

From: Rory Love, Cabinet Member for Education and Skills

Sarah Hammond, Corporate Director of Children, Young People and Education

To: Children's and Young People's Cabinet Committee – 16th January 2025

Subject: 24/00117 Changes to the KCC local funding formula for State Funded Schools and Early Years Providers, and Special Education Needs payments for Post 16 providers (FE Colleges & Specialist Post 16 Providers) 2025-26

Key

- It affects more than 2 Electoral Divisions
- It involves expenditure or savings of maximum £1m – including if over several phases

Classification: Unrestricted

Past Pathway of report: N/A

Future Pathway of report: Executive Decision

Electoral Division: ALL

Summary:

The Government has confirmed the funding allocations for schools' funding including primary & secondary schools, early years and high needs (Special Educational Needs) for 2025-26. Kent County Council will receive an additional £35m of Schools Block Dedicated Schools Grant in 2025-26 to distribute to Kent primary and secondary schools (and academies via the Education and Skills Funding Agency), along with nearly £23m for high needs, and an estimated c£7m for early years free entitlement. Local Authorities retain responsibility for agreeing the distribution of funding to schools, early years and educational establishments in accordance with the Government guidance.

The distribution of funding to primary & secondary schools is calculated through the operation of a Local Funding Formula (LFF) and this paper predominately advises Members about the recommendations to change the LFF which was contained within the School Funding Formula Consultation to schools. The consultation was completed in December. This paper is an opportunity for Members of this Committee to comment on these proposals ahead of a key decision being taken by the Cabinet Member in January.

Recommendation(s):

The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Education & Skills on the proposed decision to implement the proposals set out within the Kent Schools' Local Funding Formula 2025-26 consultation www.kent.gov.uk/schoolfundingconsultation.

Note that the Cabinet Member will take the relevant Key Decision during January 2025 in line with the Council's decision-making procedures, following engagement with the Schools Funding Forum regarding proposals outlined in this paper relating to schools and early years, along with standard inflationary increases to Special Educational Needs payments made to schools/colleges.

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. Since 2018-19, the *soft* National Funding Formula (NFF) was introduced, whereby Local Authorities were able to distribute the total funding they received from the Department of Education (DFE) for primary and secondary schools in their area through a Local Funding Formula (LFF) using a prescribed list of factors set by the DFE.
- 1.2 Local Authorities are also responsible for setting the payment rates to early years providers for Free Entitlement Rates for eligible children aged between over 9 months and four-year olds along with the funding rates to support Special Educational Needs across early years, schools and post 16 providers.
- 1.3 The Government has announced the 2025-26 planned spending levels for schools' increasing total school funding nationally from £61.6 billion in 2024-25 to £63.9 billion in 2025-26 (+2.3b or 3.7%). This is used to fund primary & secondary school core budgets, high needs and central services for schools. The estimated split of extra funding is £1.0b for high needs, £0.6b full year effect of core schools grant for primary & secondary schools and the balance of £0.7b for other primary & secondary school budget increases.
- 1.4 The overall funding available for Early Years Entitlements will continue to increase during 2025-26 as the extended free entitlement for working parents continues to roll out. Nationally funding is expected to increase by approximately £2.5billion in 2025-26 (to £8.5billion), of which approximately £2.1 billion relates to the expansion of entitlements for working age parents; approximately £0.3b was new funding for inflationary increases (equivalent to 4.2% increase); and £0.1b was funding previously received as a separate grant (early years budget grant).
- 1.4 The Council must now decide how the Kent's LFF for schools, early years providers and special educational needs payments should change from 1 April 2025 taking into account views from both the schools & early years sector and the Schools Funding Forum.
- 1.5 The Schools Funding Forum is a statutory body made up of a representative group of headteachers, governors or other senior members of staff (i.e. school finance manager) within Kent schools including academy trusts, maintained schools, primary, secondary and special schools. Along with Post 16 and Early Years providers.

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). Each block has its own rules and Local Authorities cannot transfer funding between blocks without seeking permission from either the Schools Funding Forum or the Secretary of State. The estimated block allocations for Kent for 2025-26 announced in December are set out in table 1 below:

Table 1: Indicative Dedicated Schools Grant Block Amounts (estimated in Dec 24)

Schools Block (SB)	High Needs Block (HNB)	Early Years Block (EYB)	Central Schools Services Block (CSSB)
£1,384.134m	£345.487m	£226.065m	£12.181m

2.2 The School Block allocation is the funding available for primary and secondary school core budgets. The 2025-26 allocation has recently been updated to reflect the latest pupil numbers as recorded on the October 2024 school census confirming a total increase of £108m compared to 24-25 of which c£72m related to the rolling of a number of grants previously received separately (related to teachers pay & pensions), leaving £35m to cover the full year effect extra funding given in Sept 24 which is now part of the schools budget (core schools budget grant) and other general increases, equating approximately to 1.3% and 1.4% respectively.

2.3 This paper and the associated consultation with schools focused on the distribution of the additional £35m through the Local Funding Formula in 2025-26.

2.4 The Government has confirmed it still continues to complete the ambition whereby schools’ budgets (for primary and secondary schools) will be set based on a single, national formula rather than each Local Authority being responsible for setting their own Local Funding Formula (LFF) to distribute School funding in their area. The completion date is still to be confirmed but to ensure a smooth transition for schools, the Government will increasingly tighten the restrictions on Local Authorities when setting their Local Funding Formula from 2025-26. For example: in 2025-26, all local Authorities must include all NFF factors in their local formulae (except the locally determined premises factors) and must also move closer to the NFF rates. The consultation document includes a list of NFF factors that must be used in the schools funding formula for 2025-26 (www.kent.gov.uk/schoolfundingconsultation).

2.5 Following the 2024 Autumn spending review and subsequent announcements just before Christmas, the High Needs Funding allocation for Kent is expected to increase by a total of £23m in 25-26 to £345m (an increase of 6.6%).

The Department of Education has also confirmed on 10 December, the Local Authority funding basis for the Early Years Block for 2025-26. Kent’s indicative

allocation is due to increase by £67.5m, of which approximately £59.5m relates to continued roll out of the extended free entitlements for children with working aged parents, c£0.5m of funding previously received through a separate grant (early years budget grant) and £7.5m for general rate increases, equivalent to 4.6% increase (compared to the equivalent figures for 24-25). This includes the hourly funding rates for Free Entitlement for under 9 months to 4 years increasing between 2.7% and 3.3% (dependent on age range). Along with Early Years Pupil Premium increasing from £0.68 to £1.00 per hour (47% increase) and Disability Access Fund rate paid to eligible children increasing by 3%.

3. Schools (Primary & Secondary) Funding Formula Consultation Proposals for 2025-26

3.1 The Kent Schools' Local Funding Formula 2025-26 consultation was launched during December, this was later than usual due to the timing of Central Government announcements. 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 could be accessed via the following link: www.kent.gov.uk/schoolfundingconsultation.

3.2 The consultation document contains full details of the proposals.

3.3 The consultation contained proposals focused on:

a) Transfer of the Funding from the Schools Block to the High Needs Block: whether there was support to transfer funding which would be equivalent to 1.2% transfer from the primary & secondary schools budgets to the High Needs block to help to fund SEN Support services in mainstream schools.

b) Changes to funding factor factors and funding rates: In 2024-25 it was agreed the schools funding formula for primary & secondary schools would mirror the factors and rates of the National Funding Formula, with an equal reduction made to all factor rates to fund the High Needs transfer except the Minimum Per Pupil Level factor which would be reduced by a lower amount (0.9%). The consultation asked whether this principle should continue or whether the MPPL reduction should be increased to 1.2% so that schools are more equally contributing to the transfer.

c) Changes to funding factors and funding rates: whether the minimum funding guarantee (the minimum year on year change in per pupil funding – as defined by DfE) should be set up -0.5% or 0% (DfE prescribed allowable range).

3.4 The consultation results will be shared with the School Funding Forum on 10th January 2025 where their views and recommendations will also be sought.

4. Schools Funding Formula Consultation Results 2025-26

4.1 Appendix A provides details of the responses. In total there were 616 visitors to the website with 80 unique responses, with 59 out of 459 primary schools responding, 19 out of 101 secondary & all-through schools and 2 out of 26

special schools. The response rate was much lower than previous years. This is believed to be a direct reflection of the timing of consultation (the penultimate 2 weeks before the end of Autumn Term) and repetition of the questions from previous years.

1.2% Transfer from Schools to High Needs Block

4.1 A summary of the results are provided below:

Question	Schools Consultation
Do you agree with the transfer from the Schools budgets to the High Needs Block to support services for mainstream schools?	59% agreed
Do you agree to transfer 1.2%?	56% agreed

4.2 The Department of Education require all block transfer requests to be consulted with schools and to ensure the Council provides schools with full background details of the request. This is outlined in the consultation document (Appendix 3). Block transfers cannot be automatically repeated each year therefore schools must be consulted on an annual basis and where the transfer is greater than 0.5%, the Secretary of State must also agree, in addition to a formal Cabinet Member decision. At the time of writing, we are awaiting a response to our request from the Secretary of State.

4.3 The consultation document, along with section 3g of the [Cabinet financial monitoring reports](#) outlines both the latest financial position and proposed principles to addressing the in-year deficit in the DSG. In 2024-25, the forecast grant shortfall is £53m (equivalent to 13% overspend on the High Needs Block). This transfer request forms part of a wider approach to managing the Dedicated Schools Grant deficit recovery alongside reviewing the council’s local policies and process in relation to supporting children with SEN. This approach forms part of the Local Authority’s plan to move to a balanced in-year position on the High Needs Block as agreed with the DfE as part of the Safety Valve Programme. This programme is for those Councils with the highest deficits to support the development of a sustainable plan for recovery; including further funding from the DfE to pay off part of the deficit. The Council has also agreed to fund part of the historic debt.

4.4 The transfer total of 1.2% is in line with last year’s request and is expected to be asked annually over the next 3 years whilst the High Needs budget returns to a more sustainable position. The transfer helps to support future financial sustainability and avoids cuts to SEN services. The transfer is used to help to fund SEN support services.

4.6 Overall, the proportion of responses supportive of the transfer was less than in previous years (in 2023-24 there was 86% in support), and whilst there was still overall support from primary schools, more secondary/special schools disagreed with the approach. Reasons for disagreement were not requested however, secondary do make less use of SEN support services.

- 4.7 Subject to the outcomes of the Schools Funding Forum discussion, and the agreement of the Secretary of State, it is currently proposed to transfer 1.2% from the Schools block to the High Needs Block in 2025-26.

Local Funding Formula Factor and Rate Changes for 2025-26

- 4.8 The next section focused on proposed changes to the formula factors in Kent's Local Funding Formula for primary and secondary schools (LFF) if there was support for the 1.2% transfer, this included the setting of the minimum per pupil funding level (MPPFL), and the minimum funding guarantee (MFG).

Minimum Funding Guarantee (MFG)

- 4.9 The MFG is a protection factor in the NFF, it ensures the overall per pupil rate of funding received by a schools does not fall below a minimum percentage threshold. There was clear support from the response that the minimum funding guarantee is set at 0% (rather than -0.5%) This means, year on year all schools will see (as a minimum) a 0% change in the overall per pupil rate of funding (as defined by the DfE). The cost of setting the MFG at 0% rather than -0.5% is approximately £0.2k. This will have to be funded from reducing other rates accordingly (a set out below) if this proposals is ultimately recommended.

Minimum Per Pupil Funding Level (MPPFL)

- 4.9 For the past 2 years, the Local Authority has taken the decision to mirror the National Funding Formula more closely and to ensure all schools contribute towards the High Needs transfer, when compared to the budget allocation they would receive through the NFF. The funding formula includes a protection factor to ensure all schools receive a minimum amount of funding per pupil (MPPL). This protection factor will "top-up" a school budget when the budget calculated on the characteristics of a school is lower than the protection threshold. By including a reduction to this protection factor, in the same way as the other factor valves, ensures all school budgets contribute towards the funding of the High Needs Transfer. The reduction to the MPPFL is subject to Secretary of State approval.

Similar to last year, the views from the schools were less conclusive with a slightly higher proportion of responses (60%) favouring to continue with the current formula used in 24-25, whilst 40% of the respondents favoured reducing the minimum per pupil funding level further than the reduction made in 24-25 (increasing the reduction from 0.9% to 1.2% in comparison to the nationally set rate). By increasing the reduction to 1.2% would complete a 3-year transition to support an approach whereby all schools would contribute equally towards the transfer (in comparison to the budget a school would receive under the National Funding Formula).

- 4.8 If the transfer is ultimately not supported, the proposal would have defaulted to mirroring of the National Funding Formula rates as closely as possible. This is in line with the overall guiding principle agreed by the schools and the Schools Funding Forum in previous years.
- 4.12 Subject to the outcomes of the Schools Funding Forum meeting along with the agreement of the Secretary of State, it is currently proposed that if the 1.2% transfer is agreed the Local Funding Formula for primary and secondary school

budgets will be set by reducing all NFF factor values equally including the Minimum Per Pupil Level rate (which would be set c1.2% lower). The minimum funding guarantee will be set at 0%.

5 Other Formula Rate Proposals 2024-25

- 5.1 Further consultations with the Schools Funding Forum will take place in January, ahead of Cabinet Member taking Key Decision. Key considerations will include:

High Needs Funding Formula Rates 2025-26

- 5.3 The total value of High Needs funding is expected to increase by £23m from £322m in 24-25 to £345m in 2025-26, an increase of c6.6%. Whilst this is higher than last year's increase (of approximately 3.7%), this is still far lower than annual increases seen in preceding years of around 10%. The increase is insufficient to meet the current in-year deficit on the High Needs block which is forecast to be £53m in 2024-25. The High Needs budget is used to fund payments for top up funding to mainstream schools & post 16 providers for individual children with SEN, Specialist Resource Provisions, Special Schools and Alternative Provision Funding. Any standard funding rate increases for educational providers have to be balanced between adding further pressure to the High Needs block and recognising inflationary pressures that SEN education providers are facing including the rise in teachers' and support staff salaries along with wider inflationary changes. It also needs to be considered alongside Central government's approach to primary & secondary school budgets, whereby schools are being expected to make greater levels of efficiencies in 2025-26 to fund these pressures.

Early years Free Entitlement Rates 2025-26

- 5.3 Last year the Government announced a range of measures to support early education and help for parents with childcare so they can return to work more easily. This resulted in a number of changes to the sector including an expansion of the free entitlement offer from a universal/targeted offer for 3 & 4 year olds (& some eligible 2 year olds) to include free childcare up to 30 hours to working parents with children aged over 9 months. The Council implemented a number of new rates in response to this change and reviewed the current 3 & 4 year old formula relating to deprivation. Therefore, options to change the basis of the funding rates further were discarded, to provide stability to the sector, instead opting to consider a standard percentage uplift in line with Government funding announcements, this will include reducing the amount retained by the Council from 5% to 4% of the grant funding available (in line with government guidance). This will be presented to the Schools Funding Forum for consideration.

6 Financial Implications

- 6.1 All funding proposals associated with the Schools' Local Funding Formula proposals (primary & secondary schools) are made within the total school block available for distribution in 2025-26. The Government requires the full school block to be distributed to schools, except where a block transfer has been agreed.

6.2 The High Needs Block is significantly overspent and therefore all proposals must consider the financial impact and subsequent savings that will need to be achieved to meet any commitments to increase funding rates to support children with Special Educational Needs.

6.2 The final rate values may vary for affordability purposes as all proposals in the consultation document are based on modelled data.

7 Legal implications

7.1 There are no legal implications, but the Council is required to set the schools budget in accordance with Education Act 2002 and the Conditions of DSG Grant 2024-25. School Budgets must be published by 28th February of each year and the Early Years funding rates must be published by 31st March for the forthcoming financial year.

7.2 The Schools Funding Forum generally have a consultative role whose composition, constitution and procedures of schools forums are set out in the Schools Forums (England) Regulations 2012 (S.I. 2012/2261) (as amended).

8 Equalities implications

8.1 An equalities impact assessment has been completed and is included as part of the consultation documentation. There were no adverse impacts identified.

9 Other corporate implications

9.1 This does not have an impact on other areas of the Council.

9.2 The proposed decision would fall under Objective 1 of Framing Kent's Future: maintaining KCC's strategic role in supporting schools in Kent to deliver accessible, high quality education provision for all families, through the setting the annual school budget.

9.3 The proposed decision will support Objective 2 of Securing Kent's Future: by securing additional income to the High Needs Block from the Schools Block will support financial sustainability of the 2025-26 Dedicated Schools Grant High Needs Budget.

10 Governance

10.1 Corporate Director for Children, Young People and Education will be delegated responsibility to enact the decision and to make any further necessary changes to funding rates in light of any final affordability issues.

11 Alternatives considered

11.1 The alternatives to the recommendations within this paper are set out as part of the consultation and have been referenced in the body of this report.

Conclusions

12.1 The Schools Funding Forum will be consulted on the principles for setting schools' budget, Early Years Funding Formula and any standard inflationary increases for rates paid from the High Needs Block. The Cabinet Member for Education & Skills will be asked to make this decision during January in readiness for formal publication at the end of February 2025. Approval will also be sought, where appropriate, from the Secretary of State for both the 1.2% transfer and to reduce the minimum per pupil funding level.

14 Recommendation(s):

14.1 The Cabinet Committee is asked to consider and endorse or make recommendations to the Cabinet Member for Education & Skills on the proposed decision to implement the proposals set out within the Kent Schools' Local Funding Formula 2025-26 consultation
www.kent.gov.uk/schoolfundingconsultation.

14.2 Note that the Cabinet Member will take the relevant Key Decision during January 2025 in line with the Council's decision-making procedures, following engagement with the Schools Funding Forum regarding proposals outlined in this paper relating to schools and early years, along with standard inflationary increases to Special Educational Needs payments made to schools/colleges.

14 Background Documents

10.1 The Kent Schools' Local Funding Formula 2025-26 Consultation documentation can be found in the link below:
www.kent.gov.uk/schoolfundingconsultation.

15 Contact details

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