

**REPORT OF THE CHAIRMAN OF THE CHILDREN AND YOUNG PEOPLE'S
COMMITTEE****SCHOOLS AND EARLY YEARS FUNDING: AGREEMENT OF THE LOCAL
FUNDING FORMULA FOR 2020-21****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 2020-21.

Information

2. All local authorities are required to use a local funding formula (LFF) to distribute the Schools Block of the Dedicated Schools Grant 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 LFF for schools and early years providers lies with the Local Authority (i.e. the Council). 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. In 2018-19 the National Funding Formula (NFF) was introduced 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 funding allocations that local authorities receive. Local authorities however, have continued to determine the final funding allocations for schools through their LFF and will do so again for 2020-21. The Early Years National Funding Formula was introduced in 2017-18.

Schools Local Funding Formula

5. When the NFF was introduced Nottinghamshire chose to mirror the formula factors and unit values in the LFF as far as possible. In 2018-19 and 2019-20 the Local Authority could not adopt the NFF in full because of the need to transfer 0.5% of Schools Block funding to the High Needs block to ease the significant pressures on it. As a result of the 0.5% transfer, the additional High Needs grant allocation unexpectedly announced in December 2018 of £1.737m for each of the financial years and the additional measures put in place to manage the High Needs budget, it did not overspend in 2018-19 but is projected to do so in 2019-20.
6. In October 2019 Central Government announced a significant increase in funding for schools and children with special educational needs (SEN). The indicative 2020-21 funding allocation for the High Needs Block indicated an increase of £11.5m (17.4%) which would be sufficient to cover the anticipated budget pressure for 2020-21 and invest in services to support the education of children and young people with SEND. Therefore, for 2020-21, no transfer of funding from the Schools Block to the High Needs Block is proposed.
7. The funding announcement also included the key features of the 2020-21 Schools Block NFF as follows:
 - the Minimum Per Pupil (MPP) funding levels are set at £3,750 for all primary schools and £5,000 for all secondary schools. The primary level will rise to £4,000 in 2021-22. These levels are mandatory for all local authorities to use in their local funding formula (LFF)
 - the funding floor will be set at 1.84% in line with the GDP deflator, to protect pupil-led per-pupil funding in real terms. This minimum increase will be based on individual schools NFF allocation in 2019-20
 - schools that are attracting their core NFF allocations will benefit from an increase of 4% to the formula's core (i.e. pupil led) factors. The exception to this is Free School Meals which will be in line with inflation at 1.84%
 - the gains cap has been removed
 - mobility is now on a formula basis and not historic spend as in previous years.
8. A report was considered by the Schools Forum in November 2019 which outlined the position with the indicative 2020-21 Schools Block funding announcement and possible consultation options. The view of the Forum was that the consultation proposals should be to mirror the NFF in full.
9. The consultation document and financial model was 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 14 - 28 November 2019.
10. The Schools Forum met on 12 December 2019 to consider the consultation responses and decide on how the formula should be implemented for 2020-21. The Forum approved all the Schools Block proposals as below and shown in **Appendix 1**:
 - adoption of all NFF factors and unit values
 - Minimum Funding Guarantee (MFG) of +1.84%

- removal of the gains cap.

11. The Schools Local Funding Formula was submitted to the Education & Skills Funding Agency (ESFA) by its deadline of 21 January 2020 and indicated that it still required political approval.

Early Years Funding Formula

12. A report was considered by the Schools Forum in November 2019 which outlined the position with the indicative 2020-21 Early Years Block funding and possible consultation options which had been developed in collaboration with the Early Years Consultation Group.
13. On 31 October 2019 the Department for Education announced the Early Years Block 2020-21 funding allocations and for Nottinghamshire this included an increase of 8p per hour for 2, 3 and 4 year olds. One of the main proposals therefore was to pass this increase in full to child care providers.
14. There was a further proposal to increase the base hourly rate for 3 and 4 year olds by another 10p (18p in total) in order to fully allocate the Early Years Block in anticipation of an identified trend of underspend due to a fall in the number of children accessing funded childcare places in the Autumn term. This trend had been experienced in 2017-18, 2018-19 and projected again for 2019-20.
15. The Early Years Funding Formula consultation made it clear that this element of the hourly rate increase may only be temporary if there is a significant increase in take up of child care places in the Autumn term in future years.
16. The consultation documents 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 for the Early Years Funding Formula was held from 14 - 28 November 2019.
17. The Schools Forum met on 12 December 2019 to consider the consultation responses and decide on how the formula should be implemented for 2020-21. The Forum approved all the proposals for the Early Years funding formula as below and shown in **Appendix 1**:
 - 18p increase to the base hourly rate for 3 & 4 year olds
 - 8p increase to the base hourly rate for 2 year olds
 - extension to the deprivation supplement criteria to include looked after children
 - additional deprivation supplement for 3 & 4 year olds eligible for Early Years Pupil Premium at 10p per hour.

High Needs Block

18. Whilst Nottinghamshire's high needs budget did not overspend in the 2018-19 financial year as a result of the 0.5% transfer and the in- year funding allocated in December 2018, it remains the case that there continues to be significant pressure on this budget. Currently, there is a projected overspend of £1.5m by the end of this financial year which will be funded from the Non-Individual School Budgets (Non-ISB) reserve. The significant

increase in the funding allocation for 2020-21 is to be welcomed. However, it remains the case that whilst Nottinghamshire has been one of the most significant gainers the County continues to receive less funding per head of population than all our statistical neighbours.

19. Nottinghamshire is still experiencing an annual compound increase in the numbers of Education, Health and Care Plans (EHCPs) in excess of 10%, with the increase in the year to January 2019 being over 11%. This level of demand places considerable pressure on existing SEND educational provision and is one of the key drivers behind the increasing cost pressures being experienced.
20. The additional funding allocated for 2020-21 will be used to increase provision primarily in special schools and maintained schools. In addition, there will be increased allocations to mainstream schools through high level needs funding, additional funding support as well as increasing capacity at locality levels with the explicit aim of ensuring that more children with SEND can access education in their own communities with a sharp focus on preparations for employment and adulthood.

Minimum Funding Guarantee (MFG) and Gains Cap

21. Local authorities are able to set a MFG in their LFF to protect schools from excessive year on year changes and to allow changes in pupil characteristics (e.g. deprivation) to flow through. For 2020-21 this must be set between +0.5% and +1.84% per pupil.
22. In order to mirror the minimum NFF increase of 1.84% (funding floor), to protect pupil-led per pupil funding in real terms, it was proposed that the MFG be set at +1.84%. This will ensure that schools per pupil funding is protected from any reduction in pupil characteristics or unit values and guarantees the minimum pupil led funding increase in the NFF.
23. There will be 64 schools in receipt of this minimum increase because their current funding allocation is already in excess of that they would receive under the LFF.
24. 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.
25. The NFF for 2020-21 does not include a gains cap and so allows all schools to gain as intended. It was proposed that the gains cap be removed in the LFF in order to mirror the NFF.
26. The impact on schools of setting the MFG at +1.84% and removing the gains cap will mean increases of between 1.84% and 33.75% compared to schools 2019-20 pupil led funding allocation.

De-delegated Funds

27. The Department for Education continues to require that any funding that was subject to de-delegation in 2019-20 should be re-approved by the Schools Forum if the de-delegation is to continue in 2020-21, 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 2020-21 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

28. 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. The allocation for Nottinghamshire for 2020-21 is £3.8m (2019-20 £3.1m).
29. 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.
30. The primary pupil growth fund must be agreed by the Schools Forum and in 2019-20 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 2020-21 so it will, therefore, remain at the 2019-20 level.
31. Any unallocated balance on the growth funding will be ring-fenced for future growth and held in the Non-ISC reserve.

Other Options Considered

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

Reason for the Recommendations

33. The Local Authority is required to decide upon the redistribution of the Schools Budget and Early Years 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

34. 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

35. The DSG 2020-21 funding allocation is £643.9m (2019-20 £604.3m) for the Schools, High Needs, Early Years and Central Services Schools Blocks.
36. The 2020-21 Schools Block funding for Nottinghamshire is £27.8m more than that received in 2019-20. This is a consequence of changes to the NFF, higher pupil numbers and an increase in growth funding. The resultant quantum of funding amounting to £509.9m (2019-20 £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 have been minimised by the protections within the formula e.g. MPP and MFG.
37. All schools will see a minimum increase of 1.84% on their pupil led funding and the only reason for any reduction would be a fall in pupil numbers or school specific premises allocations.
38. The High Needs Block funding allocation for 2020-21 will see Nottinghamshire receiving an additional £11.833m which will be sufficient to cover the anticipated budget pressure for 2020-21. This negates the need for the Local Authority to propose a funding transfer from the Schools Block to the High Needs Block.
39. The proposed 18p increase to the Early Years base hourly rate for 3 and 4 year olds is made up of two elements, an 8p increase in the actual funding allocation and 10p in anticipation of an identified trend of underspend due to a fall in the number of children accessing funded childcare places in the Autumn term. This trend has been experienced since 2017-18 and is expected to continue for 2020/21. The additional 10p increase can be contained within the overall 2020-21 Early Years funding allocation of £50m.
40. The Early Years Funding Formula consultation made it clear that the additional element of the 3 and 4 year olds hourly rate increase may only be temporary if there is a significant increase in take up of child care places in the Autumn term in future years.

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 2020-21.

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

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Constitutional Comments (EP 23/01/20)

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

Financial Comments (SAS 20/01/20)

38. The financial implications are set out in paragraphs 35 to 40 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

[7 November 2019 | Nottinghamshire County Council](#)

Agenda item 3b – 2020-21 Schools funding and local funding formula consultation report
Agenda item 3b – Schools local funding formula 2020-21 consultation
Agenda item 3b – 2020-21 Early Years local funding formula consultation
School level comparison of illustrative funding 2020-21

[12 December 2019 | Nottinghamshire County Council](#)

Agenda item 3a - Agreement of Schools Local Funding Formula 2020-21
Appendix A - Consultation Responses 2019-Schools
Appendix B - Consultation Responses 2019-Early Years
2020-21-early-years-local-funding-formula-consultation
2020-21-schools-local-funding-formula-consultation

Electoral Division(s) and Member(s) Affected

All.
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