

London Borough of Enfield

Schools Forum

Meeting Date: 6 October 2021

Subject: School Funding Arrangements: Update and Summary of Proposals for 2022/23

Cabinet Member: Cllr Uddin

Report Number: 15

Item Number: 4b

PURPOSE OF REPORT

- 1.1 This paper is an extract from the draft school funding consultation document. It details the proposals for consultation to inform the funding arrangements for 2022/23.

RECOMMENDATIONS

- 1.2 The Schools Forum are asked to note and provide their views on the proposals outlined for consultation.
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EXTRACT OF DRAFT CONSULTATION DOCUMENT

2.1 School Funding Reforms: Background

2.1.1 In 2013/14, the Government began their implementation of their School Funding Reforms with the aim of providing a fairer, more consistent and transparent national funding system.

2.1.2 The implementation process began with the Government freezing the Dedicated Schools Grant (DSG) to the level received by individual local authorities (LAs) as at 2012/13. The DSG was then notionally separated into three blocks as detailed in (a) - (c) below:

(a) Schools Block: funds 5 – 15 years old in mainstream primary and secondary schools.

The key change, at this point, was to restrict the number of factors LAs could use to reflect the contextual data relating to pupils in their local formulae.

(b) High Needs Block (HNB) fund pupils with SEND¹ from 0 to 25 years old, who have EHCP² and require additional support above what is normally provided by the schools or the educational setting / institutions.

The key change was to freeze the total funding provided at 2012/13 levels for this block and introduce a place plus approach.

(c) Early Years Block (EYB) to fund free nursery education for pupils from 2-4 years of age in schools and private, voluntary and independent (PVI) settings and child minders.

(d) Central Services Schools Block (CSSB) was introduced in 2018/19 to fund statutory services provided by the Local Authority to schools, academies and free schools.

2.1.3 In 2017, the Government confirmed their intention to continue with the funding reforms and implement a National Funding Formula (NFF) from 2018/19. To do this, the Government committed an additional £1.3bn across two years to support the changes.

¹ Special Educational Needs and Disabilities

² EHCP is Education Health Care Plans

The full implementation of the NFF was delayed because the primary legislation governing school funding had to be amended to remove the responsibility from local authorities and transfer it to the DfE.

2.2 **School Funding: 2022/23**

In August 2019, following an annual Spending Review, the Minister of State for School Standards confirmed the overall increase in school funding over three years with £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23. Analysis carried out by the Institute of Fiscal Studies (IFS) at that time suggested the increase by 2022/23 would represent 7.4% real terms growth in spending per pupil for the period between 2019/20 and 2022/23. This growth was sufficient to reverse the 8% cuts seen by schools since 2009/10. If delivered, this will leave school funding per pupil at about the same level in 2022/23 as it was in 2009/10, i.e. no real terms growth.

For 2023, the DfE has confirmed school funding will increase by £7.1 billion. They have also stated that the full implementation of the NFF for the Schools and High Needs Blocks has been postponed to earliest 2023/24. Therefore, the same arrangements for allocating the funding as this year will continue.

The arrangements continue to be a 'soft' NFF, whereby local authorities are funded using the NFF, but the distribution of funding to schools is decided and managed by the LA in consultation with the Schools Forum and schools. The reason for the continuation is that until the primary legislation is amended to remove the statutory duty from LAs to maintain a local funding formula, a national system cannot be introduced. Separate funding arrangements apply for high needs and early years, where the Authority sets funding in line with the government's NFF and other associated regulations.

For 2022/23, the calculation for the money allocated to each block is as follows:

- **Schools block** will be calculated using the national formula factors and rates and individual school data and then allocated to LAs. The national increase announced by the Government is 3% (rounded up) and increase for Enfield is approximately 2%. This increase includes the teachers' pay and pension grants added last year to the DSG.

It is important to note that not all schools may receive this level of increase. This is due to interrelationship between the funding formula and individual school's contextual data.

- **High Needs block** will increase by approximately 8% with 50% of the money being allocated using proxy indicators and 50% on actual spend from 2017/18. Added to this increase is money transferred last year for the teachers' pay and pension grants.

Again, it is important to emphasise the funding to be provided is unlikely to meet the current demand to support pupils with EHCPs.

- **Early Years block**: the funding will be allocated to local authorities using the NFF implemented in 2017-18.
- **Central Services Schools Block (CSSB)** covers the statutory duties provided by LAs, historic commitments and central licenses purchased by the ESFA on behalf of all schools. The statutory duties are allocated using pupil numbers and Ever 6 Free School Meals deprivation indicator. For statutory duties, Enfield will see an increase of 5.35%. For a number of years, allocation for historic commitments have been reducing by 20% year on year. The aim has been to cease funding this element altogether from 2023/24. Therefore, the overall change to the CSSB is a reduction of 0.48%

Table 1 summaries actual funding provided for 2021/22 and indicative allocation for 2022/23.

Table 1: Summary of DSG for 2021/22 and 2022/23

DSG FUNDING	Schools Block	High Needs Block	Early Years Block	Central Schools Services Block	TOTAL
	£m	£m	£m	£m	£m
Indicative 2022/22	289.32	65.24		2.524	357.08
<i>Actual 2021/22</i>	282.35	60.88		2.537	345.76
Variance	6.97	4.36	0	-0.012	11.32

* Early Years: These figures exclude funding for the Early Years block because these haven't been confirmed and will be amended to reflect actual take up.

For Enfield, the change to NFF will see an increase in funding for both the Schools and High Needs block.

1. **Schools Block**

3.1 **Introduction**

3.1.1 This block is the main source of funding for mainstream schools. Schools may access some funding from the other two blocks, high needs and early years, that form the DSG. Post 16 and Pupil Premium funding are not part of the DSG.

The funding provided to mainstream schools is derived by using a funding formula. The factors to inform the formula are governed by statutory regulations. LAs with their Schools Forum have limited flexibility to determine which or how these factors should be used for the local funding formula. The aim of the **NFF** has been to fund all schools in the country using the same formula factors and unit rates with some adjustment to reflect area costs.

3.2 **National Arrangements**

3.2.1 For 2022/23, the DfE has confirmed the following changes to the current arrangements that will impact Enfield for the national and / or local funding formula:

National Funding Formula Factor:

- Free school meals Ever 6: The October 2020 Pupil Census instead of January Census will be used for this factor;
- Low prior attainment Due to the cancellation of the Early Years Foundation Stage Profile (EYFSP) and Key Stage 2 (KS2) assessments for 2020 and 2021, data from 2019 assessments will be used for funding purposes;
- Some core proxy factors used for the **NFF**'s will increase by 3%;
- Mobility: Usually based on the census in which pupils first appear at their current school. Due to the cancellation of the May 2020 Census, pupils who joined a school between January and May 2020 will attract funding for mobility on the basis of their entry date;
- Business Rates: Payment will be centralised with the ESFA paying billing local authorities;
- Minimum per pupil funding levels: These have been set at £4,265 for primary year groups, £5,321 for KS3 and £5,831 for KS4. These include the pay and pension grants previously added to the Schools block;

- No gains cap for schools gaining and to protect the pupil led funding received by schools, ability to set the **MFG** between 0.5% and 2.0%. The positive MFG should result in schools seeing some increase in their per pupil led funding;
- No changes to the current arrangements for mobility and growth funding for expanding and new schools;

3,2,2 From 2023/24, the Government aim is still to move fully to a national funding system with no local flexibility. To begin the implementation, the DfE have published a consultation document outlining their proposals on moving to a national funding system. The consultation document can be found by using the following link:
<https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/consultation/intro/>.

3.2 Local Arrangements for 2022/23

- 3.2.1 Since the Government introduced the school funding reforms, the aims governing the local arrangements have been to maintain stability and least turbulence for individual schools and, as far as possible, will continue to be our aims for 2022/23.
- 3.2.2 Following last year's consultation on funding arrangements, the NFF unit rates were used locally to allocate funding to individual schools. This change did see some movement in funding between schools. This was partly due to the change in how funding is targeted across the various formula factors and also due to contextual changes for individual schools. Whilst the national framework provides some protection for schools through the minimum funding guarantee for pupil led funding, it does not allow for a decrease in the number of pupils on roll.
- 3.2.2 During the summer, the Local Authority has been discussing with the Education Resources Group and the Schools Forum the basic principles to inform the local funding arrangements for 2022/23. It was noted that the Government will be seeking to fundamentally change school funding arrangements from 2023/24 and the outcomes from the consultation on the SEND Reforms were still unknown, the principles agreed to support our overriding aims was to continue with the current arrangements, which included use of national funding formula factors and associated unit rates, set a minimum funding guarantee to protect individual school's per pupil led funding and maintain the 0.5% transfer from the Schools Block to fund Element 2 (first £6,000) to schools with high number of pupils EHCPs.
- 3.2.3 The information published by the DfE has been used to model indicative allocations for individual schools.

4. High Needs Block

4.1 Introduction

4.1.1 NFF for High Needs

The Government has confirmed 8% per head increase for the HNB with a gain cap of 11% per head.

The increase is welcomed but it does not address the ongoing rising demand being experienced in meeting the needs of pupils with SEND. The Authority is continuing to work with schools to increase the number of places in both special schools and additionally resourced provision (ARPs) & special units in mainstream schools. This is in addition to the development of a new secondary special free school for pupils with social emotional and Mental Health needs.

4.1.2 Place Plus Approach

No change is planned to the place plus approach. This approach provides specialist provision with a base amount for an agreed number of places and then a top up to address the requirements of the EHCPs and enable pupils to meet their outcomes. Table 3 details the funding arrangements for specialist provision.

Table 3: Summary of Funding Arrangements for Specialist Provision

Education provision	Funding
Mainstream schools – ARPs	£10,000 per place plus top up for individual pupils. The £10,000 place funding will be calculated as follows: – £4,000 from the school’s individual budget for the number of pupils in the ARP recorded on the October Pupil Census – £6,000 to be provided by the Local Authority from HNB.
Special schools	£10,000 per place plus top up for individual pupils
Pupil referral units	£10,000 per place plus top up for individual pupils
Post 16 provision for special needs – all providers	£10,000 per place plus top up for individual pupils

4.1.3 As stated Enfield has received a basic increase of 8% which includes the amount previously provided to special schools and alternative provision through the teachers’ pay and pension grants. Similar to this year, to facilitate the inclusion of the teachers’ pay and pension grants, the allocations:

- For special schools: the basic entitlement for pupils will include £660 per pupil;
- For alternative provision: a factor within the NFF will be used to allocate this money.

This arrangement will ensure the regulatory requirements are met.

4.2 Mainstream Schools – Pupils with EHPCs (Element 2)

4.2.1 Mainstream schools are funded from the Schools block using the NFF. The NFF aims to provide:

- basic per pupil costs of approximately £4,000 per pupil (described as Element 1)
- additional educational needs (AEN) and SEND cost up to £6,000 (described as Element 2) per pupils.

The LA from the HNB then meets any costs above £6,000 identified on the EHCP (described as Element 3).

Appendix C: a diagram explaining separation of funding to support a pupil with SEND.

4.2.2 Current Arrangements

In Enfield, the funding arrangements outlined above were not implemented because the Government was still providing annual increases to the DSG and also there was sufficient local flexibility to decide the allocation of the DSG to meet local needs. Locally, it was agreed to transfer funding from the Schools Block to the High Needs block to fund additional £6,000 (Element 2) per pupil to schools with above average number of pupils with EHCPs.

The Government then introduced new restriction on the use of the DSG, which included restrictions in moving funds between blocks within the DSG. However, the restrictions allowed the transfer of only 0.5% from the Schools to the High Needs block. For a number

of years, funding has been transferred from the Schools Block to the High Needs block to support schools with high number of pupils with EHCPs. Recently, the expectation was that outcomes from the DfE Call for Evidence would be published and these should address the pressure being faced by schools to support pupils with SEND needs.

The outcomes from the DfE Call for Evidence were not published for 2021/22, therefore it was agreed with the Schools Forum to transfer 0.5% from the Schools block to High Needs block and so continue to support schools with above average number of pupils with EHCPs by providing a contribution towards the £6,000 per pupil (Element 2) for the number of pupils above a calculated percentage at each school.

4.2.2 Proposal

As already mentioned above, for 2022/23, the Government are not planning to change the current arrangements. Any changes will be considered when the outcomes from the SEND Reforms Consultation and the Call for Evidence have been published. It is envisaged this is likely to be at some point next year.

Following discussion with the Education Resources Group and Schools Forum, it is proposed due to the considerable uncertainty that the current arrangements for the 0.5% continue for 2022/23. The rationale for suggesting this is because it is hoped the outcomes from the two SEND consultations will result in a change for 2023/24 that addresses the pressure created by the current requirement for schools to fund Element 2 (£6,000) from within their delegated budget. It would also act as evidence of how this element has been and is being managed by schools with high number of pupils with EHCPs.

4.3 Special Schools & Pupil Referral Unit – Place Funding

4.3.1 Background and current arrangements

Enfield has six special schools and a pupil referral unit. In 2013, an average cost model was introduced to calculate funding per place at each school and the pupil referral unit. For each school, the place funding calculation was derived by dividing the total funding delegated to the school by number of pupils on roll. This has resulted in each school having their own unique average cost per place. The average costs calculated in 2013 have remained at the same level. The special schools have sought a review of their place funding. In consultation with the Schools Forum, it was agreed that a review of special school place funding would be carried out during 2021/22.

Independent Consultants have been commissioned to carry out reviews of the place funding arrangements and assess the financial position and type of needs supported at each special school.

4.3.2 Principles

There is a case to move away from a historic funding model which has been in place since 2013. Options for an alternative funding model have been considered by the local authority in collaboration with special school headteachers and the PRU, with support from the independent consultant. The following guiding principles were agreed.

- Fairness – a fair distribution of funding across schools in accordance with a clear rationale
- Simplicity – easily understood and not time consuming to administer
- Transparent – clear to all concerned what funding is being provided for what purpose
- Aligned to pupil needs -takes into account the resources required to meet different types of need and able to be adjusted as the profile of needs changes
- Predictability – supports schools in their financial planning as well as assisting the management of expenditure within the High Needs Block

4.3.3 Funding for special schools

Following discussion of possible funding models, it is proposed that a benchmarked average cost model is adopted for special schools, based on:

- expenditure on classroom staffing requirements for pupils with different levels of need
- expenditure on other staffing including leadership teams and administrative staff
- non staffing costs, for example on premises and resources
- any significant school-specific costs, such as costs of running and maintenance of hydrotherapy pools

Modelling will be undertaken based on the profile of pupil needs at each school, assumptions about the adult/pupil ratio required for different levels of needs and analysis of current actual costs, moderated using financial benchmarking data for similar schools.

4.3.4 Funding for pupil referral unit

The PRU is currently funded on the basis of an indicative number of 100 places, although current numbers on roll are below this figure as permanent exclusions in Enfield have reduced. In addition to providing full-time placements, the PRU undertakes a number of preventative activities to support schools and pupils at risk of exclusion.

The advantage of the indicative place model is that it gives predictability of funding in a context where there is a volatility of numbers on roll, with frequent in-year admissions and leavers.

Further work is required to develop this model in more detail.

4.3.5 Individual funding for pupils outside of core budget

It should also be noted additional funding is provided for a small number of pupils in special schools whose needs are particularly challenging and fall outside of the normal range catered for by the school. The level of additional funding is determined on a case-by-case basis. During the academic year 2020/21, special schools received additional support for 19 pupils on a time limited basis. Spend on additional support has varied year upon year and is in the region of £300k to £500k.

Two options are under consideration

- a. Maintaining the current arrangements with clearer criteria for eligibility for individual funding and greater transparency of decision-making arrangements
- b. Building the projected spend on pupils with exceptional needs into core budget provision giving predictability of funding to schools and the ability to respond to needs flexibly, without the need to make a separate funding submission to the local authority

4.3.6 In addition to the above, related work is being undertaken, in order to:

- assess the current range of needs met by each special school
- develop admission guidance on the type and level of needs expected to be met by each school to help guide placement decisions
- determine how current resources are being utilised and, where possible, how costs compare with similar schools in other authorities

5. EARLY YEARS BLOCK

- 5.1 Since April 2017, funding provided to local authorities for the free nursery entitlement for three and four year olds has been based on NFF and, in a similar way to mainstream schools, local authorities determine the local funding formula for distributing funding to local early years settings.

DfE have not advised of any changes to the funding arrangements for 2022/23. The hourly rate for Enfield remains as £5.76 for three and four year olds and £5.82 for two year olds.

5.2 Regulatory Update

- (a) The regulations require 95% of the total Early Years block funding be passed onto providers and up to 5% may be retained by local authorities to support early years' central functions.

The regulations require the local funding arrangements include the following factors for allocating funding to providers:

- a per pupil amount;
- support for pupils from a socially deprived background;
- a supplement linked to quality;
- an Inclusion Fund.

- (b) Recently, the DfE have further defined the use of the Inclusion Fund. The guidance states that the Inclusion Fund should be used to target support for children with lower level or emerging SEND. The intention of the update is that the Inclusion Fund supports LAs to work with providers to address the needs of individual children with SEND, thus enabling LAs to undertake their responsibilities to strategically commission SEN services as required under the Children and Families Act 2014.

In delivering its responsibility, LAs are required to ensure the Inclusion Fund is accessible to all three and four-year olds with SEND who are taking up the free nursery entitlement, regardless of the number of hours taken.

- (c) The guidance has also clarified that:

- The Inclusion Fund should be applied to children attending settings in the relevant local authority area, regardless of where they live;
- For children with more complex needs and in receipt of EHCP funding should be allocated from the High Needs Block of the DSG.

- (d) The Inclusion Fund is required to be allocated in the form of a 'top up grants' on a case-by-case basis with the Fund being used for direct support to providers or resources to support an individual child to access the curriculum.

5.3 Current Local Arrangement

In Enfield, the local funding arrangement includes an amount per pupil, a deprivation factor and an Inclusion Fund.

Currently, the use of the Inclusion Fund is split between:

- individual providers being able to access targeted resources to support pupils with SEN
- centrally commissioned specialist provision to support all providers.

The targeted resources are administered through an Inclusion Panel consisting of officers, with representation from headteachers, settings and other professionals as required. Specialist support is commissioned from Educational Psychology Service (EPS) and the Early Years Inclusion Team (provided in the form of Area SENCOs).

The demand for support from the Inclusion Fund has been increasing year on year with the total allocation overspending.

Following the updates to the regulatory guidance and the increasing demand for support, the provision of specialist support has had to be reviewed.

5.4 Proposal for 2022/23

The updates to the regulatory guidance will enable the majority of the areas currently included in the Inclusion Fund to continue with the one exception, which is the commissioning of support from the EPS. Going forward, if providers require support from the EPS, it will have to be accessed in a different way.

It is proposed where a provider requires an assessment for an EHCP from the EPS, then the provider seeks the agreement of their Area SENCO and the cost is met from money that is currently identified as Inclusion Fund Plus.

With this proposal, Table 5 details the final allocation of the funding for 2022/23.

Table 5: Breakdown of Early Years Funding for last two years and proposed for 2022/23

Factors	2020/21		2021/22		2022/23	
	Rate per hour		Rate per hour		Rate per hour	
	£	%	£	%	£	%
Basic hourly rate per child	£5.18	91%	£5.24	91%	£5.24	91%
Deprivation: Based on IDACI	£0.12	2%	£0.12	2%	£0.12	2%
Inclusion Fund	£0.11	1.85%	£0.11	1.85%	£0.11	1.85%
Inclusion Plus Fund	£0.01	0.15%	£0.01	0.15%	£0.01	0.15%
Central Support	£0.28	5%	£0.28	5%	£0.28	5%
Total	£5.70	100%	£5.76	100%	£5.76	100%