



REPORT OF THE CORPORATE DIRECTOR FOR CHILDREN, FAMILIES AND CULTURAL SERVICES

SCHOOL FUNDING: AGREEMENT OF THE LOCAL FUNDING FORMULA FOR 2015-16

Purpose of the Report

1. This report seeks approval for the adoption of the Nottinghamshire Schools Budget local funding formula, as recommended by the Schools Forum, for the financial year 2015-16.

Information and Advice

2. Since April 2013, all local authorities have been required to use a new simplified local funding formula to distribute the notional Schools Block of funding to all mainstream primary and secondary maintained schools and academies. Following a review of the 2014-15 arrangements conducted by the Department for Education (DfE), the arrangements for 2015-16 were published in late July 2014.
3. In accordance with the School Finance (England) Regulations 2013, the responsibility for determining the local funding formula for schools lies with the local authority. Prior to agreeing the formula, the local authority must first consult with the Schools Forum and all schools on the proposed changes. 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 Council about the Schools Budget.
4. The Schools Forum were presented with a paper and models showing the effects of the arrangements and proposals for the local funding formula for consultation with all parties affected by the changes. The models and consultation document were agreed by the Schools Forum on 15 September 2014, and a formal consultation on the proposals was held from 22 September to 10 October 2014.
5. The Schools Forum met on 23 October 2014 to consider the consultation responses and decide on how the formula should be implemented for 2015-16.
6. As part of the consultation, schools were provided with an estimate of the impact of the proposals, modelled using 2014-15 pupil data.
7. A full analysis of the consultation responses is available as a Background Paper. This was reported to members of the Forum at their meeting on 23 October 2014. In the majority of cases, the consultation responses showed a clear indication of if and how individual formula factors should be applied in the local funding formula for 2015-16.

Where this was less clear more detailed discussions took place. In particular, discussions centred around the sparsity and lump sum factors.

8. A full response to the consultation, outlining why the Schools Forum has made the recommendations that it has for 2015-16 will be made to available to schools via Wired in the coming weeks.
9. A summary of the factors as they were for 2014-15, changes to them, and the recommendation of the Schools Forum on how these should be applied in 2015-16, is shown in **Appendix 1**.

Application of a gains cap

10. 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 minimum funding guarantee (MFG) continues to operate at a value of minus 1.5% per pupil in 2015-16. This is to ensure that no school loses more than 1.5% per pupil in delegated pupil led funding in comparison to the previous financial year's budget.
11. The cost of the MFG protection has to be funded from the overall funding available for distribution through the local funding formula. As there could be significant amounts of protection required in some areas as a result of formula simplification, local authorities are able to apply a gains cap so that schools cannot gain more than a certain amount per pupil as a result of the new formula. A gains cap works on the same principles as the MFG; however, instead of providing a 'top-up' to formula budget it makes a reduction on any per pupil gains over a certain level. The amount generated by a gains cap is then redistributed through the basic per pupil entitlement of the local funding formula.
12. The application of a gains cap was considered by the Schools Forum as part of the 2013-14 consultation and it was agreed, in principle, that a scaled gains cap should be applied over a period of three years against the budgets schools received in 2012-13. The intention behind this transitional support was to allow schools that would lose funding under the new formula arrangements sufficient time to plan for this reduction and also provide assurance to those schools that would gain funding that this would eventually be fully realised. A gains cap of 5% per pupil was applied in 2013-14 and it was agreed, in principle, that this should be increased to 7.5% in 2014-15, and 10% in 2015-16.
13. It is the Forum's recommendation that this is applied, as previously agreed.

De-delegated Funds

14. The DfE continues to require that any funding that was subject to de-delegation in 2014-15 should be re-approved by Schools Forum if the de-delegation is to continue in 2015-16 along with any new items. Maintained schools in each phase agreed collectively, through the Schools Forum, to continue to de-delegate funding to the Local Authority to meet the below permitted categories of expenditure centrally. The rationale for de-delegation is to achieve economies of scale and to pool risk across schools for these costs. For 2015-16 the Forum recommends that the following items are covered by de-delegated funds:

- contingency for pre-agreed amalgamation transitional support
- Free School Meals eligibility assessment
- staff costs/supply cover for trade union facility time
- support to underperforming ethnic minority groups and bilingual learners
- contingency for crisis communications (a new de-delegation for 2015-16).

Pupil Growth Fund

15. The growth fund must be agreed by the Schools Forum and is deducted from the Schools Block before calculating budget shares. In 2014-15, the growth fund was set at £750,000 to provide a contingency of £600,000 to support the maintenance of infant class sizes, and of £150,000 to support basic need provision, both subject to schools meeting the agreed criteria.
16. Based on the latest data from the Children's Place Planning and Admissions Team, it was proposed to increase the growth fund held to support the maintenance of infant class sizes to £800,000 and the fund for basic need to £200,000 to meet anticipated demand based on the criteria agreed for 2014-15. The Schools Forum supported this recommendation.

Other Options Considered

17. Other financial models were considered as part of the consultation. The majority view of the Schools Forum was that the recommended option minimises change as far as possible from the principles agreed for the 2013-14 local funding formula.

Reason/s for Recommendation/s

18. Council is required to decide upon the redistribution of the schools budget through a new funding formula which complies with current regulations and must have regard to the consultation with schools and the recommendations of the Schools Forum.

Statutory and Policy Implications

19. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working 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

20. The quantum of funding distributed to schools overall is unaffected by changes in the formula. However, there are financial implications for individual schools and the effect of these has been minimised as outlined in the report.

RECOMMENDATION/S

- 1) That the Committee approves the recommendations of the Schools Forum, as outlined in **Appendix 1** and paragraphs 13, 14, and 16, to distribute available funding between Nottinghamshire schools and academies in 2015-16.

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Constitutional Comments (KK 30/10/14)

21. The Policy Committee has delegated authority within the Constitution to approve the recommendations in the report.

Financial Comments (KLA 23/10/14)

22. The financial implications of the report are set out in paragraph 20 above.

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.

Fairer schools funding – arrangements for 2015 to 2016 (DfE, July 2014)
Schools Revenue Funding 2015 to 2016 – operational guide (DfE, July 2014)
Schools Revenue Funding 2015 to 2016 – technical note (DfE, July 2014)
Consultation on fairer school funding for 2015 to 2016 – Government response (DfE, July 2014)
School Funding 2015-16; consultation with schools on the local funding formula - responses

Electoral Division(s) and Member(s) Affected

All.

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