

From: **Beverley Fordham, Cabinet Member for Education and Skills**  
**Christine McInnes, Interim Corporate Director of Children, Young People and Education**

To: **Children's and Young People's Cabinet Committee – 18<sup>th</sup> November 2025**

Subject: **School and Early Years Funding Arrangements for 2026-27**

Decision Number and Title – **25/00092**

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 Council will remain responsible for setting the School Budgets for primary & secondary schools for 2026-27 and has issued preliminary guidance to support local authorities. 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 proposed principles in setting the LFF, contained within the School Funding Formula Consultation to schools, ahead of the DfE confirming the final Dedicated Schools Grant allocations in the Autumn. **The consultation is being completed during October and November. 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 December.**

In addition, Local Authorities are also responsible for agreeing the distribution of funding to early years providers for the Free Entitlement offer for children aged between 9 months and 4 years, for up to 30 hours free children a week (dependent on eligibility) in accordance with Government guidance which is expected to be published in the Autumn. Changes to the rates paid to providers will form part of the same decision in December and this paper highlights the known information at this stage.

**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 as detailed in the Proposed Record of Decision (PRoD) attached at appendix A.

## **1. Introduction**

- 1.1 The Department of Education (DfE) provides Local Authorities with a specific ring-fenced grant each year to fund the school budgets (mainstream primary & secondary schools), early years free-entitlements for children under 5, high needs (Special Educational Needs Education Placements including special schools) and central services for schools. This is known as the Dedicated Schools Grant. It is the Local Authority responsibility to distribute this funding to schools, eligible early years and to provide SEN services and other services for schools in Kent.
- 1.2 Historically, Local Authorities were able to design their own formulas to calculate the annual primary and secondary school budget for schools in their area, based on the local needs. Since 2018, the Government has been reforming mainstream school funding (aged 5-11) with the aim to create a system where all schools, regardless of where they are located in the country, are funded based on a single national formula using up-to-date assessment of need that reflects the characteristics of their pupils. The first step was the introduction of the National Funding Formula (NFF) which is now used to both determine the total funding a Local Authority receives from the DfE for primary and secondary schools in their area and, the prescribed factors and allowable rates that a Local Authority can use in designing their own Local Funding Formula (LFF).
- 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 Normally, the Government would publish the planned spending levels for schools in the Summer (July 2025) for the forthcoming financial year (2026-27) which would include detailed guidance and estimated Dedicated School Grant totals. This information has been delayed and is not expected until the Autumn (with no exact date). In the interim, the Government has published a policy document outlining the principles on which Local Authorities can set the schools funding formula for state-funded mainstream schools confirming the local authority responsibilities and outlining the parameters in which each Local Authority LFF must operate.
- 1.4 At the time of writing little information has been published on either the overall grant funding available for Early Years Entitlements or Local Authority guidance on how to distribute it. This has historically been published later (during the Autumn Term). Like the mainstream schools formula, the DfE set strict parameters for how rates for early years providers can be set by individual local authorities.

- 1.4 The Council will need to decide how the Kent's LFF for schools and early years providers should change from 1 April 2026 taking into account views from both the schools & early years sector (where appropriate) 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 block allocations for Kent for 2025-26 are set out in table 1 below:

Table 1: 2025-26 Dedicated Schools Grant Block Amounts

Schools Block (SB)	High Needs Block (HNB)	Early Years Block (EYB)	Central Schools Services Block (CSSB)
£1,384.134m	£351.901m	£227.215m	£12.907m

- 2.2 The School Block allocation is the funding available for primary and secondary school core budgets. The allocation is updated each year to reflect the latest pupil numbers (as will be recorded on the October 2025 school census), any increase to reflect the rolling in of grants that were previously received separately by schools, and other general increases relating to either demographic changes or inflationary increases.
- 2.3 The Government's [policy document](#) published in the Summer set out key elements of the National Funding Formula for 2026-27, ahead of confirming detailed funding allocations. There is still no timeline as to when Government intends to complete its ambition for all schools' budgets (for primary & secondary schools) to be 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. But to ensure a smooth transition for schools, the Government continues to increasingly tighten the restrictions on Local Authorities when setting their Local Funding Formula for 2026-27. For example: in 2026-27, 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 by at least 10%. Appendix B sets out the factors and rates used in the schools funding formula for 2025-26.
- 2.4 This paper and the associated consultation with schools focuses on the proposed principles of how the Local Funding Formula in 2026-27 will be set.

This information will be used to support the development of the final proposed decision.

- 2.5 The High Needs Block is used to fund payments for top up funding to mainstream schools & post 16 providers for individual children with SEN, and Specialist Resource Provisions, Special Schools and Alternative Provision Funding. Along with independent schools and other centrally commissioned SEN support services. The SEN funding modelling is currently being reviewed and any proposed funding changes and/or standard increases will be subject to a separate key decision and presented to Cabinet Committee in January 2026.
- 2.5 The Early Years Block is used to fund the rates paid to early years providers to deliver the Free Entitlement offer. In 2024, 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 DfE have not yet confirmed whether there will be any changes to the guidance for local authorities in setting the rates for providers however, they have confirmed the amount of funding a local authority can retain to support the delivery of council run (or commissioned) early years education services will be reduced from 4% to 3% of the total Early Years block. The expectation from the DfE is that central budgets will remain relatively static in 2026-27, as the reduction in the proportion of budget that can be retained will be offset to some extent by an increase in total block amount as the roll out of the expanded offer continues. The Council will not be able to assess the impact of this change until detailed allocations are published in Autumn. The impact of this change, along with the other resulting changes, will be confirmed as part of the final decision report.

### **3. Schools (Primary & Secondary) Funding Formula Consultation Proposals for 2026-27**

- 3.1 The regulations state Local Authorities must consult with their primary and secondary schools when setting their school budgets, and in particular if they are considering transferring money from the School Block to the High Needs block. The council's historic approach has been to consult with schools once Local Authority DSG allocations are published by the DfE. However, this approach leads to delays when funding announcements are late (as was the case last year). Therefore, following consultation with the Schools Funding Forum, it was agreed to launch the Kent Schools' Local Funding Formula 2026-27 consultation during October, ahead of Government funding 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](http://www.kent.gov.uk/schoolfundingconsultation).
- 3.2 The consultation document contains full details of the proposals. Kent currently mirrors the schools NFF in terms of both factors and rates (See Appendix B) whilst still addressing our high demand for Special Educational Needs services,

through the use of 1.2% of the school budget to support SEN services in mainstream schools funded through the High Needs budget. This is in line with the principle agreed in previous years where “our Local Funding Formula should move towards the NFF, but at the same time continue to utilise local flexibility to address areas of local concern”. The consultation seeks views on continuing with this approach and specifically on the principles to:

1. Transfer of the Funding from the Schools Block to the High Needs Block: whether there is 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.

2. Set the funding rates: In 2025-26 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 asks 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.

3. Set the minimum funding guarantee (the minimum year on year change in per pupil funding – as defined by DfE). The DfE normally set an allowable range and the consultation seeks views as to whether this should be set at a minimum or higher rate.

- 3.4 The consultation results will be shared with the School Funding Forum on 21<sup>st</sup> November 2025 where their views and recommendations will also be sought ahead of final recommended proposals being presented for decision in December.

#### **4. Schools Funding Formula Consultation: Further Details**

##### *High Needs Block Transfer*

- 4.1 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.
- 4.3 The consultation document, along with section 1h 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 2025-26, the forecast grant shortfall is £58m (equivalent to 17% overspend on the High Needs Grant). 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 has previously been expected to be asked annually until 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.

*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.
- 4.8 If the transfer is ultimately not supported, the proposal will default 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.

## **6 Financial Implications**

- 6.1 All funding proposals associated with the Schools' Local Funding Formula proposals (primary & secondary schools) and Early Years Local Funding Formula are made within the total school block and Early Years Block available for distribution in 2026-27. The Government requires the full school block to be distributed to schools, except where a block transfer has been agreed. Local Authority's must budget to spend all of the Early Years Block and for 2026-27 only 3% of the total budgetary allocation can be retained (with school funding forum agreement) for council run or commissioned early years education services.
- 6.2 The High Needs Block is significantly overspent and therefore it is imperative that the Council does all that it can to mitigate this overspend including seeking additional funding where possible i.e through the transfer from the Schools Block. If the transfer were to not go ahead a review of service currently funded by the High Needs Block would have to be reviewed and a further decision (separate to this decision) would have to be taken with any proposed actions to redress the reduced income level.

## **7 Legal implications**

- 7.1 The Council is required to set the schools budget in accordance with Education Act 2002 and the Conditions of DSG Grant 2026-27 (when published). School

Budgets and Early Years funding rates must be published by 28<sup>th</sup> February of each year 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).
- 7.3 Section 149 of the Equality Act 2010 provides an obligation upon public authorities to have due regard to certain express equality considerations when exercising their functions, including when making decisions.

## **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.

## **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**

- 12.1 Schools are currently being consulted and the results will be shared with the Schools Funding Forum in November to gather their views on the principles for setting schools' budget, along with the Early Years Funding Formula. The Cabinet Member for Education & Skills will be asked to make this decision during December in readiness for DfE submissions in mid-January and formal publication at the end of February 2026. 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 as detailed in the Proposed Record of Decision (PRoD) attached at appendix A.

## **14 Background Documents**

- 10.1 The Kent Schools' Local Funding Formula 2026-27 Consultation documentation can be found in the link below:

[www.kent.gov.uk/schoolfundingconsultation](http://www.kent.gov.uk/schoolfundingconsultation).

### **10.2 Appendix A: Draft Proposed Record of Decision**

### **10.3 Appendix B: List of Prescribed Factors and Rates for the Primary & Secondary School Budgets**

### **10.4 Appendix C: Initial Equality Impact Assessment (EQIA)**

## **15 Contact details**

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