

From: **Roger Gough, Cabinet Member for Children, Young People and Education**
Matt Dunkley, CBE, Corporate Director of Children, Young People and Education

To: Children's, Young People and Education Cabinet Committee – 29 November 2018

Subject: School Funding Arrangements for 2019-20

Classification: Unrestricted

Future Pathway of Paper: Cabinet Member Decision

Electoral Division: All

Summary:

This paper advises Members about the proposals contained within the School Funding Formula Consultation 2019-20 which occurred between 15 October and 16 November 2018.

KCC is not proposing any further changes to the Local Funding Formula (LFF) funding rates for 2019-20 that were reported to this Committee on 5 December 2017, formed part of the Cabinet Member Decision 17/00109, and further published alongside the 2018-19 school budgets at the end of February 2018.

The paper focuses on the two proposals within the Consultation:

- (i) the introduction of a split site factor into the Local Funding Formula (LFF);
- (ii) a request to maintain the 0.5% transfer of the Schools Block (SB) to the High Needs Block (HNB), agreed in 2018-19 and adding a further 0.5% transfer from the SB to the HNB in 2019-20, making a total of 1%.

The paper also provides an analysis of the responses to the consultation.

Recommendation:

The Children's, Young People and Education Cabinet Committee is asked to consider and comment, to inform the decision of the Cabinet Member for Children, Young People and Education, on the specific proposals to;

- a) introduce a split site factor, and
- b) to repeat the 0.5% transfer of funds from the Schools Block to the High Needs Block in 2018-19 and to transfer a further 0.5% for 2019-20. Both transfers would be from 1 April 2019.

1. Introduction

1.1 2019-20 is the second year of the National Funding Formula (NFF) for schools, high needs and central schools' services. These blocks will sit alongside the Early Years NFF which was introduced in 2017-18.

- 1.2 The Government has allocated to Local Authorities the SB Dedicated Schools Grant (DSG) by calculating an individual notional budget for each school in the country using a NFF. The DfE have previously confirmed that each local authority (LA) will continue to set a schools' LFF, in consultation with schools. This is known as a Soft NFF.
- 1.3 In 2019-20 the NFF will set notional allocations for each school, which will be aggregated, and used to calculate the total SB received by KCC. The DfE have advised that LAs will continue to determine local formulas in 2020-21 – this represents an extension of previous arrangements by a further year. The Government has not yet stated when the Hard NFF will be introduced.
- 1.4 The longer-term ambition of the Government is to introduce a Hard NFF which removes the need for a LFF. A Hard NFF is where the Government calculates a budget for each school in the country using one formula and one set of funding rates, and this funding is then passed from Government to individual schools with no (or very little) LA involvement.
- 1.5 As a result of the NFF reforms which commenced last year, Kent's SB DSG will increase as follows:

Table 1 <i>figures subject to rounding</i>	Increases in funding			
	Annual increase		Cumulative increase	
	£'m	%	£'m	%
2018-19	+£27.6m	+3.3%	+£27.6m	+3.3%
2019-20	+£22.3m	+2.6%	+£49.9m	+5.9%
Once NFF is fully implemented	+£12.2m	+1.4%	+£62.1m	+7.4%

Note: this excludes the impact of rising pupil numbers

2. Proposed changes to the LFF in 2019-20

- 2.1 Two changes have been proposed to the LFF for 2019-20. These were consulted upon with all Kent schools via a School Funding Consultation which ran for five weeks from 15 October to 16 November 2018. The Schools' Local Funding Formula Consultation can be viewed at [Annex 1](#). The responses to the Consultation have been analysed and are set out in [Annex 2](#).
- 2.2 The Consultation focuses on two proposals:
- The introduction of a Split Site factor into the LFF, to provide additional funding to schools and academies for unavoidable costs incurred due to a school being located on more than one site. The consultation focuses solely on the principal to introduce a split site factor and does not provide information on criteria or amount.
 - Continue to maintain the 0.5% transfer of the SB to the HNB agreed in 2018-19 and add a further 0.5% transfer from the SB to the HNB in 2019-20, making a total of 1%. This will help to meet the growing demand for High

Needs Funding that supports the needs of children with profound and complex SEND.

- 2.3 In total we received 112 responses to the Consultation. Details of the responses are contained within [Annex 2](#). In relation to the two questions we have shown the responses in two different ways, although they are both very similar in terms of what they are telling us. The first is total responses and the second (shown in *blue italics*) is based on only one response per school.

Split site factor

- 2.4 With regards to our proposal to introduce a Split Site factor, 39 (35%) of those who responded supported its introduction, whilst 54 (48%) were against its introduction. We had 19 (17%) who responded saying they did not know whether they supported the proposal or not.
- 2.5 In terms of the comments we received against this proposal;

Those in favour said;

“we support this factor if it funds genuine unavoidable costs”

“the cost challenges for split site schools are around communication and transport”

“additional staffing costs are necessary to safeguard student welfare”

“the removal of this factor in 2013-14 has had significant implications for my school and I would welcome any initiative to restore it”

“the number of split site schools are in the minority and there is a danger that their voices may not be heard”

Those not in favour said;

“inclusion of a split site factor would delay the introduction of the NFF”

“there are many local factors that affected schools that bring additional costs”

“no detail on potential costs of this proposal”

“concern about defining eligibility for this factor if introduced”

“we would only support this proposal if it resulted in an increase to the overall DSG to Kent – this cannot be guaranteed”

Transfer to the High Needs Block

- 2.6 In relation to the proposal to transfer 1% from the Schools Block to the High Needs Block, 74 (66%) supported the transfer, 35 (31%) did not support the transfer, and 3 (2%) indicated that they did not know.

2.7 In terms of the comments we received against this proposal;

Those in favour said;

“We will reluctantly support this transfer given the degree of need, but feel this is little more than a sticking plaster and government needs to understand the size of the problem”

“The LA will need to measure as the funding shifts to more local provision the impact on pupil outcomes”

“Kent must provide as much funding as possible for its most vulnerable pupils and students”

“The crisis in High Needs funding would be considerably worse without this transfer”

“I support this transfer based on the current levels of demand”

Those not in favour said;

“All available funding within the Schools Block should be allocated directly to schools until we have fully implemented the NFF”

“This is now a national crisis and we should not be put in a position locally of having to rob Peter to pay Paul – central government should provide adequate funding for pupils with SEND”

“This funding should be used to increase AEN factors within the LFF”

“Does this mean that you will want to transfer 1.5% next year?”

“To say that the transfer would not have any impact of the LFF rates for 2019-20 is disingenuous, as some schools are not funded at the Minimum Funding Level”

2.8 Views on the equality impact assessment were also sought as part of the consultation, although we only received two comments.

3. School funding rates and previous consultation

3.1 In the Autumn of 2017 a detailed consultation was held with all schools on proposals to change Kent’s LFF following the Government’s introduction of the NFF. Most Kent schools supported the direction of travel to replicate the NFF wherever possible, while taking into consideration local circumstances. The agreed local circumstances that were recognised when the LFF was approved last year, were as follows:

- a) In accordance with DfE rules, we transferred 0.5% (£4.4m) from the SB to High Needs Block (HNB) to help meet the unfunded demand pressure caused by the continued growth in the number of High Needs pupils. This was a one-off transfer and this funding has been returned to the Schools

Block for 2019-20.

- b) We increased our Growth Budget by £2m to support the expansion of schools to meet the rising school population (referred to as Basic Need).
 - c) We decided to retain a higher lump sum in Kent's LFF (at £120,000 plus area cost adjustment) to offer protection to our smallest primary schools. The NFF lump sum has been set £10,000 lower. The cost of this protection is around £5.5m.
- 3.2 [Annex 3](http://www.kent.gov.uk/schoolfundingconsultation) (available to view online at www.kent.gov.uk/schoolfundingconsultation as Appendix 3), details Kent's LFF rates for 2018-19 and 2019-20.
- 3.3 There is one minor technical change relating to the Low Prior Attainment (LPA) factor for Primary Schools. For Primary Schools, the Early Years Foundation Stage Profile (EYFSP) is the indicator used to allocate funding for LPA. Since 2013 eligibility has been determined by a judgement 'did not achieve a good level of development', and prior to 2013 eligibility was determined by a score of either 73 or 78. Nationally, more children are annually recorded under the judgement criteria than the score, therefore each year more children are identified. Overall the same amount of funding is distributed using LPA and in order to ensure the LPA pot size is at the same level, the funding rate has to be adjusted down. The DfE have confirmed that the LPA NFF rate published in 2018-19 of £1,050 has now been reduced to £1,022. The actual LFF rate implemented will depend on the EYFS measure of the number of children not achieving a Good Level of Development in Kent schools.
- 3.4 Apart from the minor technical change detailed above, we are pleased to confirm that we are not proposing to make any further changes to what we have previously consulted upon in 2018-19. This means that we are confident that we can honour the LFF rates for 2019-20 as set out in [Annex 3](#).

4. High Needs Funding

- 4.1 One of the areas of biggest change arising from the funding reforms has been the way in which support for pupils with Special Educational Needs and Disabilities (SEND) is funded. Since the introduction of the SEND Code of Practice in September 2014, there has been a year-on-year increase in the demand placed on the HNB due to increased numbers of children and young people with Education Health and Care Plans (EHCPs) and requiring additional support. This continued increase in demand is reflected nationally and is resulting in a significant shortfall in High Needs Funding (HNF). To continue to meet the needs of children with profound and complex SEND, we are required to seek school leaders' views on a proposal to transfer 1% of the DSG SB to the HNB. The 1% is made up of the 0.5% already transferred from the SB in 2018-19 and a further 0.5% in 2019-20. In total we estimate this transfer to equate to £8.8m.
- 4.2 The number of young people who require support for their high needs is rising exponentially and funding is unable to keep pace with this demand. In 2018-19, the High Needs budget for placement costs (excluding alternative provision and statutory LA responsibilities) is £157m. We are currently overspending this budget by approximately £10m.

- 4.3 In common with many LAs, KCC is seeking to address the sufficiency of the High Needs Funding (HNF) by transferring monies from the Schools Block (SB) of the NFF to the High Needs Block (HNB). Over the last two years, Kent County Council has moved a total of £12.9m from Schools Block to High Needs Block.
- 4.4 In 2018-19, there was a transfer of 0.5% from the SB to the HNB, agreed following a consultation with schools, and further supported by the Schools' Funding Forum (SFF). We assumed that this transfer would be made permanent and that the facility to transfer another 0.5% would also exist in 2019-20, combining to make a 1% transfer of funds from the SB to the HNB. However, the DfE funding guidance for 2019-20 advised us that not only was the transfer of 0.5% in 2018-19 not made permanent, but that KCC would need to consult with schools and the SFF annually for permission to transfer funds between blocks. In addition, the Secretary of State's agreement would also be required. The consequence of this change in guidance is that the 2018-19 financial transfer of the SB in favour of the HNB, has not been baselined for calculating budgets for 2019-20.
- 4.5 In effect, this means that KCC can transfer money for only one year to fund the High Needs pressures. In order to transfer 1% in 2019-20, we are obliged to consult with schools again.
- 4.6 The block transfer proposed is within the available DSG for 2019-20 and as already stated would see **no change** to the indicative Kent LFF rates for 2019-20 which were consulted on in the Autumn 2017, agreed at the Schools' Funding Forum on 1 December 2017 and published as part of the information pack which accompanied the publication of the 2018-19 School Budgets in late February 2018.
- 4.7 In order to transfer 1% from the SB to the HNB the LA is required to:
- 1) Consult all schools.
 - 2) Seek agreement from the Schools' Funding Forum (meeting scheduled for 30 November 2018).
 - 3) Submit a disapplication to the Secretary of State (SoS) for any transfer over 0.5%.
- 4.8 The DfE requires that any proposal to transfer funding from the SB to the HNB should be presented with evidence to back up the transfer proposal and shared with schools as part of the School Funding Consultation. The case for the proposed transfer is set out in great detail in [Annex 1](#) and evidences the scale of our challenge.
- 4.9 We intend to address this challenge across a number of fronts:
- 1) We, along with many other local authorities, are lobbying Government for an improved settlement, recognising the unprecedented growth in demand.

- 2) We are seeking views on the proposal to transfer 1% to offer some immediate financial support to the High Needs budget.
- 3) We are implementing a significantly detailed SEND Action Plan to find ways to meet increasing demands and sustainably and fairly deliver better outcomes in terms of the learner, provision and cost.

4.10 Details on all three strands are contained within the consultation document attached at [Annex 1](#).

5. Conclusion

5.1 Almost half of those schools who responded to the consultation are not in favour of the introduction of a split site factor into the Kent Local Funding Formula, with only 35% in support of its introduction. Whilst the consultation was running, a sub group of the Schools' Funding Forum have been considering potential criteria for eligibility and quantifying the unavoidable costs associated with a school operating over a split site. This more detailed information is being presented to the Schools' Funding Forum on 30 November along with the consultation responses contained within this paper.

5.2 With regards to the High Needs transfer, if it proceeds, the LA is confident that it would be able to afford the LFF funding rates it has already published for 2019-20. Stability in school funding is paramount and that is why the Authority is confident that turbulence in school budgets will be avoided if this transfer is supported.

5.3 We consulted with schools about our High Needs Funding challenge – the upward pressure on provision and resources, and our proposal to transfer 1% of the SB to the HNB for 2019-20. Two thirds of those who responded to the consultation support our proposal to transfer 1% to the HNB. Over the medium term this transfer, along with management action, will place us in a stronger position so that we are more able to bridge the anticipated future High Needs funding demand within the anticipated funding levels.

5.4 Working with Special School headteachers, we have identified a further series of actions that are encapsulated in a SEND Action Plan which will be the vehicle for delivering sustained improvements over the next 18 months.

6. Recommendation

6.1 The Children's, Young People and Education Cabinet Committee is asked to consider and comment, to inform the decision of the Cabinet Member for Children, Young People and Education, on the specific proposals to;

a) introduce a split site factor, and

b) to repeat the 0.5% transfer of funds from the Schools Block to the High Needs Block in 2018-19 and to transfer a further 0.5% for 2019-20. Both transfers would be from 1 April 2019.

7. Background Document

7.1 The Kent Schools' Local Funding Formula Consultation documents, including the LFF Funding Rates for 2019-20 and the Consultation response analysis can all be found in the link below:

<https://www.kent.gov.uk/schoolfundingconsultation>

8. Contact details

Report Author:

Simon Pleace
Revenue and Tax Strategy Manager, Strategic and Corporate Services
03000 416947
simon.pleace@kent.gov.uk

Relevant Director:

Matt Dunkley, CBE
Corporate Director of Children, Young People and Education
03000 416991
matt.dunkley@kent.gov.uk