Background Briefing for Members

The main source of funding for education in the RB Kingston upon Thames is through a ring-fenced Government grant called the Dedicated Schools Grant (DSG) and an un-ringfenced Government grant called the Education Services Grant (ESG). The ESG will cease from September 2017.

A full report outlining the Education budget and associated issues was presented to Growth Committee in February 2017 and is available at Annexe 12 at this link.

How the Dedicated Schools Grant works

Funding received via the DSG is allocated to three blocks; the Schools Block, the High Needs Block and the Early Years Block.

The Schools Block can be broken down into four areas:

- Schools Block (delegated) – This funding is delegated to schools. At least 80% of the funding must be allocated through pupil led factors. These must include a basic entitlement funded through the age weighted pupil unit (AWPU) and a factor for deprivation. It can also include optional factors. In Kingston this includes a prior attainment factor to provide additional funding for schools with a high incidence of low level special educational needs, a lump sum for each school, funding for English as an additional language, a mobility rate for pupils that join after the October census date, additional funding where schools deliver services on multiple sites and funding for business rates.

- There is a mandatory mechanism within the funding formula to limit variations in the amount of funding received by schools from this block. The Minimum Funding Guarantee (MFG) limits the reduction to -1.5% on per pupil funding and is funded by applying a cap to schools that may have received more funding. The schools guidance clearly outlines that the cap may only be applied to offset the MFG and must be applied consistently for all schools.

- Schools Block (de-delegated) – This funding is allocated through the formula but can be passed back to pay for centrally provided services for maintained mainstream schools (excluding special schools and PRUs) with schools forum approval. The services may include additional school improvement services, contingencies, behaviour support services and support for underperforming ethnic groups / bilingual learners.

- Schools Block (growth fund) – This funding is top sliced from the DSG to support growth in pre-16 pupil numbers to meet basic need and to support additional classes needed to meet the infant class size regulation.

- Targeted High Needs - Local authorities should continue to provide additional funding outside the main funding formula for mainstream schools and academies on a consistent and fair basis where the number of their high needs pupils cannot be reflected adequately in their formula funding and where it would be unreasonable to expect them to pay for the costs of the first £6,000 of additional support for all high needs pupils. Targeted support can also be provided where there are a disproportionate number of pupils with a type of SEN that is not able to be reflected in the local formula, even where the costs of meeting their needs are less than the £6,000 threshold.

The High Needs Block supports provision for pupils with special educational needs or disabilities (from birth to 25) and provision for children who receive an alternative provision because they are unable to attend school.

At a very summary level, mainstream schools, academies and free schools receive £10k per place where the place is within a SEN Unit, resourced provision or Pupil Referral Unit (core funding). Where the cost of supporting a pupil cannot be met from the place funding, the Local Authority provides additional ‘top up’ funding.
The High Needs block also pays for independent placements where pupils cannot be supported in government funded schools. The Local Authority agrees a separate per pupil funding for children under the age of five.

The Early Years Block supports pupils under the age of five, other than those with SEN, in maintained schools, academies, relevant pupils in private, voluntary and independent providers and under 5s in alternative provision.

**Funding pressures**

The Kingston DSG Fund has overspent over the last two financial years. By 31 March 2017 the cumulative deficit is expected to be in the region of £6m. The overspends are mainly due to a shortfall in Government funding to support children with Special Educational Needs. Levels of demand and the cost of SEN provision have grown rapidly in recent years, for a combination of reasons, and this growth has not been matched with equivalent funding. The 2014 SEND reforms have also increased expectations and the age range for supporting children and young people.

The Council has a responsibility to ensure that this ring-fenced fund does not continue to accumulate unsustainable debt and has therefore implemented a range of actions aimed at reducing the level of overspend in future years. The main actions are as follows:

- Kingston Council, as well as AfC, continues to lobby Government through letters, meetings and consultation responses for more money for Kingston children.
- The Council has taken the decision to reduce the per pupil funding given to mainstream schools by £27.77 to release £1.3m to spend on pupils with additional needs each year from 2017/18.
- AfC are conducting a detailed review of what in-borough provision is needed compared to what provision is available for children with additional needs. A formal plan will be published in the summer to align and increase provision.
- AfC are supporting the applications to the Department for Education for two new Free Schools across Richmond and Kingston which should increase the number of high need pupil places by 172 by 2022.
- A clear intention to work with borough schools to increase provision and provide additional financial support so that children can stay in local schools rather than going to independent schools outside the borough.

Although Education funding nationally has been reduced by less than other public sector areas (broadly received flat cash), pressure on individual school’s budgets has been increasing due to unfunded pressures as follows:

- Inflation
- National Insurance
- Teacher Pensions Contribution increases
- Pay Award
- Incremental drift
- Apprenticeship Levy
- Climate Change Levy
- Per pupil funding reductions due to increased funding needed for high needs pupils and diversion of money into a growth fund to pay for pupil places that are not included in the Government grant allocation

Schools have therefore experienced real terms reductions in funding as well as reductions in per pupil funding (up to -1.5% per year) because of increased costs associated with children who need additional support with their education and due to increases in pupil population. Schools may also have experienced increases / reductions in funding due to changes in pupil numbers or changes in the schools pupil profile (e.g. deprivation levels etc.).

There is increased demand for school places across the borough which diverts money into a growth fund. The Dedicated Schools Grant has to fund the first 7 months of pupils starting in additional classes in authority funded schools which are needed in September each year. This cost is not recognised in grant allocations. This is a cost of approx £800k in 2017/18.
The following actions have been and are being taken to support schools:

- lobbying of Government for a fairer deal for Kingston schools through engagement in consultations, written letters to Government and meetings with ministers
- continuous engagement with schools at Head Teacher meetings, Finance Officer meetings and School Governor sessions to provide advice and support in setting and managing budgets

Demand and cost associated with children who need extra support (SEN, disabilities, health or behavioural issues) has been increasing year on year without equivalent increases in funding. Education for these pupils is funded from the High Needs Block of the Dedicated Schools Grant. The following actions have been and are being taken to bring expenditure more in line with the grant allocation:

- reduction in school’s per pupil unit of funding to release money to support pupils requiring additional support
- reduction of non-high risk centrally spent education budgets
- membership of South London Commissioning Consortium to ensure the prices we pay for independent placements are competitive
- Operation of a Fair Share Panel to ensure all schools are supporting pupils
- Introduction of a Mediation and Tribunal Officer and specialist educational psychologist to ensure that the Council (via AfC) has the skills to engage in the tribunal process which may result from strong parental preference
- where appropriate, working with local schools to place pupils and therefore funding locally rather than paying the independent sector / out of borough schools
- full strategic review of SEN provision to identify where additional local provision is needed and develop an associated plan
- lobbying of Government for a better deal for Kingston pupils

Government has reduced ESG funding over recent years. This money is received by the Council for maintained schools and directly by Academies. It is used to fund central services such as education inclusion and school premises planning. When the grant has been fully reduced (1 September 2017) the Borough will have lost £77 per pupil or £1.6m since 2013/14.

**What is changing? - The National Funding Formula**

The second consultation for the proposed National Funding Formula closed on 22 March 2017. The Council has submitted a consultation response which seeks to get the best outcome for local schools. The results of the consultation are expected in the summer. It is important to note that we do not yet have final confirmation on how the National Funding Formula will be administered or how funding will be allocated. The existing proposals could change post consultation.

The National Funding Formula will move much of the administration and decision making that relates to schools funding from the local area (Council and Schools Forum) to Central Government. This could mean that the distribution of funding is less tailored to the specific needs of Kingston schools. Under the current proposals the High Needs, Early Years and central funding elements remain with the Local Authority to administer.

**Schools Block**
Government have released funding examples based on 2016/17 figures of the likely impact of the funding methodology change. These do not represent estimates of funding but could serve as an indicator of whether schools will receive more or less funding.

- When looking at schools funding for the borough as a whole Government do not expect a significant change in Kingston's overall funding levels
- There will be winners and losers at an individual school level because of the changed methodology. 18 schools could receive more under the new methodology, 27 could receive less and we do not have figures for 2 schools that are either new and/or growing.
- As groups, secondary schools are more likely to gain and primary schools more likely to lose due to the current primary secondary funding ratio in Kingston being below the national average. The new formula standardises this ratio to 1 : 1.29 compared to the current 1 : 1.25.
- There is a proposed maximum 3% reduction over two years to protect schools – the funding floor. This means no school on a like for like per pupil basis will lose more than 3% of its
funding over the two years, compared to the 2017/18 baseline. This floor will be funded by a ‘cap’ on schools who may have gained more than 3% in 2018/19 and 2.5% in 2019/20.
- The Minimum Funding Guarantee remains at -1.5%, meaning no school should lose more than -1.5% on the per pupil funding rate between years. This Minimum Funding Guarantee has always been set centrally by Government.

High Needs Block
Government are proposing to change the way High Needs money is allocated nationally. The new formula moves the allocations from a historic budget basis to a more formulaic basis. It is not yet clear what this means in terms of funding levels for Kingston pupils. The Council is lobbying Government through consultation responses and letters to highlight the severe shortfall in funding for High Needs pupils and to request that the new formula is based not only on a formulaic basis but also that the total money in the system is adequate to provide for children requiring additional support across the country as well as in the RB Kingston. The results of the consultation will be available in the summer.

Early Years Block
The Department for Education have announced that, following the consultation responses on the paper entitled “An early years national funding formula”, the following will be implemented:

- The national average hourly rate will increase from £4.56 to £4.94.
- The national funding formula will allocate funding for the existing 15 hour entitlement for three and four year olds and additional 15 hours for eligible working parents for three and four year olds.
- Local Authorities are required to pass 93% in 2017/18 and 95% from 2018/19 onwards to early year providers.
- Local Authorities will use a universal base rate to fund early year providers. The EFA will provide an additional £55 million nationally to supplement local authorities maintained nursery schools.

Additional funding continues to support disadvantaged three and four year olds through the early years pupil premium fund. Funding for the most disadvantaged two year olds will continue on the current formula. The Government has committed to increase the national average hourly rate from £5.09 to £5.39 and it is not proposed to make any changes to the Early Years Single Funding Formula for 2 year olds.
Locally, this means an increased hourly rate for three and four year olds and a reduced rate for two year olds in Kingston, both of which the Early Years Service will oversee and support transition to new rates.

Central School Services Block
A fourth block will be introduced from April 2018 to fund the local authority’s ongoing role. This money will be allocated via a formula allocation based on a per pupil amount and a deprivation amount. It is not yet clear what duties will be funded from this block but the reduced Education Services Grant funding (£346k) will transfer into this block.

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