



**Nottinghamshire
County Council**

***SCHOOL & EARLY YEARS
FUNDING 2018-19:***

**CONSULTATION ON THE
LOCAL FUNDING FORMULA
FOR SCHOOLS & EARLY YEARS
PROVIDERS**

NOVEMBER 2017

**Consultation period:
7 November to 24 November 2017**

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1 Introduction

- 1.1 A local authority must engage in open and transparent consultation with all maintained schools and academies in the area as well as its schools forum about any proposed changes to the local funding formula including the method, principles and rules adopted. Where any proposed changes affect early years providers they too must be consulted. The local authority must submit a pro-forma detailing the new formula to the Education & Skills Funding Agency (ESFA) by 19th January 2018.
- 1.2 This consultation concerns the Dedicated Schools Grant (DSG) – Schools and Early Years Block funding for 2018-19 and the distribution of this through the local funding formula. It is relevant to all primary and secondary maintained schools, academies and early years providers in Nottinghamshire.
- 1.3 2018-19 is a significant year because of the introduction of the national funding formula for schools, high needs and central school services. The national funding formula will be used to calculate the funding blocks within the dedicated schools grant (DSG) and determine the allocations that LAs will receive in the 2018-19 financial year.
- 1.4 The early years national funding formula was introduced in 2017-18 and funding was distributed to local authorities in accordance with this. It is anticipated that the per pupil unit of funding through the national funding formula will remain at the same rate as 2017-18. Final allocations will be issued in mid December 2017.
- 1.5 Pupil Premium and funding from the High Needs block will continue to be distributed by the methods prescribed or agreed outside of the local funding formula.
- 1.6 The consultation on the proposals will be launched on 7 November 2017 and be open until 24 November 2017.
- 1.7 **The figures in Appendix A and B are based on October 2016 pupil numbers and datasets provided by the DfE and 2017-18 funding levels. They therefore do not reflect the funding that will be received by a school in 2018-19 and have been provided for illustrative purposes only.**
- 1.8 Responses to the proposals in this consultation should be submitted by no later than Friday 24 November 2017 through Citizen Space on the following link: <https://consult.nottinghamshire.gov.uk/children-and-families-services/c0df11c7>. They will be considered by the Schools Forum on 7 December 2017. The formula will be recommended to the County Council's Policy Committee for approval on 20 December 2017.
- 1.9 The local funding formula for 2018-19 will be finalised based on affordability of the 2018-19 DSG settlement and issued pupil data sets in late December 2017, for final submission to the ESFA by 19 January 2018. Individual school budget allocations will be confirmed to local authority maintained schools by 28 February 2018. The ESFA will confirm academy budgets during February 2018.

2 National Funding Formula Announcement

2.1 On 14 September 2017 the Secretary of State for Education announced schools funding arrangements for 2018-19 in an oral statement to parliament.

The key points from the statement were:

- An additional £1.3 billion into core funding for schools and high needs so that the overall budget will now rise by around £2.6 billion in total, from almost £41 billion in 2017-18 to around £42.4 billion in 2018-19 and £43.5 billion in 2019-20;
- The additional £1.3 billion will mean that all local authorities will receive an increase in 2018-19, over the amount they plan to spend in 2017-18;
- The National Funding Formula (NFF) will provide a 0.5% cash increase per pupil in 2018-19 and a 1% increase in 2019-20 compared with the 2017-18 baseline;
- Schools which have been underfunded and are due to gain significantly from the NFF will be allocated up to 3% per pupil in 2018-19 and a further 3% per pupil in 2019-20. The minimum per pupil funding level will not be subject to this gains cap – delivering particularly fast gains in respect of the very lowest funded schools;
- The NFF will provide per pupil funding of at least £3,300 for primary schools and £4,600 for secondary schools in 2018-19. In 2019-20 these amounts will increase to £3,500 per primary pupil and £4,800 per secondary pupil;
- An increase in High Needs Funding, with a minimum increase of 0.5% per head in 2018-19 and 1% per head in 2019-20 for every local authority. Underfunded local authorities will receive up to 3% per head gains a year for the next two years to help them catch up. It means that local authorities will see a 4.6% increase on average in their high needs budgets.
- The 2018-19 NFF will set notional budgets for each school and these will be aggregated to calculate a funding allocation for each authority.
- Local authorities will continue to determine the final funding allocations for schools through their local funding formula for 2018-19 and 2019-20.

2.2 The government also announced a number of changes to the application and factors that LAs could use in their funding formula, to transition to the NFF including the ability of LAs to transfer 0.5% of the schools block funding to another funding block (see Section 5 below) and the new minimum per pupil funding factor.

3 Nottinghamshire NFF Funding Allocations 2018-19 and 2019-20

- 3.1 The NFF funding allocations for Nottinghamshire are set out below. These are indicative at this stage because the quantum will be determined by the pupil numbers obtained from the appropriate year's October census.

Total Funding

Funding Block	October 2016 Census Pupil No.'s	2017-18 Baseline £m	2018-19 NFF Allocation £m	Annual Increase %	2019-20 NFF Allocation £m	Annual Increase %	Total Increase %
Schools Block	104,824	452.780	460.673	1.74%	464.188	0.76%	2.52%
High Needs Block		60.460	62.397	3.20%	64.190	2.87%	6.17%
Central Services Block		6.530	6.601	1.09%	6.663	0.94%	2.04%
		519.770	529.671	1.90%	535.041	1.01%	2.94%

- 3.2 The 2018-19 funding allocation is calculated as a per pupil amount for primary and secondary schools. These amounts are derived after the NFF has been applied i.e. the total NFF funding allocations are calculated for primary and secondary phases and these are then divided by the number of pupils in each phase. This means that individual LAs will still have different per pupil amounts.

	Unit of Funding £	Pupil No.'s	2018-19 £
Primary	3,927	65,238	256,209,905
Secondary	4,985	39,586	197,334,401
Growth Fund, Premises and Mobility	2017-18 Allocation		7,129,182
			460,673,488

- 3.3 Notional NFF funding allocations illustrated that Nottinghamshire schools would gain between 0.3% - 3% in 2018-19 above their 2017-18 baseline and a further 0.2% - 2.9% in 2019-20.
- 3.4 The school tables provided by the DfE gave notional allocations for individual school budgets for 2018-19 and 2019-20 but these were illustrative only and do not represent the funding that a school will actually receive in those financial years.

4 Approach to the Schools Block Funding Formula Consultation for 2018-19

- 4.1 At the schools forum meeting in September 2017 the consensus was to consult on moving to the NFF in 2018-19.
- 4.2 The main proposal in the consultation therefore is to transition the local funding formula (LFF) to mirror the NFF as far as possible.
- 4.3 There are considerable budget pressures within the High Needs block which funds the most appropriate support package for individuals with SEND in a range of settings. In order to address these pressures a 0.5% funding transfer is proposed from the schools funding block to the High Needs block (see paragraphs 5.7 to 5.21).

4.4 The financial modelling provided is based on October 2016 pupil numbers and datasets provided by the DfE and 2017-18 funding levels. They do not reflect the funding that will be received by a school in 2018-19 and have been provided for illustrative purposes only.

4.5 This is the opportunity for schools to voice any concerns they have about the proposals.

5 Schools Block Funding Formula Consultation Proposals

5.1 Nottinghamshire has had a very stable local funding formula for the last 5 years with no significant change being made to it since 2013-14. This has provided a level of certainty for schools as to future funding levels within that available quantum.

5.2 The schools forum is keen that the basis of the consultation is around the transition towards the NFF. The NFF factors are detailed in Table 1 for information.

5.3 There are several differences in the NFF compared to the LFF which are listed below:

- The looked after children factor is not part of the NFF instead the Pupil Premium Plus will be increased for 2018/19.
- The NFF includes the sparsity factor which is an allowable optional factor that Nottinghamshire has, in the past, chosen not to use.
- The deprivation factor uses FSM, FSM6 and IDACI. Nottinghamshire has only used FSM6 and IDACI.
- The Reception uplift factor is not part of the NFF but this is used in the current LFF.
- Rates, Mobility, Joint Use, Rental, Split Site and the Growth Fund allocations are all based on 2017-18 spend levels.
- An additional factor to enable the transition towards a minimum per-pupil funding level over the next two years.
- Exceptional premises factors are excluded from the per pupil calculations for MFG.

5.4 The national average primary to secondary ratio has been used in setting the unit values in the NFF, this is 1:1.29. The actual ratio observed in the funding of each individual local authority will depend on the pupil characteristics of the pupils in that area. As a result it is not the case that a uniform 1:1.29 will be seen in all LAs. The ratio for Nottinghamshire has increased from 1:1.265 to 1:1.28.

5.5 The financial modelling at Appendix A gives the illustrative funding allocations under the NFF and the LFF (at 2018-19 indicative funding level).

Question 1

Do you agree that Nottinghamshire should transition the local funding formula to mirror the national funding formula as far as possible for 2018-19?

Technical Adjustments

5.6 In order to transition to the NFF there are a number of technical adjustments that are necessary to ensure that school budgets are calculated in accordance with the regulations. These manual adjustments will need to be made to the Education Skills and Funding Agency (ESFA) funding tool (APT) and require a disapplication request to be submitted to the Secretary of State. The local authority needs to be able to demonstrate that these adjustments have been consulted on prior to the final individual school budgets being submitted to the EFSA in January 2018.

The adjustments which will be needed are as follows:

- Manual adjustment to the sparsity formula to align it with that of the NFF.
- Exclusion of exceptional premises factors from the minimum per pupil and MFG calculation.

Question 2

In order to transition to the NFF the local authority may need to make a number of technical adjustments to Education Skills and Funding Agency (ESFA) funding tool (APT).

Do you agree that a disapplication request can be made to the Secretary of State to allow the local authority to make the necessary adjustments to the ESFA funding tool to enable the transition to the NFF?

Transfer of 0.5% Funding from the Schools Block to the High Needs Block

- 5.7 In September 2017 a report was considered by the Schools Forum which highlighted a significant emerging budget pressure in the High Needs block in the current financial year which is projected to continue into 2018-19 and will be challenging to address.
- 5.8 There has been a significant increase in the number of children and young people (CYP) with an education, health, care plan (EHCP), accessing specialist education provision, in education other than at school (EOTAS) and independent non-maintained schools (INM).
- This links directly to increases in the number of:
- a. CYP with complex needs nationally and locally
 - b. EHCPs issued, as a result of the SEND reforms (2014), including those accessing education in post 16.
- 5.9 These national changes, coupled with the increasing pressure on schools to improve attainment in the context of a highly academic curriculum, have resulted in increased challenges for schools to include CYP with the most complex needs in mainstream schools.
- 5.10 As a result, Nottinghamshire special schools are now full and this has led to an increase in the number of externally commissioned places in specialist education provision (EOTAS and INM).
- 5.11 The SEND review 2015 to 2016 had already raised the issue of a 15% increase in the number of CYP accessing education in Nottinghamshire special schools between 2011 and 2016. The number of places in Nottinghamshire special schools has been increased by 40 since the time of the review. However, all these additional places have been filled for September 2017, but are still insufficient to meet demand.
- 5.12 The review predicted a further increase in demand for special school placements over the next 5 years, by at least 150. Nottinghamshire County Council therefore submitted Expressions of Interest (EOIs) to the Regional Schools Commissioner (RSC) for funding for 2 new special schools, which would have provided more places in Nottinghamshire special schools, thereby reducing the need for additional places in external specialist provision. Unfortunately both EOIs have been unsuccessful.
- 5.13 The forecast overspend on the EHCP specialist provision is £2.4m (increasing to £4m in 2018/19) which includes known new placements for September and anticipated growth by the end of the 2017-2018 financial year.

- 5.14 As agreed at the June 2017 Schools Forum, there is a need for a shared understanding around current use of the High Needs Block to inform the strategic development of different types of provision in ways which are beneficial to children with complex needs, more cost effective and remaining fair across Partnership Development areas.
- 5.15 Places in external specialist provision are more expensive than those in Nottinghamshire special schools. However, an in-depth review will be needed to fully understand the effectiveness of the current use of the High Needs Block funding and to inform the most effective and efficient ways to allocate this funding in future, so that CYP access the least costly but most appropriate type of provision to meet their needs now and into the future, thus ensuring best value from the High Needs Block.
- 5.16 It is anticipated that this pressure will continue into 2018-19 and additional funding will need to be identified. The High Needs block funding announcement above (paragraph 2.1) has indicated that an additional £1.9m will be received for 2018-19 but this will not be sufficient to fund the £4m projected budget pressure in 2018-19.
- 5.17 Local authorities will be allowed to transfer 0.5% from their schools block with the agreement of their schools forum. Transfers above this limit would require Secretary of State approval. This would need to be included in the 2018-19 local funding formula consultation and would include financial modelling of the impact on individual schools. The indicative amount for this in Nottinghamshire, based on the 2018-19 schools block funding, would be £2.3m.
- 5.18 This proposal is for one year only therefore only applies to funding for 2018/19.
- 5.19 As the current situation isn't sustainable it has been recommended that the schools forum works in partnership with the Local Authority to carry out a comprehensive review of the distribution, use and impact of current funding in the High Needs Block. The aim of this review would be for pupils to access the most appropriate type of provision in order that best value is achieved from the High Needs Block. The review is currently underway but the outcomes will not be known before March 2018.
- 5.20 The illustrative financial impact of the funding transfer against individual schools is modelled at Appendix B. The basis for this is an illustrative per pupil reduction of £19.85 for primary and £25.41 secondary based on the primary to secondary ratio of 1:1.28 for 2018-19. This may need Secretary of State approval.
- 5.21 If you do not agree to the transfer of funding to the High Needs block it will be necessary to reduce the current devolved High Level Needs (HLN), Additional Family Needs (AFN), Family Network Funding (FNF) and Behaviour Partnerships funding allocations to schools in 2018-19. Appendix C illustrates the potential implications of reducing this devolved funding.

Question 3

Do you agree with the proposal to transfer 0.5% from the total schools block funding to the high needs block?

- 5.22 The minimum funding guarantee (MFG) will continue to operate in 2018-19. The MFG only applies to the funding received for statutory school age children and therefore excludes any early years or post 16 funding. As the protection provided by the MFG is based on per pupil funding, the MFG calculation will not include school led factors e.g. the lump sum.
- 5.23 The opportunity to seek approval to disapply the MFG for individual schools remains for 2018-19, but requests will only be considered if there is a significant change in a school's circumstances or pupil numbers and where inclusion of the MFG would lead to significant and inappropriate levels of protection.
- 5.24 The current MFG is set at minus1.5% in order to limit the per pupil loss that a school can incur in a year. The ESFA are to introduce greater flexibility for local authorities to set an MFG of between 0% and minus 1.5%. This is to allow LAs to make local decisions about the distribution of funding, and enable them to manage any changes in pupil characteristics when the characteristics data is updated in December.
- 5.25 However the national funding formula provides for schools to receive at least a minimum gain of 1% above their 2017-18 baseline pupil led funding by 2019-20 (0.5% in each year 2018-19 and 2019-20). In order to transition to the NFF in Nottinghamshire it is envisaged that the MFG percentage will need to be set at a positive amount of up to 0.5% to reflect this.
- 5.26 The EFSA will continue to apply the MFG to academy allocations based on what they actually received in the previous financial year, so some academies will continue to receive different levels of protection outside of the LFF.

Question 4

In order to transition the LFF to the NFF as far as possible, the local authority will need to set an MFG between 0% and 0.5%. If an MFG is adopted which is higher than 0% this will need to approved by the Secretary of State.

Are you in agreement with this proposal?

Gains Cap

5.27 There is a gains cap in the NFF of 3% per pupil to make the MFG affordable. The current LFF does not contain a gains cap but this will need to be reintroduced to make the transition towards the NFF affordable. The local authority is required to consult on the level of the gains cap and it is proposed that this will need to be set at between 2.5% and 3% for 2018/19.

Question 5

In order to transition the LFF to the NFF as far as possible, the local authority will need to adopt a gains cap of between 2.5% and 3%.

Are you in agreement with this proposal?

De-delegation

- 5.28 The DfE continues to require that any funding that was subject to de-delegation in 2016-17 should be re-approved by schools forum if the de-delegation is to continue in 2017-18. Maintained schools in each phase will need to agree collectively, through the Schools Forum, whether to de-delegate funding to the local authority to meet certain 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.
- 5.29 De-delegation will be an option for maintained primary and secondary schools for the following allocations in line with 2013-14 to 2017-18 delegation. The indicative rates for de-delegation in 2018-19 are shown in the table below with the 2017-18 rates (shown in brackets) for comparison where changed.
- 5.30 De-delegation for Trade Union Facilities has been removed and new arrangements will apply from 1 April 2018, details can be found on the Schools Portal.

	Primary per pupil de-delegation	Secondary per pupil de-delegation
Free school meal eligibility assessment	£0.87	£0.91
Support to underperforming ethnic minority groups and bilingual learners	£5.03	£5.03
Contingency for crisis communications	£0.90	Nil

Question 6 (to be answered by maintained schools only)

Do you agree to the de-delegation of the following in 2018-19:

- ***Free school meals eligibility assessment?***
- ***Support to underperforming ethnic minority groups and bilingual learners?***
- ***Contingency for crisis communications?***

6 Approach to the Early Years Funding Formula Consultation for 2018-19

- 6.1 The early years national funding formula was introduced in 2017-18 and funding was distributed to local authorities in accordance with this. It is anticipated that the per pupil unit of funding through the national funding formula will remain at the same rate as 2017-18. Final allocations will be issued in mid December 2017.
- 6.2 If there is a subsequent increase to the per pupil unit of funding through the national funding formula this will be passed on to early years providers according to our previous agreed formula.
- 6.3 There is a proposal to change the criteria and factor value for the deprivation supplement and to create an Early Years SEN Inclusion Fund.

7 Early Years Consultation Proposals

- 7.1 The Nottinghamshire EYSFF currently has three factors which are listed in the table below together with the criteria for each. The proposed hourly rates for 2018-19 are indicated in the third column and the rationale explained below.

Factor	2017-18 Factor Values	2018-19 Proposed Factor Values
PVI 2 year olds	£5.23 per hour	1p reduction to £5.22 per hour subject to confirmation of funding allocation.
Schools 2 year olds	£5.10 per hour	1p reduction to £5.09 per hour subject to confirmation of funding allocation
PVI 3 - 4 year olds Universal and working parents	£4.17 (38 weeks per annum)	1p reduction to £4.16 subject to confirmation of funding allocation.
Schools 3 - 4 year olds Universal and working parents	£4.07 (39 weeks per annum)	1p reduction to £4.06 subject to confirmation of funding allocation.
Deprivation	FSM indicator £0.05 per hour	Attendance at monthly children in need and child protection plan meetings payable for 4 hours at an hourly rate equivalent to the national living wage.

Deprivation Factor

- 7.2 In June 2016 Ofsted published a report which recommended local authorities to review their criteria for determining 'disadvantaged' children and to look beyond economic disadvantage to ensure the most vulnerable children are supported to achieve.
- 7.3 The current criteria for the deprivation supplement funds the same cohort of children eligible for the Early Years Pupil Premium, i.e. free school meals, at a rate of £0.05 per hour.
- 7.4 It is proposed that eligibility criteria changes to support those children accessing their early years entitlement, known to children's social care, i.e. are defined as a Child in Need or on a Child Protection Plan. The funding would be awarded to enable the provider to attend monthly multi-agency meetings, payable at an hourly rate equivalent to the appropriate National Living Wage for four hours per month, throughout the year.
- 7.5 Attendance at such meetings would be subject to monitoring as well as the progress of individual children through established tracking tools used by providers.

- 7.6 Early Years Pupil Premium would continue to be paid in addition to the deprivation factor at £0.53p per hour.
- 7.7 The total amount of funding to be allocated for deprivation in 2017/18 is projected to be £34,000.

Question 7

Do you agree with the proposal to change the deprivation funding criteria from FSM eligibility to an allowance which would enable providers to attend monthly multi-agency meetings for a maximum of 4 hours per month?

Early Years SEN Inclusion Fund

- 7.8 From April 2017 there has been a statutory requirement for local authorities to establish a SEN inclusion fund for eligible two, three and four year olds to support providers to address the needs of individual children regardless of where they access their early years entitlement. Local authorities may determine the size of the fund, pooled from either or both the early years and high needs blocks of the Dedicated School Grant.
- 7.9 Nottinghamshire provides a range of support to young children with SEND to ensure they have access to childcare and early education delivered through the Early Years Specialist Teacher (EYST) team and Schools and Families Support Service (SFSS). Additional funding has also been available to supplement care costs for children aged 0 – 25 year olds, through the LA DCATCH (disabled children access to childcare) budget which is £250,000. This budget is used to support PVI providers (private, voluntary and independent) as schools have access to additional funding through the high needs block.
- 7.10 The new statutory duties have instigated a review of DCATCH to ensure it meets government requirements and to alleviate some of the budget pressure in this current financial year. To achieve this children who fall outside the statutory age-ranges will no longer be eligible for this fund. (Plans are in place to facilitate access to inclusion support available from either the EYST team or SFSS, whichever is most appropriate.)
- 7.11 However, in order to respond to an increased number of applications and anticipated demand as children access their extended entitlement additional funding is required to meet the needs of children with SEN. It is proposed, therefore, that the current LA DCATCH budget is supplemented with additional funding from the Early Years block to create the Early Years SEN Inclusion Fund.
- 7.12 The proposal is to create this fund by reducing the hourly rate by 1p for 2, 3 and 4 year olds.
- 7.13 The financial impact on schools and the PVI sector is illustrated in Appendix D.
- 7.14 In April 2017, the government also introduced new funding for children with disabilities, DAF, (disability access fund). This is a separate annual payment made directly to early years providers.

Question 8

Do you agree with the proposal to reduce the hourly rate by 1p for 2, 3 and 4 year olds to create an Early Years SEN Inclusion Fund?

Thank you for taking the time to complete this consultation.

TABLE 1

The Building Blocks and Factors in the National Funding Formula

A	Basic per-pupil funding	Age-weighted pupil unit						
B	Additional needs funding	Deprivation	Low prior attainment	English as an additional language			<i>Mobility</i>	
C	School-led funding	Lump sum	Sparsity	<i>Premises</i>				<i>Growth</i>
				<i>Rates</i>	<i>PFI</i>	<i>Split sites</i>	<i>Exceptional circumstances</i>	
D	Geographic funding	Area cost adjustment						