum have increased by 3.0% for 2022-23. The differences between the 2021-22 formula factor rates and those for 2022-23 are shown in **Appendix A**.

Having adopted NFF factors and values, decisions still need to be made each year on whether funding should be transferred from the Schools Block to the High Needs Block of the Dedicated Schools Grant (DSG) and whether to supplement the funding received from the DfE for growth and falling rolls. Decisions also need to be made on the level of the minimum funding guarantee and any gains cap to be applied.

The DfE held a consultation over the summer on the move to a 'hard' National Funding Formula. The results of the consultation have not yet been published. Any changes to funding arrangements will not take effect until the 2023-24 financial year. As Havering already uses NFF factors and values the impact of a move to a hard NFF will not be as great as in some local authorities. Funding for growth and falling rolls is, however, likely to be affected.

2.2 Minimum per-pupil Funding Levels for primary and secondary schools (MFL)

In allocating funding to schools, Local Authorities need to ensure that minimum per-pupil funding levels are met. For 2022-23 these are £4,265 for primary schools and £5,525 for secondary schools, a rise of 2.0% on the rate for 2021-22.

In 2021-22 the MFL levels were £4,180 for primary schools and £5,415 for secondary schools. Ten primary and one secondary school received funding at the MFL level. From provisional modelling, using October 2020 Census data, seven primary and no secondary schools would be funded at MFL levels in financial year 2022-23. This is subject to change once the final dataset for the October 2021 Census is received.

2.3 The Minimum Funding Guarantee (MFG)

The Minimum Funding Guarantee (MFG) ensures that schools per pupil funding rises by a minimum percentage from the previous year. For 2022-23 local authorities can apply an MFG of between 0.5% and 2%. This means that where the per pupil funding for a school has risen by less than the MFG rate, the increase will be topped up to the level of the MFG.

As an example an MFG set at 1.0% would work as follows:

School's per pupil funding in 2021-22	£4,400
Formula funding for 2022-23	£4,300 (a fall from 2020-21)
School to be funded at 2021-22 + 1.0%	£4,444

For 2021-22 the MFG was set at 1.75%. In the 2022-23 funding consultation Option A proposes an MFG of 2%, the maximum permitted, and funding Option B an increase of 1%.

2.4 Gains cap

Local Authorities are able to adopt a gains cap if there is insufficient funding left in the Schools Block to meet formula allocations and MFG requirements.

As an example a gains cap set at 2.5% would work as follows:

School's per pupil funding in 2021-22	£4,400
Formula funding for 2022-23	£4,554 (a rise of 3.5%)
School to be funded at 2021-22 + 2.5%	£4,510

For 2021-22 there was no gains cap. In the 2022-23 funding consultation Option A proposes no gains cap and funding Option B a gains cap of 2.5%.

2.5 Pupil Growth and Falling Rolls Funding

As outlined above, the move to a hard NFF from 2023-24 is likely to impact on the funding received by schools for growth and falling rolls.

The allocation that Havering receives for pupil growth and falling rolls has reduced in recent years because the funding is now allocated by the DfE based on a formula. This multiplies the difference between the pupil numbers from the latest October census and those from the previous year by per pupil amounts of £1,485 for primary and £2,220 for secondary.

Havering's growth and falling rolls funds support school expansions, bulge classes and those schools with falling rolls. The allocations for existing bulge classes, previous year expansions moving through year groups and for falling rolls, were set out for the Schools Funding Forum. A budget of approximately £2.1m is required to continue funding on the current basis, a similar amount to that required for the current financial year.

The Schools Funding Forum agreed that pupil growth and falling rolls funding for schools needs to be protected at current levels. This will require the use of approximately £680k of the Schools Block funding.

3 Havering’s High Needs Block funding 2022-23

Indicative funding for 2022-23 is as shown in the table below with comparable data from 2021-22. The DfE’s High Needs formula uses 11 different factors. Only the pupil population factor is shown below, as along with historic spend, this distributes the largest proportion of funding to local authorities.

	Aged 2 – 18 Pupil Population Estimate	Provisional High needs NFF allocations £
2022-23	56,766	35,110,164
2021-22	56,028	31,838,736
Difference	738	3,271,428

Although funding for 2022-23 will increase by £3.3m (10.3%), costs are expected to increase by a similar figure. The High Needs Block is expected to overspend by £3.0m in the current financial year. With a £2.7m deficit brought forward, this will bring the cumulative deficit to £5.7m.

3.1 Transfer of Schools Block Funding to High Needs

As in previous years, for 2022-23 LAs are able to transfer up to 0.5% of the Schools Block to other DSG blocks including High Needs. Using the indicative figure for 2022-23, this equates to £1,006,000. Funding Option B proposes transferring 0.5% of the Schools Block to the High Needs Block.

3.1 High Needs Proposals

It has become increasingly apparent in recent years that the cost of supporting pupils with high needs is placing an undue burden on school budgets. This is particularly the case for those schools with a high number of pupils with an Education Health Care Plan (EHCP) or with an Additional Resources Provision (ARP). There is a risk that financial considerations begin to jeopardise inclusivity and that schools with a large number of pupils with high needs find it increasingly difficult to reach a balanced budget.

The Schools’ Funding Forum has tasked a High Needs Task and Finish Group with reviewing four areas of SEN funding for schools. These are:

- (i) Funding in support of EHCPs
- (ii) The Inclusion Supplement (Headroom)
- (iii) The backdating of funding for new EHCPs
- (iv) Funding for Additional Resourced Provision (ARPs)

The work of the Task and Finish Group is not yet complete. From analysis undertaken so far, however, it can be seen that a package of measures increasing the high needs funding allocated to schools by £2.5m would make a meaningful difference in meeting the cost of supporting pupils.

With the High Needs Block already overspending, it would only be possible to increase the funding allocated by £2.5m if schools agreed to the transfer of 0.5% (approximately £1m) from the Schools Block to the High Needs Block. This would mean that the funding allocated to schools through the formula would be reduced by £1m but that an extra £2.5m would go out to schools for the support of pupils with high needs.

Funding Option B proposes transferring 0.5% of the Schools Block, just over £1m, to the High Needs Block enabling high needs funding allocated to schools to increase by £2.5m

The ongoing work of the High Needs Task and Finish Group will determine the precise formulation of the additional £2.5m to be allocated to schools. A decision is anticipated in early 2022 in time for the forthcoming financial year, 2022-23.

Below is a more detailed look at the areas under consideration.

(i) Funding in support of EHCPs

Teaching assistant time in support of an EHCP is currently funded at £14.00 per hour after the first 11 hours. The current cost of employing a teaching assistant averages £16.06 an hour.

Schools are funded for 39 weeks each academic year, with some variation each financial year depending on the timing of the Easter break. Teaching assistants are, however, paid for 43.6 weeks per year, or 44.1 weeks if they have over five years' service. Taking this into account, the hourly cost increases to £18.04.

Schools are expected to meet the first £6,000 of support for an EHCP from the School Budget Share. At the current funding rate of £14.00 per hour this equates to the first 11 hours. As the rate is increased, the hours represented by £6,000 falls. For example if the rate increased to £16 per hour, £6,000 would only purchase 9.5 hours.

The Task and Finish group is considering the hourly rate of £14.00, with the view of a phased move towards an £18.00 hourly rate.

(ii) The Inclusion Supplement

Frequently referred to as 'headroom', the Inclusion Supplement provides additional funding to schools that have a disproportionately high number of pupils with EHCPs.

Schools are expected to meet the first £6,000 of support from the School Budget Share. The DfE acknowledges that where a school has a high number of EHCP pupils, the need to fund the first £6,000 will place a strain on the budget. Local Authorities are, therefore, permitted to provide additional funding to schools that

have a high number of pupils with an EHCP. The DfE does not prescribe the method of calculating the additional funding.

The Task and Finish Group is reviewing the calculation of the Inclusion Supplement with a view to adopting a simpler formula that references the 'Notional SEN' funding included in School Budget Shares. This would remove some inequities in the current system and would, in most cases, result in those schools with a disproportionately high number of EHCPs receiving additional funding to more accurately reflect the cost to the school budget

(iii) Backdating funding for new EHCPs – Year Reception

A pupil arriving at a school may require one to one support from the first day. If that pupil does not have an EHCP in place, the school will not receive funding until an EHCP has been finalised and will then receive funding starting from the date of finalisation. This means that the school receives no funding for the assessment period.

The Task and Finish Group and the Schools' Funding Forum felt that the problem was most acute for pupils starting in Reception and in Year 7 and that this should be the focus for any additional funding. Work will continue to develop a fair, transparent and affordable mechanism to backdate funding when a child receives an EHCP.

(iv) Funding for Additional Resourced Provision (ARPs)

Schools with an ARP currently receive funding as follows:

- The pupil led funding relevant for the Key Stage of each pupil in the ARP. This is topped up to £4,000 for Key Stage 1 and 2 pupils.
- £4,000 for each place at the ARP that is unfilled
- £6,000 per place 'place funding'
- £6,667 per place 'pupil top-up'

This means that currently an ARP at a primary school receives £16,667 per place. An ARP at a secondary school receives £17,435 for each place filled by a KS3 pupil, £18,041 for each place filled by a KS4 pupil and £16,667 for each place that is unfilled.

The £6,667 pupil top-up matches the lowest funding band for pupil top-up in special schools, Level C (ii). There are, however, very few pupils in special schools that are funded on this lowest band. The LA has proposed that the £6,667 pupil top-up is increased to £10,000 to match the next funding band for pupil top-up in special schools, Level C (i). Funding would be increased by a further £660 per place to mirror the revised funding matrix for special schools.

These changes would provide an additional £3,993 per place meaning a 12 place ARP would receive an additional £48k.

The current deficit and overspend on the High Needs Block means that these proposals could not be implemented without a transfer of 0.5% from the Schools

Block. With agreement to the transfer of 0.5% (£1m) from the Schools Block, the remaining £1.5m would be met from the Local Authority's High Needs budget.

4 Funding Formula 2022-23 and Funding Options

The Schools Funding Forum feel that the issue of high needs funding needs to be addressed in 2022-23 and that schools should be asked to agree to the transfer of 0.5% from the Schools Block to the High Needs block.

Participants in this consultation are asked to express a preference for one of two options. Option A, in which there is no transfer to the High Needs Block and Option B in which 0.5% of the Schools Block is transferred.

Details of these two options are shown below. The impact on individual schools is shown anonymously in **Appendix B**.

Option A: No transfer of funding from the Schools Block to the High Needs Block

- No implementation of proposals to increase high needs funding allocated to schools in 2022-23
- Minimum Funding Guarantee set at 2.0%
- No gains cap
- £680k moved to the Pupil Growth and Falling Rolls Fund

Based on current indicative figures, it is possible to allocate funding to schools with the maximum permitted MFG of 2% and no gains cap. With a minor overspend, it would also be possible to allocate the additional funding required for growth and falling rolls. There would be no money available to transfer from the Schools Block to the High Needs Block. Proposals to increase allocations in support of high needs pupils would need to be deferred until a future year.

The table below shows the figures. Coupled with maintaining funding for growth and falling rolls at the current levels, this leaves a provisional deficit of £118k. As the figures are indicative, based on October 2020 census data, an overspend of this size is not a concern at this stage.

	£
Total funding allocated with 2.0% MFG	200,685,761
Total required for Pupil Growth/Falling Rolls	681,002
Total funding required	201,366,763
Total funding available	201,248,824
Funding remaining	-117,939

The number of schools receiving formula funding, MFL and MFG protection is shown in the table below, together with the cost of the MFG protection.

Type of School	No. of schools receiving per-pupil MFL	No. of schools protected on 2.0% MFG	Cost of MFG protection £	No. of schools funded on formula
Primary	7	0	0	59
Secondary	0	3	609,016	15
Total	7	3	609,016	74

Option B: 0.5% transfer from Schools Block to High Needs Block

- Implementation of proposals to increase high needs funding allocated to schools in 2022-23
- Minimum Funding Guarantee set at 1.0%
- A gains cap of 2.5%
- £680k moved to the Pupil Growth and Falling Rolls Fund

Based on current indicative figures, if 0.5% of the School Block is transferred to the High Needs Block it becomes necessary to reduce the Minimum Funding Guarantee (MFG) and to introduce a gains cap. An MFG of 1%, together with a gains cap of 2.5%, would enable a transfer of 0.5% from the Schools Block to the High Needs Block, and allow for the allocation of additional funding for growth and falling rolls.

The table below shows the figures.

	£
Total funding allocated with 1.0% MFG and 2.5% Cap	199,486,386
Total required for Pupil Growth/Falling Rolls	681,002
Transfer to High Needs (0.5%)	1,006,244
Total funding required	201,173,632
Total funding available	201,248,824
Funding remaining	75,192

The number of schools receiving formula funding, MFL and MFG protection is shown in the table below, together with the cost of the MFG protection and savings from the cap.

Type of School	No. of schools receiving per-pupil MFL	No. of schools protected on 1.0% MFG	Cost of MFG protection £	No. of schools to receive between 1.0% and 2.5%	No of schools capped	Savings from Cap £
Primary	7	0	0	11	48	-574,983
Secondary	0	2	454,618	2	14	-469,994
Total	7	2	454,618	13	62	-1,044,977

If there are additional funds available when the revised Schools Block allocation, based on October 2021 data, is received, this would be used to increase the cap threshold and / or to increase the level of MFG.

5 Conclusion

We hope that this paper and the accompanying appendices explain the funding options that form the basis of this consultation, and the rationale behind these options.

As explained above, these allocations are indicative and final calculations will be made once the validated data from the October 2021 census has been received from the DfE. The final funding allocations for 2022-23 will change, increasing or decreasing for each school depending on changes in schools' pupil numbers and changes in the additional needs data.

The consultation response form is provided in a separate document.

Issued on 12/11/21 by Education Finance - Nick Carter, Hany Moussa, Sam Allen



Consultation on Schools and High Needs Funding 2022-23 – Response Form

School name:	
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Please place an **X** in the column provided against your preferred funding option for 2022-23:

Option A	No transfer of funds from the Schools Block to the High Needs Block	Preferred option
	<ul style="list-style-type: none"> • No implementation of proposals to increase High Needs funding allocated to schools in 2022-23 	
	<ul style="list-style-type: none"> • Minimum Funding Guarantee set at 2.0% 	
	<ul style="list-style-type: none"> • No gains cap 	
	<ul style="list-style-type: none"> • £680k moved to the Pupil Growth and Falling Rolls Fund 	

Option B	A transfer of 0.5% from the Schools Block to the High Needs Block	Preferred option
	<ul style="list-style-type: none"> • Implementation of proposals to increase High Needs funding allocated to schools in 2022-23 	
	<ul style="list-style-type: none"> • Minimum Funding Guarantee set at 1.0% 	
	<ul style="list-style-type: none"> • A gains cap of 2.5% 	
	<ul style="list-style-type: none"> • £680k moved to the Pupil Growth and Falling Rolls Fund 	

Please enter any comments you have about this consultation in the space below and continue on following page

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Respondent details

Name:	
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Designation:	
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Submission details

Please email the completed response form by Tuesday 30th November to:

education.finance@havering.gov.uk