

**REPORT OF THE CHAIRMAN OF THE CHILDREN AND YOUNG PEOPLE'S
COMMITTEE****SCHOOLS AND EARLY YEARS FUNDING: AGREEMENT OF THE LOCAL
FUNDING FORMULA FOR 2022-23****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 2022-23.

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 2020, 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 2022-23. 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.

6. In 2020-21 there was a significant increase of £11.6m (before deductions) in High Needs Block funding for schools and children with special educational needs. This was deemed sufficient to cover the anticipated budget pressure for 2020-21 and invest in services to support the education of children and young people with special educational needs and disability. Therefore, for 2020-21, no transfer of funding from the Schools Block to the High Needs Block was proposed and the Local Authority was able to mirror the NFF in full. The High Needs Block did however overspend by £2.7m in 2020-21.
7. In 2021-22 the High Needs Block funding allocation increased by £10.8m (13.9%) to £88.8m (before deductions). Therefore, no transfer of funding from the Schools Block to the High Needs Block was required. The High Needs Block is, however, is still under significant pressure with an overspend of £1.5m currently forecast in 2021-22.
8. The National Funding Formula 2022-23 is similar to the formula in 2021-22. The main changes are summarised. NFF factor values have increased by:
 - £10,000 to the maximum sparsity values
 - 3% to basic entitlement, free school meals at any time in the last 6 years (FSM6), income deprivation affecting children index (IDACI), lower prior attainment (LPA), English as an additional language (EAL) and the lump sum
 - 2% to the floor, the minimum per pupil levels and free school meals (FSM)
 - 0% on the premises factors, except for PFI which has increased by RPIX.
9. Sparsity funding is now based on road distance rather than being measured on straight-line distance from pupils' home to school. For 2022-23 a sparsity distance taper has been introduced, this is in addition to the existing year group size taper.
10. Data on pupils who have been eligible for free school meals at any time in the last six years (FSM6) is now taken from the October 2020 school census instead of from the January census. This brings it in line with pupil premium funding arrangements.
11. Due to 2020 assessments being cancelled due to the pandemic, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 tests is used as a proxy when calculating low prior attainment proportions.
12. Pupils who joined a school between January and May 2020 attract funding for mobility based on their entry date. The May 2020 census was cancelled due to the pandemic.
13. A report was considered by the Schools Forum in November 2021 which outlined the position with the indicative 2022-23 Schools Block funding announcement and possible consultation options. The formal consultation on the proposals was held from 22nd November to 5th December 2021.
14. A total of 12 (41 in 2020) responses were received to the schools consultation which was a response rate of 3.7% (12.5% in 2020).

15. The Schools Forum met on 9th December 2021 to consider the consultation responses and decide on how the formula should be implemented for 2022-23. The Forum approved all the Schools Block proposals as below and shown in **Appendix 1**:
 - adoption of NFF factors and unit values
 - Minimum Funding Guarantee (MFG)/Funding Floor of between 0.5% - 2% with 2% being the preferred level
 - reintroduction of the gains cap if necessary.
16. On 17th December 2021 the Schools Block funding allocation was announced together with the October 2021 census data. Changes in the census data, including a large increase in pupil mobility, EAL and the sparsity factors have resulted in it being necessary to introduce a gains cap to ensure the formula is affordable.
17. The Schools Local Funding Formula was submitted to the Education & Skills Funding Agency (ESFA) by its deadline of 21st January 2022 and indicated that it still required political approval.

Early Years Funding Formula

18. The Early Years funding calculation for 2021-22 has significantly changed due to the impact of the pandemic. The ESFA have changed the funding from being based on the January Census (5/12ths of January 2021 and 7/12ths of January 2022) to being 5/12ths of May 2021, 4/12ths of October 2021 and 3/12ths of the January 2022 censuses with the aim of aligning the pupil patterns of the pandemic with the funding and the payments.
19. The outcome of the next two censuses will have a major impact on the final position for 2021-22 and any resulting underspend. The financial position is being closely monitored, and the forecast prepared for Early Years on a termly basis. The final 2021-22 allocation will be published in July 2022. Any underspend will be reported to the Early Years and Schools Forum and consideration given to distribute this via the hourly rate at a future date.
20. On 28th November 2021 the Department for Education announced the base rates will be increased by, as follows:
 - 21p per hour for 2-year-olds
 - 17p per hour for 3- and 4-year-olds
 - 7p per hour for children eligible for Early Years Pupil Premium attending universal hours
 - Disability Access Fund increased by £185 per annum to £800 per annum.
21. On 11th November 2021 School Forum met to consider the consider and agree the proposed questions to be included in the consultation for early years funding rates for 2022-23. The formal consultation on the proposals for early years funding was held from 15th November to 3rd December 2021.
22. The consultation questions were to clarify the sector's understanding that the expected rate increases for 2022-23, yet to be announced at that time, would be passed onto them in full and that potential adjustments to the rate for 2021-22 may be made once government had confirmed this year's allocation in the new year.

23. A total of 100 (11 Schools, 89 PVI settings) eligible responses were received to the Early Years consultation which was a response rate of 10.3% up from 5.2% last year.
24. The Schools Forum met on 9th December 2021 to consider the consultation responses and decide on how the formula should be implemented for 2022-23. The Forum approved all the proposals for the Early Years funding formula as below and shown in **Appendix 1**:
- 21p increase in the base hourly rate for 3- & 4-year-olds
 - 17p increase to the base hourly rate for 2-year-olds.

High Needs Block

25. In 2022-23 the key changes in the High Needs Block are:
- The historic spend factor has been updated for 2022-23, to use 50% of the Local Authority's actual spend in 2017 to 2018 rather than planned spend as previously used.
 - The limit on gains is set at 11%.
 - Due to the pandemic, there is no appropriate 2020 attainment data to use for the 2 low attainment factors, therefore, 2019 data has been used in place of 2020 data for the 2022 to 2023 high needs allocations.
26. In 2022-23 the High Needs Funding has increased to £99m (before deductions). This is an increase of £10.2m (before deductions) (11.5%).

Minimum Funding Guarantee (MFG)

27. 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 2022-23 this must be set between +0.5% and +2.00% per pupil.
28. In December 2021 School Forum agreed to continue with the principle to mirror the NFF as closely as possible the Local Authority would continue to set the MFG at 2.00%.

De-delegated Funds

29. The Department for Education continues to require that any funding that was subject to de-delegation in 2021-22 should be re-approved by the Schools Forum if the de-delegation is to continue in 2022-23, 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 2022-23 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

30. 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 2022-23 is £4.2m (2021-22 £3.6m).
31. The growth fund can only be used to:
 - support growth in pre-16 pupil numbers to meet basic need
 - support additional classes needed to meet the infant class size regulation
 - meet the costs of new schools.
32. The primary pupil growth fund must be agreed by the Schools Forum.
33. £3.635m of earmarked growth funding of was carried forward from 2020/21.
34. Any unallocated balance on the growth funding will be ring-fenced for future growth and held in the Non-ISB reserve.

Other Options Considered

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

Reason/s for Recommendation/s

36. 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

37. 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

38. The DSG 2022-23 funding allocation is £736.8m (2021-22 £702.3m) for the Schools, High Needs, Early Years and Central Services Schools Blocks.
39. The 2022-23 Schools Block funding for Nottinghamshire is £24.4m more than that received in 2021-22. However, due to changes in the census data from October 2020 to October 2021 a gains cap is required to ensure the formula is affordable.

40. The High Needs Block funding allocation in 2022-23 has increased by 11.5% (£10.2m before deductions) compared to 2021-22. This negates the need for the Local Authority to propose a funding transfer from the Schools Block to the High Needs Block.
41. The Early Years Block indicative 2022-23 funding allocation is £50.9m and the final allocation will be confirmed in July 2023 (determined by January 2022 and January 2023 census data).

RECOMMENDATION/S

- 1) That the Committee 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 2022-23.

Councillor Tracey Taylor
Chairman of the Children and Young People's Committee

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Constitutional Comments (LPW 31/01/22)

42. The recommendation falls within the remit of the Policy Committee by virtue of its terms of reference.

Financial Comments (NC 24/01/22)

43. The financial implications are set out in **paragraphs 38 to 41** 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:

[Early Years and Schools Forum meetings | Nottinghamshire County Council](#)

11 November 2021

[Agenda item 3d - Early Years 2022-23 Consultation Proposals Report \[PDF\]](#)

[Agenda item 3e - 2022-23 Schools Funding & Local Funding Formula Consultation Report \[PDF\]](#)

9 December 2021

[Item 3b Agreement of Schools Local Funding Formula 2022-23 \[PDF\]](#)

[Item 3b Appendix A School Consultation Responses \[PDF\]](#)

[Item 3c Agreement of the Early Years Funding Formula 2022-23 \[PDF\]](#)

[Item 3c Appendix 1 Early Years Consultation Responses \[PDF\]](#)

Electoral Division(s) and Member(s) Affected

All.

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