

SCHOOLS' FUNDING FORUM

SUBJECT:	Options to finalise the 2020-21 School Budgets
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AUTHORS:	Simon Pleace, Revenue and Tax Strategy Manager Karen Stone, Finance Business Partner (Interim)
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DATE:	26 th February 2020
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SUMMARY OF REPORT:

To seek the Schools' Funding Forum (SFF) views on the options for finalising the 2020-21 Schools budget following the outcome of the dis-application process with the Department for Education.

FOR:	Recommendation
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1. Background

1.1 Following the recommendations by the Schools' Funding Forum on 29th November 2019, the Cabinet Member for Education & Skills took the decision to change the Local Funding Formula (LFF) and recognise the following areas of local concern from 1 April 2020:

- 1% transfer to High Needs block with a targeted focus on supporting greater inclusion in mainstream schools (subject to dis-application from the Secretary of State) totalling £9.8m
- Maintain a higher lump sum for primary school (£120,000 compared to National Funding Formula (NFF) value of £114,400) to provide additional support to our smallest Primary schools
- Creation of a falling roll fund, totalling £1.5m, to support schools where pupil numbers have dropped temporarily but are expected to recover within 3 years.
- Mirror the 2020-21 NFF rates apart from the following (to pay for the local circumstances listed above):
 - Minimum Per Pupil Level (MPPL) set at £50 less than the NFF rate for both primary and secondary children (subject to dis-application from the Secretary of State)
 - The Deprivation factor: Ever6FSM set at £236 less than the NFF rate for an eligible primary pupil and £224 less for an eligible secondary pupil.
 - Defer the introduction of the Mobility Factor

1.2 On 11th February 2020, the DfE confirmed that whilst the 1% transfer from the schools to the High Needs block has been approved for 2020-21, the reduction in the MPPL to help fund the package of local concerns (i.e. 1% transfer, higher lump sum and falling roll) was declined. Information exchanged between Local Authorities suggests the Minister has taken a hard

line on all MPPL dis-application requests. High Need block transfers appear to have been agreed in only a handful of cases, and only where the Local Authority has stated it would be used for new initiatives to help reduce the high needs challenge, as is the case in Kent. The guidance stated dis-applications for reductions in MPPL would be only considered on affordability grounds and we are not aware of any requests being agreed. The DfE has not provided a detailed explanation as to why Kent's proposal was refused merely citing that as Kent had consulted on alternative scenarios: one where the MPPL was fully implemented and one where it was not, that Kent had alternative options and so there was no affordability case. The DfE appear to have disregarded the reasons why this alternative option was not agreed by the Schools' Funding Forum.

- 1.3 Kent decided to appeal against the decision to reject our MPPL disapplication request. A letter, signed jointly by Matt Dunkley and John Dennis, was sent to the DfE on 18th February outlining our position (see Appendix 1). We are awaiting the outcome of this appeal however, in the meantime, we are seeking the Schools' Funding Forum recommendations as to alternative options for setting the 2020-21 Schools Budget, if this appeal is unsuccessful.
- 1.4 For reference the results of the consultation on the proposals for the LFF can be found in Appendix 2.

2. **Alternative options for finalising the 2020-21 Local Funding Formula for School Budgets**

- 2.1 In previous years, Kent has set the LFF to ensure most schools contribute towards the funding of areas of local concerns and this has been achieved by a combination of reducing the MPPL along with other SEN related factors. It also recognised that schools eligible for the MPPL factor have received the biggest year-on-year percentage increase in funding over the last few years. By mandating the MPPL at the NFF rate, this means the funding of all local concerns (i.e. 1% transfer, falling roll fund, higher lump sum for primary schools) will now fall to a smaller group of schools, even though all schools could benefit.
- 2.2 The cost of implementing the full MPPL values in the LFF for 2020-21, compared to our original plan to pay £50 less per pupil, would be approximately £4m. Below are two options to fund the additional £4m cost. They are based around:
 - Fund from individual school budgets by reducing the rates within the Local Funding Formula for those schools above the MPPL (this could be from a reduction to AEN factors or a reduction to the Basic Entitlement);
 - Review commitments for other school funding pots (i.e. growth);
 - Review the level of funding for Falling Rolls to avoid funding from individual school budgets.
- 2.3 Since the SFF meeting on 29th November we now have further details of the expected commitments on the Growth Fund for 2020-21 and there is to be some spare capacity within this budget of approximately £1.9m. £0.9m was

used to ensure the rates agreed by the SFF in November could be honoured and therefore a further £1.0m could be used to support the schools' budget formula. The use of the Growth Fund underspend is a short-term option as the total amount of Growth Fund will change each year and commitments against this fund are assessed annually, but it remains still a viable option for 2020-21 as we are anticipating receiving further permanent funding increases to the Schools Block in 2021-22 and 2022-23. The use of the Growth Fund has no impact on Kent schools and so the following two options assumes an additional £1.0m Growth Funding is used to support the Schools' Budget in 2020-21 with the remaining shortfall of £3.0m met as set out below:

2.4 Option 1: Reduce the rates of LFF factors

This option further reduces the rate within the LFF and the use the Growth Fund to continue to meet all areas of local concern.

2.5 Option 1a: Reduce the rates for AEN factors

This option was presented in the Schools LFF Consultation in October and was marginally supported by schools as the preferred option. This option could have a detrimental impact on our strategy to increase the number of children and young people with Education, Health and Care Plans (EHCPs) in mainstream school settings. This was one of the reasons that this scenario was rejected as it contradicted the underlying strategy underpinning the 1% transfer to the High Needs Block and the need to address the deficit in the High Needs Block.

2.6 Option 1b: Reduce the rate of the Basic Entitlement factor

This option was not included in the Schools LFF Consultation and was not discussed as a viable option at the Forum meeting on 29th November. However, it remains an option that a small reduction to the Basic Entitlement for all schools (approx. £20-30 per pupil) would provide sufficient funding to afford the full MPPLs. Schools eligible for MPPLs would lose basic entitlement funding, but then receive additional MPPL top up (so will be no worse off and will receive the minimum per pupil level). This has been reconsidered as an option as although the overall impact on schools is relatively similar as reducing the AEN factors, it doesn't specifically contradict the underlying strategy underpinning the 1% transfer i.e. the formula is solely targeting inclusion-related factors. The issues with this option are; a) we did not consult on this option and therefore there is a risk of challenge and b) it will mean our smaller schools will see a greater impact.

2.7 Option 2: Review the decision to implement a Falling Rolls Fund and reduce the rates for either the AEN factors or Basic Entitlement within the LFF.

The decision to introduce the Falling Roll Fund was taken in November 2019. Schools did not support this introduction of this fund when asked as part of the Schools LFF Consultation for 2020-21 budgets however the Schools' Funding Forum choose to support the introduction of this fund, to be reviewed on an annual basis. Following discussions with Area Education Officers, a total of 22 schools has been identified as meeting the eligibility criteria, of these 5 schools did not meet the mandatory criteria of being good or outstanding and therefore a dis-application will need to be made to the

Secretary of State to allow them to access the funding. Appendix 3 sets out the draft amounts per School. This option suggests delaying the introduction of the Falling Roll Fund, along with use of the Growth Fund to minimise the need to reduce the AEN factors within the LLF.

- 2.8 In terms of impact, the use of the Growth Fund has no impact. Option 1 impacts on high number of schools through their individual school budgets whilst Option 2 impacts on fewer schools but for a couple of these the value is significant, albeit that this is a brand new factor. Appendix 4 summarises the impact of the options on individual school budgets. Options 1a and 1b impact on a far greater number of schools and in both will mean reduced funding for small schools and those schools with the greatest AEN challenge.

3. **Required**

- 3.1 Members of the Forum are asked to consider the options (individually and as a combination) and recommend which options the LA should take forward.

4. **Background Papers**

- Appendix 1: MPPL Dis-application Appeal Letter
Appendix 2: 2020-21 Schools Local Funding Formula Consultation and
2020-21 Schools Local Funding Formula Consultation Results
Appendix 3: Draft outcomes of the Falling Roll fund
Appendix 4: Tables summarising the impact of Options 1 & 2 on individual
school budgets by size or type of school