

**REPORT OF THE CHAIRMAN OF THE CHILDREN AND YOUNG PEOPLE'S
COMMITTEE****SCHOOLS AND EARLY YEARS FUNDING: AGREEMENT OF THE LOCAL
FUNDING FORMULA FOR 2019-20****Purpose of the Report**

1. This report seeks approval for the adoption of the Nottinghamshire Schools and Early Years local funding formula, as recommended by the Schools Forum, for the financial year 2019-20.

Information

2. Since April 2013, all local authorities have been required to use a new simplified local funding formula (LFF) to distribute the notional Schools Block of funding to all mainstream primary and secondary maintained schools, academies and free schools.
3. In accordance with the School and Early Years Finance (England) Regulations 2018, the responsibility for determining the local funding formula for schools and early years providers lies with the local authority. Prior to agreeing the formula, the Local Authority must first consult with the Schools Forum and all maintained schools and academies in the area on the proposed changes. Where any proposed changes affect early years' providers they too must be consulted. The Schools Forum is a representative body from the Nottinghamshire schools and early years community which is constituted to make decisions and give guidance to the Local Authority about the Schools Budget.
4. 2018-19 saw the introduction of the National Funding Formula (NFF) for schools, high needs and central school services. The NFF is used to calculate the funding blocks within the Dedicated Schools Grant (DSG) and determine the allocations that local authorities will receive for 2019-20 financial year. Local authorities will however, continue to determine the final funding allocations for schools through their LFF for 2019-20 and 2020-21. The Early Years National Funding Formula was introduced in 2017-18.
5. For 2018-19 Nottinghamshire chose to mirror the NFF formula factors and unit values in the LFF. A summary of the factors as they were for 2018-19 are shown in the **Appendix 1**.
6. For 2019-20 the key aspects of the NFF are:

- confirmation that local authorities will continue to determine the local formula in 2020-21 due to significant progress across the system in moving towards the NFF in its first year.
 - a further 0.5% cash increase per pupil in 2019-20 compared with the 2017-18 baseline. This takes the cumulative increase to 1% for 2018-19 and 2019-20.
 - the introduction of a new funding floor factor to allow local authorities to action the above increase.
 - per pupil funding of at least £3,500 per primary pupil, £4,600, £4,800 per secondary pupil, £4,600 for Key Stage 3 only schools and £5,100 for Key Stage 4 only schools.
 - gains will be allocated up to 3% per pupil in 2019-20. This takes the cumulative increase to 6.09% for 2018-19 and 2019-20. The minimum per pupil funding level will not be subject to this cap.
 - the allocation of pupil growth funding on a formulaic basis.
 - reduction in the primary low prior attainment unit value from £1,050 to £1,022 to maintain the overall funding level due to the increase in the cohort.
 - the continued ability to transfer 0.5% of the schools block funding to another funding block e.g. High Needs Block with the agreement of the Schools Forum. Transfers above this limit and any transfers opposed by the Schools Forum require Secretary of State approval.
7. Work started with the Forum in September to establish what should be included in the 2019-20 funding formula consultation. The first report considered was to recommend the transfer of 0.5% of Schools Block funding to the High Needs Block to fund the continuing budget pressures. This was agreed and the proposal included in the consultation. The transfer being proposed would amount to £2.4m based on the 2019-20 schools block funding allocation and only applies to financial year 2019-20.
 8. A further report was considered by the Schools Forum in October 2018 which outlined the position with the indicative 2019-20 Schools Block funding announcement and possible consultation options. The view of the Forum was that the distribution of this should be in a way which is fair, equitable and continued to move schools towards the NFF whilst providing a broad benefit to most of them.
 9. The consultation document and financial models were considered further by a small number of Forum members and Council officers who liaised to agree and finalise them. The formal consultation on the proposals was held from 5 - 25 November 2018.
 10. The Schools Forum met on 6 December 2018 to consider the consultation responses and decide on how the formula should be implemented for 2019-20. A further proposal was considered which had not been specifically included in the consultation regarding the use of the new funding floor factor instead of the Minimum Funding Guarantee to allocate increases. This was because of issues with allocating funding in line with the NFF calculation.
 11. The Forum approved all the proposals although there was significant discussion and concern regarding the need to transfer 0.5% funding to the High Needs Block for a second year. This proposal was approved by a majority of 1 vote (7 votes for, 6 votes against and 1 abstention).

12. Following the Forum meeting the Department for Education (DfE) unexpectedly announced an additional £250m for High Needs provision for 2018-19 and 2019-20 on 17 December 2018. For Nottinghamshire this amounts to an additional £1.737m for each of the financial years. Local authorities were asked to review their proposals to transfer funding from the Schools Block to the High Needs Block in light of this additional funding. This has been done and is still deemed necessary.
13. The projected budget pressure for 2019-20 is £5.9m and the additional funding for 2019-20 would reduce this to £4.2m. This would result in a projected deficit on the Non-ISB reserve of £3.3m at 31 March 2020.

	2019-20
	£m
HNB projected overspend	5.9
Additional funding announcement	-1.7
	4.2
Non-ISB Reserve Surplus b/fwd	-0.9
Non-ISB Reserve Deficit c/fwd	3.3

14. The DfE also announced an additional £100m capital funding to create more specialist places in mainstream schools, colleges and special schools and the allocation for Nottinghamshire is £1.2m. This funding will support aspects of the recommendations that follow as a result of the high needs consultation which is currently running. In addition, the LA has submitted a bid to the DfE for a free special school to be located in Ashfield. At this time, the outcome of this bid is unknown.
15. The Local Authority will need to work in partnership with schools and other key stakeholders, including families with children who have Special Educational Needs and Disability (SEND), to develop new ways of working in order to contain spend within Nottinghamshire's High Needs Block funding allocation from central Government. During the Spring and Summer terms 2018, the Schools Forum in partnership with the Local Authority commissioned an external review of the high needs spend. This report was published in June 2018 and the summary report is available on the Schools Forum website.
16. A comprehensive report to the Council's Corporate Leadership Team (10 December 2018) presented the historical context of the current budget challenges and also outlined actions taken to date as well as the proposals that would inform the high needs consultation. At this time, a formal High Needs consultation is being undertaken which proposes stronger locality working. It should be recognised that these proposals will not impact immediately on reducing budgetary pressures but aim to develop a stronger collaborative partnership with schools, commissioned alternative education providers, parents and other key stakeholders including health and social care to develop new ways of working which meet the needs of the child, young person and young adult, in the most appropriate setting and as near as possible to where they live.
17. Through stronger partnership working, key challenges that will need to be addressed will include: increasing mainstream and specialist capacity to deliver high quality provision for pupils locally; implementation of strategic pilots to explore the effectiveness of school

based enhanced provisions for those pupil with SEND who may not have an EHC plan; stronger processes and cost control of any places procured through commissioned alternative placements; improved transition from children's into adults' services for children with an EHC plan as well as for those children with SEND without an EHC plan; effective partnership with health to ensure clarity around health funding. It will be necessary to present an 'invest to save' business case to Members with regard to the high needs fund once the consultation has ended.

18. A summary of the factors as they were for 2018-19, and the recommendation of the Schools Forum on how these should be applied in 2019-20, is shown in the **Appendix 1**. The changes proposed for 2019-20 are:
- 1p increase to the base hourly rate for child care providers.
 - reduction in Low Prior Attainment (LPA) unit value to mirror the NFF (schools impacted by this change will be protected by the Minimum Funding Guarantee (MFG).
 - increase of £100 to the Minimum Per Pupil (MPP) amounts.
 - introduction of the new funding floor factor to ensure increases are allocated in line with the NFF.
19. The funding formula was submitted to the Education & Skills Funding Agency (ESFA) by its deadline of 21 January 2019 indicating that it still requires political approval.

Minimum Funding Guarantee (MFG) and Gains Cap Transitional Protection

20. To minimise the impact of changes to school budgets caused by the changes to the local funding formula required by Government, and to allow schools time to plan for any changes in the level of funding they receive, a national MFG operates.
21. The NFF introduced a 0.5% cash increase per pupil in 2018-19 and 2019-20 to provide every school with an increase in funding compared to their 2017-18 baseline. In order to mirror this in the 2018-19 LFF a positive MFG of 0.25% was set. This was a work around provided by the ESFA for local authorities to use. For 2019-20 the NFF introduced a new funding floor factor which acts in the same way as the positive MFG but ensures that the calculation mirrors that of the NFF. It is proposed that the MFG is set a 0% which will ensure that schools per pupil funding is protected from any reduction in pupil characteristics or unit values e.g. primary low prior attainment between 2018-19 and 2019-20.
22. Local authorities are able to apply a gains cap so that schools cannot gain more than a certain amount per pupil to fund the MFG. A gains cap works on the same principles as the MFG; however, instead of providing a 'top-up' to the formula budget it makes a reduction on any per pupil gains over a certain level.
23. The NFF included a gains cap of 3% per pupil in 2018-19 and a further 3% per pupil in 2019-20 for schools which are due to gain significantly. Adopting the NFF in full would be unaffordable and it will be necessary to 'cap' some schools' gains; this mirrors the basis on which the Schools Block funding will be calculated. In order to reflect this in the LFF it was set at 2.75% for 2018-19.

24. The consultation proposal provided a range of options for the gains cap which were inter dependent with the proposals for the MPP and MFG. To accommodate the increase in the MPP and the MFG. It is proposed that the gains cap will be 0.82% (cumulative gain of 3.57% for 2018-19 and 2019-20).

De-delegated Funds

25. The Department for Education continues to require that any funding that was subject to de-delegation in 2018-19 should be re-approved by the Schools Forum if the de-delegation is to continue in 2019-20, along with any new items. Maintained schools in each phase agreed collectively, through the Schools Forum, to de-delegate funding to the Local Authority to meet centrally the permitted categories of expenditure listed below. The rationale for de-delegation is to achieve economies of scale and to pool risk across schools for these costs. For 2019-20 the Forum recommends that the following items continue to be de-delegated:

- Free School Meals eligibility assessment
- support to underperforming ethnic minority groups & bilingual learners
- contingency for crisis communications.
- Trade Union Facilities.

Growth Funding

26. The government introduced a new formula to allocate funding for growth in pupil numbers to local authorities in 2019-20. Allocations received via this formula will be recalculated each year and therefore not guaranteed to continue at the same level.
27. The allocation for Nottinghamshire is £3.1m which is an increase of £1.7m compared with 2018-19. This allocation will be used to fund all pupil growth including the primary pupil growth fund, new free schools and pupil number variations for schools as a result of basic need.
28. The Primary Pupil growth fund must be agreed by the Schools Forum and in 2018-19 it was set at £1.0m with £0.8m to support the maintenance of infant class sizes and £0.2m to support basic need provision. No changes were proposed to this for 2019-20 so it will, therefore, remain at the 2018-19 level.
29. Any unallocated balance on the new growth funding will be ring fenced for future growth and held in the Non-ISB reserve.

Other Options Considered

30. Options were considered by the Schools Forum before the proposed formula was considered as part of the consultation.

Reason for the Recommendations

31. The Local Authority is required to decide upon the redistribution of the Schools Budget through a funding formula which complies with current regulations and must have regard

to the consultation with schools, early years providers and the recommendations of the Schools Forum.

Statutory and Policy Implications

32. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

33. The 2019-20 DSG Schools Block funding for Nottinghamshire is £12.9m more than that received in 2018-19. This is a consequence of the NFF, higher pupil numbers and an increase in growth funding. The transfer of 0.5% to the High Needs Block will mean that £10.5m of this increase will actually be passed directly to schools. The resultant quantum of funding amounting to £479.7m distributed to schools overall is then unaffected by changes in the formula. There are financial implications for individual schools, however the effect of these has been minimised where possible.
34. The indicative High Needs Block funding allocation for 2019-20 would see Nottinghamshire receiving an additional £2.550m plus the separately announced funding of £1.737m, £4.287m in total. It is anticipated that this will still not be sufficient to cover all of the projected budget pressure for 2019-20.
35. Work is being undertaken to review all the budgets within the High Needs Block to identify areas for potential efficiency savings and budget reductions to fund the balance of the budget pressure in 2018-19 and beyond. Local and national feedback would suggest that efficiencies alone will not address the current and projected funding pressures from 1st April 2019. The Local Authority will need to work in partnership with schools and other key stakeholders, including families with children who have SEND, to develop new ways of working in order to contain spend within Nottinghamshire's High Needs Block funding allocation from central Government. It should be noted that at present, the review recommendations advise that short term savings are unlikely given the continuing increased demand; the review recommendations, rather, suggest new ways of working to promote inclusion in schools.

RECOMMENDATIONS

That the Committee:

- 1) approves the recommendations of the Schools Forum, as outlined in **Appendix 1**, to distribute available funding between Nottinghamshire schools, academies and early years providers in 2019-20

- 2) acknowledges the significant budget pressures within the High Needs Block and the challenges posed in addressing them.
- 3) endorses the current activity with key stakeholders to address these challenges.

Councillor Philip Owen
Chairman of the Children and Young People's Committee

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Constitutional Comments (SLB 21/01/19)

36. Policy Committee is the appropriate body to consider the content of this report.

Financial Comments (SAS 18/01/19)

37. The financial implications are set out in paragraphs 33 to 35 and throughout the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

The School Forum papers are available via the links below:

www.nottinghamshire.gov.uk/education/information-for-schools/schools-forum

18 October 2018 School Forum Meeting

18 October 2018 | Nottinghamshire County Council

Agenda Item 2b Schools Forum Report Early Years Funding.
Agenda Item 2c 2019-20 Schools Funding and Local Funding Formula 2019-20 Consultation Report.
Agenda Item 2c Appendix B Summary of Models.
Agenda Item 2c Appendix C Consultation Models 1-4.

Agenda Item 2c Appendix C Consultation Models 5-8.

6 December 2018 School Forum Meeting

[6th December 2018 | Nottinghamshire County Council](#)

Agenda Item 4c Agreement of Local Funding formula for 2019-20

2019-20 Early Years Local Funding Formula Consultation

2019-20 Schools Local Funding Formula Consultation

Appendix A Financial Models

Appendix B High Needs Block Financial Projections 2019-20

Appendix C Nottinghamshire HNB Review Report

Appendix D Consultation Responses

<https://consult.nottinghamshire.gov.uk/children-and-families-services/high-needs-review-consultation>

Electoral Division(s) and Member(s) Affected

All.

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