

**REPORT OF THE CHAIRMAN OF THE CHILDREN AND YOUNG PEOPLE'S
COMMITTEE****SCHOOLS AND EARLY YEARS FUNDING: AGREEMENT OF THE LOCAL
FUNDING FORMULA FOR 2021-22****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 2021-22.

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 2021-22. 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 £11.8m in High Needs Block funding for schools and children with special educational needs (SEN). 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 SEND. Therefore, for 2020-21, no transfer of funding from the Schools Block to the High Needs Block was proposed and the LA was able to mirror the NFF in full.
7. For 2021-22 the indicative High Needs Block funding allocation indicated a further increase of £10.5m and no transfer of funding from the Schools Block to the High Needs Block was proposed. The High Needs Block is, however, still under significant pressure with an overspend of £2.1m forecast for 2020-21.
8. The 2021-22 funding announcement included key changes to the 2021-22 Schools Block NFF as follows:
 - Incorporation of the 2019 update to the Income Deprivation Affecting Children Index (IDACI) data set.
 - The funding floor will be set at 2.0% (1.84% 2020-21) and based on individual schools funding floor baseline. This increase is based on pupil led funding only.
 - The Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contributions Grants (TPEG), including the supplementary fund, have been rolled into the NFF by increasing the funding floor base line, basic per pupil entitlement and minimum per pupil funding.
 - The Minimum Per Pupil (MPP) funding levels will be set at £4,180 (including £180 for the rolling in of grants) for primary schools, £5,215 for Key stage 3 and £5,715 for Key stage 4. This means that for each secondary with a standard structure of 5 year groups the minimum per pupil amount will be £5,415 (including £265 for the rolling in of grants). These levels are mandatory for all local authorities to use in their local funding formula (LFF).
 - Schools that are attracting their core NFF allocations will benefit from an increase of 3% to the formula's core (i.e. pupil led) factors.
 - An increase to the maximum sparsity value from £26,000 to £45,000 for primary schools, and from £67,600 to £70,000 for secondary schools to improve support for small and rural schools.
9. A report was considered by the Schools Forum in November 2020 which outlined the position with the indicative 2021-22 Schools Block funding announcement and possible consultation options.
10. The consultation proposals were to address a potential affordability gap in relation to an increase in the number of children eligible for benefits related free school meals (FSM) between the October 2019 and October 2020 census points. An increase of approximately

26% was projected resulting in a potential funding shortfall of up to £2.0m. This issue was not limited to Nottinghamshire and had been raised with the Education Skills Funding Agency and in other Forums.

11. 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 23 November to 6 December 2020.
12. The Schools Forum met on 10 December 2020 to consider the consultation responses and decide on how the formula should be implemented for 2021-22. 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)/Funding Floor of between 0.5% - 2% with 2% being the preferred level
 - reintroduction of the gains cap if necessary.
13. On 17th December the Schools Block funding allocation was announced together with the October 2020 census data. Although the number of children eligible for FSM had increased as projected, other changes in the dataset and application of the formula have offset the financial impact of it and the local authority can therefore continue to mirror the NFF for 2021-22.
14. The Schools Local Funding Formula was submitted to the Education & Skills Funding Agency (ESFA) by its deadline of 21 January 2021 and indicated that it still required political approval.

Early Years Funding Formula

15. A report was considered by the Schools Forum in December 2020 which outlined the position with the indicative 2021-22 Early Years Block funding and consultation proposals which had been developed in collaboration with the Early Years Consultation Group. The formal consultation on the proposals for the Early Years Funding Formula was held from 14 December 2020 - 8 January 2021.
16. In 2020-21, Early Years settings in Nottinghamshire received an increase of 8p in the basic hourly rate following the increase in the per pupil unit of funding through the national funding formula for 2, 3 and 4 year olds. In addition, a temporary increase of 10p per hour for 3 and 4 year olds was agreed 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 was expected to continue for 2020/21. Increasing the hourly rate was intended to ensure that Early Years Block funding was fully spent.
17. The financial situation for 2020-21 has changed significantly and this year's Early Years funding allocation is now forecast to overspend by £0.9m due to Covid-19 and the arrangements for paying early years settings during the lock down and subsequent restrictions. This will be funded from the Non-Individual School Budgets (Non-ISB) reserve.

18. In addition there is further uncertainty about funding to be received for Spring 2021 term and the take up of places for the headcount and census data which determine the calculation for the overall funding allocation as a result of the third national lock down.
19. The current forecast overspend and the uncertainty regarding the funding and potential future impacts of Covid on payments to providers has meant that the local authority could not extend the temporary 10p top up to the hourly rate for 2021-22. The Early Years funding formula must be sustainable and be contained within the overall Early years block funding allocation.
20. The consultation questions therefore were to seek the views of the sector on the impact of not extending the temporary 10p increase to the 3 and 4 year old hourly rate for 2021-22.
21. However, as part of the spending review announcement, the Chancellor of the Exchequer announced his plan to increase early years spending by £44m in 2021/22 to increase the hourly rate that's being paid at maintained nursery schools and other childcare providers that deliver on the Government's free childcare offer. The consultation confirmed that 100% of the increase received would be added to the hourly rate which would go some way to offset the reduction in the base rate.
22. The sector was given further reassurance that the financial position would be monitored closely throughout 2021-22 and if this improved as the current situation stabilises any underspend would be reported to the Schools Forum and consideration given to distribute this via the hourly rate at a future date.
23. On 17th December 2020 the Department for Education announced the Early Years Block 2021-22 funding allocations and for Nottinghamshire this included an increase of 8p per hour for 2 year olds and 6p for 3 and 4 year olds.
24. The Schools Forum met on 14 January 2020 to consider the consultation responses and decide on how the formula should be implemented for 2021-22. The Forum approved all the proposals for the Early Years funding formula as below and shown in **Appendix 1**:
 - 4p reduction (6p increase minus temporary 10p) in the base hourly rate for 3 & 4 year olds
 - 8p increase to the base hourly rate for 2 year olds

High Needs Block

25. In 2020-21 there was a significant increase in the High Needs Block funding allocation but despite this there continues to be significant pressure on this budget. Currently, there is a projected overspend of £2.1m by the end of this financial year which will be funded, in part, from the Non-Individual School Budgets (Non-ISB) reserve. The reserve is projecting a deficit as a result and this will need careful management with the Schools Forum to bring it back into balance in the future. The significant increase in the funding allocation for 2021-22 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.

26. The additional funding allocated for 2021-22 will be used to address the overspend of the high needs budget for 2020-21, increase provision primarily in special schools, fund the increased demand for independent specialist provision and Post 16 places. A possible contribution to the Non-ISB reserve is also planned as part of the deficit recovery plan.

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 2021-22 this must be set between +0.5% and +2.00% per pupil.
28. In order to mirror the minimum NFF increase of 2.00% (funding floor), to protect pupil-led per pupil funding in real terms, the MFG will need to be increased from its current level of 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.
29. There will be 73 schools in receipt of this minimum increase because their current funding allocation is already in excess of that they would receive under the LFF.
30. The impact on schools of setting the MFG at +2.00% will mean increases of between 2.00% and 12.24% compared to schools 2020-21 pupil led funding allocation.

De-delegated Funds

31. The Department for Education continues to require that any funding that was subject to de-delegation in 2020-21 should be re-approved by the Schools Forum if the de-delegation is to continue in 2021-22, 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 2021-22 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

32. 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 2021-22 is £3.6m (2020-21 £3.8m).
33. 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.

34. The primary pupil growth fund must be agreed by the Schools Forum and in 2020-21 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 2021-22 so it will, therefore, remain at the 2020-21 level.
35. Any unallocated balance on the growth funding will be ring-fenced for future growth and held in the Non-ISB reserve.

Other Options Considered

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

Reason for the Recommendations

37. 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

38. 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

39. The DSG 2021-22 funding allocation is £702.3m (2020-21 £643.9m) for the Schools, High Needs, Early Years and Central Services Schools Blocks.
40. The 2021-22 Schools Block funding for Nottinghamshire is £46.8m more than that received in 2020-21. This is a consequence of changes to the NFF, higher pupil numbers and the inclusion of the Teacher Pay and Pension grants being rolled into the Schools Block accounting for around £23.9m of the increase. The resultant quantum of funding amounting to £556.7m (2020-21 £509.9m) 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.
41. All schools will see a minimum increase of 2.00% on their pupil led funding and the only reason for any reduction would be a fall in pupil numbers or school specific premises allocations.

42. The High Needs Block funding allocation for 2021-22 will see Nottinghamshire receiving an additional £10.875m which is hoped will be sufficient to cover the anticipated budget pressure for 2021-22. This negates the need for the Local Authority to propose a funding transfer from the Schools Block to the High Needs Block.
43. The Early Years Block indicative 2021-22 funding allocation is £50.7m and the final allocation will be confirmed in July 2022 (determined by January 2021 and January 2022 census data). The proposed 4p reduction in the base hourly rate for 3 and 4 year olds is necessary to manage the level of uncertainty regarding the actual 2021-22 funding allocation, the take up of child care places and the payments to providers in response to Covid.
44. The Early Years Block financial position will be monitored closely throughout 2021-22 and if this improves, as the current situation stabilises, any underspend will be reported to the Schools Forum and consideration given to distribute this via the hourly rate at a future date.

RECOMMENDATIONS

- 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 2021-22.

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

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Constitutional Comments (EP 26/01/21)

46. The recommendation falls with the remit of the Policy Committee by virtue of its terms of reference.

Financial Comments (SAS 18/01/21)

47. The financial implications are set out in **paragraphs 39 to 44** 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

[10 December 2020 | Nottinghamshire County Council](#)

Agenda item 3b - Agreement of Schools Local Funding Formula 2022-22
Agenda item 3b – 2021-22 School Consultation Responses Appendix A
Agenda item 3b – schools local funding formula 2021-22 consultation
Agenda item 3b – schools local funding formula consultation appendix 1
Agenda item 3b - schools local funding formula consultation appendix 2
Agenda item 3c – Early Years LFF 2021-22 consultation proposals report
Agenda item 3c – Early years Local Funding Formula consultation draft

[14 January 2021 | Nottinghamshire County Council](#)

Agenda Item 2 – Agreement of Early Years Local Funding Formula 2021-22
Agenda Item 2 – 2021-22 Early Years Consultation Responses

Electoral Division(s) and Member(s) Affected

All.

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