

From: Matt Dunkley, Corporate Director for Children, Young People and Education

To: Richard Long, TD, Cabinet Member for Education and Skills

Subject: School Funding Arrangements for 2021-22

Decision Number and Title: 20/00112 - Changes to the KCC local funding formula for schools

Classification: Unrestricted

Past Pathway of Paper: Children's, Young People and Education Cabinet Committee – 18 November

Future Pathway of Paper: Executive Decision

Electoral Division: All

Summary:

On the 20 July 2020, the Chancellor confirmed the intention to increase school budgets by £2.2billion nationally from 1 April 2021. This is the second year of a three-year Spending Round for schools. Kent County Council is expecting to receive an additional £47m of Schools Block Dedicated Schools Grant in 2021-22 to distribute to Kent schools (and academies via the Education and Skills Funding Agency).

The distribution to schools is calculated through the operation of a Local Funding Formula (LFF) and this paper advises Members about the proposals to change to the LFF which are contained within the School Funding Formula Consultation 2021-22. The consultation was launched on 2 November and closes on 23 November 2020.

Recommendation(s):

The Cabinet Member for Education and Skills is asked to agree to:

- a. Transfer 1% of the Schools Block (£10.0m) into the High Needs Block for 2021-22.
- b. In relation to the Kent local funding formula for schools:
 - i. Continue to provide a Primary lump sum rate of £120,000 (before the area cost adjustment).
 - ii. Continue with the Falling Roll fund for 2021-22.
 - iii. Set the local Minimum Funding Guarantee percentage at 0.5% for 2021-22 for primary and secondary schools.
 - iv. Set the Ever 6 Free School Meals Factor for 2021-22 as per the value

in the table below:

	2021-22 (£ per pupil)
Primary	£333.23
Secondary	£609.43

- v. Set the Basic Entitlement Factor for 2021-22 as per the value in the table below:

	2021-22 (£ per pupil)
Primary	£3,093.17
KS3	£4,364.06
KS4	£4,918.44

- vi. All other factors within the local funding formula to be set as per the National Funding Formula (NFF), with most increasing by 3% compared to 2020-21.
- vii. Update the calculation of the Notional SEN budget to include both the Minimum Per Pupil Level and Minimum Funding Guarantee factors.
- c. Increase the base rate paid to Early Years providers for Free entitlement provision by 6p for three- and four-year olds and 8p for two-year olds. Maintain deprivation supplements at the same rates as 2020-21
- d. Increase the factor values of the Special Schools funding formula by 3%, and in addition to abolishing the lower place funding rate for pupils with Social, Emotional Mental Health needs (SEMH). All SEMH places will now be funded at the higher place funding rate.
- e. Delegate authority to the Corporate Director of Children, Young People and Education to make any further necessary changes to funding rates, in light of any final affordability issues.

1. Introduction

- 1.1 Since 2010, the Government has been reforming the school funding system so that it is fairer, simpler and more transparent. Their aim has been to create a system where schools and local authorities will be funded on up-to-date assessment of need that reflects the characteristics of their pupils.
- 1.2 In 2013-14 the school funding system was simplified and made easier to understand. In 2018-19 the *soft* National Funding Formula (NFF) was introduced, where the DFE allocate funding to local authorities based on a nationally prescribed formula and Local Authorities are responsible for setting a Local Funding Formula (LFF) to distribute this funding to schools in their area.
- 1.3 In September 2019 the Chancellor set out details of a three-year Spending Round for schools' commencing on 1 April 2020, which confirmed national school funding would increase by £7.1 billion (compared to 2019-20) by 2022-23. On the 20 July 2020 the Chancellor reconfirmed the intention to increase school budget by an additional £2.2 billion for 2021-22, and there is now a requirement to consult all schools on how our LFF should change from 1 April 2021.

2. Background

- 2.1 The Dedicated Schools Grant (DSG) funding is allocated through 4 separate blocks, with each block calculated using their own nationally set formula (known as a National Funding Formula). The block allocations for Kent for 2020-21 are set out in table 1 below:

Schools Block (SB)	High Needs Block (HNB)	Early Years Block (EYB)	Central Schools Services Block (CSSB)
£985.816m	£222.853m	£87.201m	£12.371m

- 2.2 The allocations for 2021-22 we confirmed in December and are set out in table 2 below:

Schools Block (SB)	High Needs Block (HNB)	Early Years Block (EYB)	Central Schools Services Block (CSSB)
£1,079.532m	£248.353m	£88.369m	£11.842m

- 2.3 We are therefore expecting to receive an increase of £47m in the Schools Block, £21m in the High Needs Block and an estimated £1m for the Early Years Block (in addition to the transfer of the Teacher's Pension Employer Contribution funding and Teachers Pay funding previously paid as separate grants) and this paper and the associated consultation proposals focus on the distribution of this money through the Local Funding Formula in 2021-22.
- 2.4 The funding announcements in December also included the intention to increase the funding rate for Free Entitlement provision by 6p for three- and four-year olds and 8p for two-year olds.

3. Consultation proposals and outcomes for 2021-22

- 3.1 The Kent Schools' Local Funding Formula 2021-22 consultation was launched on 2 November 2020 to 23 November. The consultation document, an illustration tool showing the impact of the proposals on individual school budget, an on-line response form and an equality impact assessment can be accessed via the following link:
www.kent.gov.uk/schoolfundingconsultation.

- 3.3 The consultation contains proposals which can be grouped into the following summary categories:
- a) Areas of local concern
 - b) Changes to funding factor factors and funding rates
 - c) Other issues (changes to the notional SEN budget calculation)
- 3.4 It is the Government's long-term intention for all schools' budgets (for primary and secondary schools) to be set on the basis of a single, national formula (known as the National Funding Formula or NFF). Over the last three years KCC (with support from both schools and the Schools Funding Forum) has been guided by the general principle that "our Local Funding Formula should move towards the National Funding Formula (used to distribute school block funding to local authorities), but at the same time continue to utilise local flexibility to address areas of local concern". This consultation sought schools' views on whether to continue to support the following areas of local concern in 2021-22:
1. Provide an enhanced a lump sum rate for all primary schools, specifically to offer protection to our smaller primary schools.
 2. Transfer of 1% from the schools to the high needs block in 2021-22 to support inclusive practices in mainstream schools. This will be added to the funding transferred in 2020-21 to enable medium-term sustainability of projects. The request replicates the transfer that took place in 2020-21.
 3. The Falling Roll Fund: continue to provide additional funding to those schools which had experienced a significant reduction in pupil numbers which is expected to recover in the next 3 financial years.
- 3.5 If there is support to continue to address some or all of the areas of concern, views were also sought as to whether we use the same formula to distribute funding to schools as in 2020-21 or update the formula to include the mobility factor. The mobility factor would distribute additional funding to those schools who have a higher proportion of children who start on a non-standard date. There was also a separate question on the level at which the minimum funding guarantee, which determines the minimum increase per pupil a school would expect to receive, should be set.
- 3.6 Proposals to change the calculation of the notional SEN budget for schools were also intended to ensure schools of similar size and relative funding are treated more equally when access additional funding to support children with high needs.
- 3.7 Separately, Special Schools were consulted on the proposals to increase the factor values within the Local Funding Formula by 3%, in line with mainstream schools to continue to address the previous years rate freezes. In addition to removing the lower place funding rate for pupils with Social, Emotional Mental Health needs to recognise the additional costs required to support for this group of children.
- 3.8 The Schools Funding Forum must also be consulted as part of any proposed changes to the Local Funding Formula for Education funding and provide a set of recommendations to the Cabinet Member for final decision. The

Schools Funding Forum recommendations also consider the outcome of any wider consultation. The detailed results of these consultations can be found using the following link to the [SFF website](#).

- 3.9 In summary the results of the consultations both with schools and recommendations by the Schools Funding Forum have been reflected in the Cabinet Member decision:
- to support all areas of local concerns outlined in 3.4
 - to continue to use the same formula factors to distribute funding to primary & secondary schools including applying an inflationary uplift in line with the NFF
 - to set the minimum funding guarantee rate at 0.5%
 - to update the notional SEN budget calculation to include both the Minimum Funding Guarantee and Minimum Per Pupil Funding Level factors
 - to increase special school formula factor rates in line with 3.7
 - to fully pass on the increase in funding received by Government to Early Years providers for free entitlement provision by increasing the base rate paid by 6p for three- and four-year olds and 8p for two-year olds. In addition, to not refreshing the data used to calculate the deprivation supplement in 2021-22. The calculation will be based on the children attending as recorded on the October 2019 early years headcount rather than being refreshed to use October 2020 data due to the significant disruption in children's attendance during the Autumn term resulting for the COVID pandemic.
- 4.0 Following support from both Schools and the Schools Funding Forum a dis-application was sort from the Secretary of State to transfer 1% (£10m) from the Schools to the High Needs Block (as outlined under 3.4). KCC was formally notified of agreement to this transfer on 11th February 2020.

4. Conclusions

- 4.1 The estimated increase of £47m for Kent schools in 2021-22 reflects an average increase of 3.6% per pupil and fulfils the Government's commitment that all schools receive a minimum of £4,000 per primary aged child or £5,000 per secondary aged child. This is the second year of a three year spending commitment to increase schools budgets. It represents a significant increase (on top of the 2018-20 increases) and starts to improve the funding provided to Kent, which has traditionally been a lower funded Education Authority.
- 4.2 The Government requires schools to be consulted on an annual basis regarding any proposed changes to Local Funding Formula and the request to transfer funding from the schools block to high needs block. This consultation sought views as to whether to replicate the methodology used in setting school budgets in 2020-21 and continue to recognise and address areas of local concern, or move further towards the National Funding Formula and therefore no longer reflect the local circumstances in Kent. It is recognised that the request to repeat the transfer of 1% from the school's to high needs block to support inclusive practices in schools is particularly sensitive, but if we did not it would mean we would be failing in our financial responsibilities to do all that we can to help manage this significant high-needs budget challenge.
- 4.3 **Outcome of Cabinet Committee**
At the meeting of the Children's, Young People and Education Cabinet Committee on 18 November, the Committee considered the recommendations presented to them and commented on the proposals.
- 4.4 The consultation responses, as well as comments provided by this Cabinet Committee, were collated and presented to the Schools' Funding Forum on 4 December 2020 and further considerations were made 12 February 2021. The Forum considered all responses and made the following recommendations back to the Cabinet Member for Education and Skills prior to a key decision being taken. Following the Cabinet Member taking his decision both school budget and early years rate calculations can commence in readiness for formal publication at the end of February 2020.

5. Recommendation(s):

- 5.1 The Cabinet Member for Education and Skills is asked to agree to :
- a. Transfer 1% of the Schools Block (which equates to approximately to £10.0m) into the High Needs Block for 2021-22.
 - b. In relation to the Kent local funding formula for schools:
 - viii. Continue to provide a Primary lump sum rate of £120,000 (before the area cost adjustment).
 - ix. Continue with the Falling Roll fund for 2021-22.
 - x. Set the local Minimum Funding Guarantee percentage at 0.5% for 2021-22 for primary and secondary schools.

- xi. Set the Ever 6 Free School Meals Factor for 2021-22 as per the value in the table below:

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- xiii. All other factors within the local funding formula to be set as per the National Funding Formula (NFF), with most increasing by 3% compared to 2020-21.
- xiv. Update the calculation of the Notional SEN budget to include both the Minimum Per Pupil Level and Minimum Funding Guarantee factors.
- f. Increase the base rate paid to Early Years providers for Free entitlement provision by 6p for three- and four-year olds and 8p for two-year olds. Maintain deprivation supplements at the same rates as 2020-21
- g. Increase the factor values of the Special Schools funding formula by 3%, and in addition to abolishing the lower place funding rate for pupils with Social, Emotional Mental Health needs. All SEMH places will now be funded at the higher place funding rate.
- h. Delegate authority to the Corporate Director of Children, Young People and Education to make any further necessary changes to funding rates, in light of any final affordability issues.

6. Background Documents

- 6.1 The Kent Schools' Local Funding Formula 2021-22 Consultation documentation can be found in the link below:

www.kent.gov.uk/schoolfundingconsultation

- 6.2 Report to Children's, Young People and Education Cabinet Committee – 18 November 2020 - School Funding Arrangements for 2021-22

<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=894&MId=8522&Ver=4>

7. Contact details

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