

## 2020-21 Schools Funding and Local Funding Formula Consultation

### 1. Purpose of the Report

To provide:

- a summary of the provisional 2020-21 Dedicated Schools Grant funding allocations and changes to the National Funding Formula.
- The proposals for the 2020-21 local funding formula consultation.

### 2. Indicative 2020-21 DSG Funding Announcement

Indicative local authority funding allocations for 2020-21 for the Schools Block and High Needs Block were published on Friday 11 October, together with notional allocations for individual schools. The indicative funding allocation for the Schools Block is based on pupil numbers for October 2018 and the 2020-21 unit of funding for primary and secondary which will not change.

Funding Block	2019-20	2020-21	Increase/
	Actual	Indicative	Decrease(-)
	£m	£m	£m
Schools Block	482.064	502.375	20.311
High Needs Block	66.362	77.887	11.525
	<b>548.426</b>	<b>580.262</b>	<b>31.836</b>

#### Schools Block Funding Breakdown

	Actual 2019-20			Provisional 2020-21			Increase/Decrease(-)	
	October 2018	Unit of	2019-20	October	Unit of	2020-21		
	Pupil No.'s	Funding	£000	2018 Pupil	Funding	£000	£000	%
		£	£000	No.'s	£	£000	£000	%
Primary	66,711	3,946	263,270	66,711	4,125	275,150	11,880	4.51
Secondary	41,808	5,013	209,588	41,808	5,218	218,138	8,550	4.08
Premises & Mobility			6,121			6,002	-119	-1.94
Growth Funding			3,085			3,085	0	0.00
<b>TOTAL SCHOOLS BLOCK</b>	<b>108,519</b>		<b>482,064</b>	<b>108,519</b>		<b>502,375</b>	<b>20,311</b>	

The indicative Schools Block funding allocation for Nottinghamshire shows that there is £20.3m additional funding for Nottinghamshire representing a 4.2% increase. Based on the NFF funding allocations this represents an increase in pupil led funding of between 1.84% and 36.0% for schools. For the High Needs Block the indicative allocation shows a significant increase of £11.5m which is 17.4%.

### 3. Changes to the National Funding Formula (NFF) for 2020-21

The key changes in the Schools Block are:

- The Minimum Per Pupil (MPP) funding levels have increased to £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 to be mandatory for all local authorities to use in their local funding formula (LFF). There was a government consultation which closed on the 22<sup>nd</sup> October regarding the implementation of this.
- The funding floor will be set at 1.84% and based on individual schools NFF allocation in 2019-20. This increase is based on pupil led funding only.
- 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 FSM which will be in line with inflation at 1.84%.
- Removal of the gains cap.
- Mobility is now on a formula basis and not historic spend as in previous years. All mobile pupils above the threshold will be allocated a per pupil amount of £875 for each primary pupil and £1,250 for each secondary pupil.
- Pupil growth will be allocated on a formulaic basis again although it is still up to local authorities how to distribute the funding.
- The teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately in 2020-21.

The key Changes in the High Needs Block are:

- The funding floor is set at 8% so each local authority can plan for an increase of at least that percentage.
- The gains cap is set at 17%.

### 4. Operational Guidance – Schools Revenue Funding 2020-21

The operational guidance was issued in September 2019 for LAs to start to plan the local implementation of the funding system for 2020-21. As well as the above announcements the following also applies for 2020-21:

- The Schools block will be ring fenced for 2020-21 but LAs still will be able to transfer up to 0.5% out of this with the agreement of their schools forum and subject to consultation.
- Flexible minimum funding guarantee (MFG) to be allowed between plus 0.5% and 1.84%.
- There is no gains cap in the NFF but LA's can apply a cap locally.
- Removal of the funding floor factor as the Minimum Funding Guarantee (MFG) will be used in place of this.

### 5. Implications for the Local Funding Formula (LFF)

In view of the significant increase of £11.5m in the High Needs Block funding the local authority is **not** proposing any transfer of funding from the Schools Block to the High Needs Block for 2020-21. This means that the local authority has been able to mirror the full 2020-21 National Funding Formula with the modelling tool provided by the ESFA for illustrative purposes. This allocation may not match the NFF notional allocations that have been published because they are based on the 2019-20 NFF baselines (not the LA 2019-20 baselines via the LFF) and include the additional ESFA protections for some academies. The illustrative allocations are, however, still based on

October 2018 census data, final allocations will be based on affordability once the actual funding settlement is received in December 2019 using October 2019 census, changes to pupil characteristics and the growth funding.

There are also some additional costs which may influence the final 2020-21 allocation to schools and the ability to mirror the NFF as follows:

- Basic Need pupil number variations and the new Sharp Hill free school estimated to be £1.2m.
- Recovery of the current forecast overspend on rates (NNDR) and an estimated inflationary increase, approx. £0.4m in total.

In 2019-20 the cost of the Basic Need pupil number variations and the new Free School were funded from the growth fund allocation. Although it isn't known what the actual 2020-21 growth fund allocation will be it is assumed that it, together with the £1.269m balance of the 2019-20 allocation, will be sufficient to cover the costs.

That leaves the estimated NNDR increase to address if the actual 2020-21 Schools Block funding allocation is insufficient to cover it. The funding options for the Schools Forum to consider to ensure affordability of the formula are:

- Setting the MFG at less than 1.84%. To recover £0.4m this would need to be around 0.75% and impact 49 schools.
- Setting a gains cap. To recover £0.4m this would need to be around 10% which would impact 23 schools; or
- Use the Non-ISB reserve which has a forecast balance of £3.4m at 31 March 2020.

The MFG will be used to action the inflationary increase referred to as the funding floor. The funding floor ensures that every school receives a minimum increase against their 19-20 baseline. There are 49 schools who are on the funding floor and only receive the minimum increase because their funding allocation through the NFF is **less** than their MFG baseline. This group of schools are being protected from any loss of funding by the positive MFG.

The size of any shortfall or significant change in the forecast Non ISB reserve balance may influence how appropriate it is to use the reserve and one of the other options may still need to be considered to ensure affordability of the overall formula.

## 6. Consultation Proposals – Schools Block

The aim of the consultation is to mirror the National Funding Formula as far as possible based on the indicative 2020-21 funding allocation for Nottinghamshire. The local authority is required to consult on any changes to the LFF and the questions below are designed to align the current LFF with the NFF.

The proposed questions below do not include changes to the MPP because the funding levels are to be mandatory for LA's to use in their LFF or removal of the Funding Floor factor. They also assume that the Non-ISB reserve would be used to fund any shortfall in the DSG funding allocation.

### 1. Changes to the Unit Values Attributed to each Factor

The unit values for all the NFF factors have been increased by 4% with the exception of FSM which is 1.84%. In order to continue with the principle to mirror the NFF as far as possible

these increases will need to be reflected in the LFF. The unit values for 2019-20 and those proposed for 2020-21 are shown in the Appendix.

### **Question 1**

*In order to continue with the principle to mirror the NFF as far as possible the local authority would need to increase the unit values for each factor as detailed in Table 1*

*Are you in agreement with this proposal? Yes/No*

### **2. Minimum Funding Guarantee/Funding Floor (MFG)**

For 2020-21 the MFG must be between +0.5% and +1.84% and the current MFG in the LFF is 0.00%, by setting a positive MFG this protects schools from any reduction in per pupil funding as a result of a change in pupil characteristics or unit values. In order to mirror the real terms protection in the NFF the local authority would need to set the MFG at +1.84%.

### **Question 2**

*In order to continue with the principle to mirror the NFF as far as possible the local authority would need to set the MFG at 1.84%.*

*Are you in agreement with this proposal? Yes/No*

### **3. Level of Gains Cap**

The local authority is required to consult on the level of the gains cap which is currently 0.815%. In order to mirror the NFF as far as possible the cap would need to be removed.

### **Question 3**

*In order to continue with the principle to mirror the NFF as far as possible the gains cap percentage would need to be removed.*

*Are you in agreement with this proposal? Yes/No*

### **4. De-delegation**

The DfE requires any funding that was subject to de-delegation in 2019-20 to be re-approved by Schools Forum if the de-delegation is to continue in 2020-21. The services to be de-delegated haven't changed but the per pupil amounts for Trade Union Facilities and Free School Meal Eligibility Assessment have been updated.

The Trade union facilities scheme supports the process of effective consultation and negotiation in our schools with the trade unions recognised by Nottinghamshire County Council. The contribution rates have remained static in recent years and this year a 3% increase is proposed to both rates in recognition of significant increases in Teacher and support staff pay and employer pension contributions. This increase will help to ensure that the fund available will continue to meet the future needs of the scheme in 2020/21. The proposed rates will therefore be Primary £1.56 (from 1.51) and £1.69 (from £1.64) Secondary per pupil. The rates will continue to apply to both maintained and academy schools.

The free school meal eligibility checking service is proposing a reduction in the per pupil rate to be charged in 2020/21. The proposed rate per pupil is £0.75 for all primary and secondary school children. This represents a reduction from the 2019/20 rates of £0.87 per Primary pupil and £0.91 per secondary pupil. The service has been able to reduce the per pupil rate due to expected high level of buy back from Nottinghamshire's academies and schools from other local authorities.

**Question 4 (to be answered by maintained schools only)**

Do you agree to the de-delegation of the following in 2020-21?

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

	Primary per pupil de-delegation	Secondary per pupil de-delegation
Free school meal eligibility assessment	£0.75 (£0.87)	£0.75 (£0.91)
Support to underperforming ethnic minority groups and bilingual learners	£5.03	£5.03
Contingency for crisis communications	£0.90	Nil
Trade Union Facilities	£1.56 (£1.51)	£1.69 (£1.64)

**7. Consultation timetable**

The Authority Proforma Tool (APT) submission deadline is 21 January 2019. Ideally the local funding formula should receive political approval via Policy Committee before it is submitted but the timing of this committee meeting in December may be difficult to achieve. A proposed timetable is below:

- 7<sup>th</sup> November Schools Forum meeting – decide content of consultation.
- Week commencing 11th November 2/3 week consultation period
- 5th December – circulation of consultation responses and proposed 2020-21 local funding formula.
- 12<sup>th</sup> December Schools Forum meeting – recommendation of local funding formula.
- 15 January 2020 – agreement of local funding formula at Policy Committee.
- 21 January 2020 APT submission to EFSA

**8. Recommendation**

That the Schools Forum:

- Consider and agree the approach to be taken to ensure affordability of the formula.
- Consider and agree the proposals to be included in the 2020-21 schools funding consultation.
- Consider and agree the proposed timetable for the schools funding consultation.

**For any enquiries about this report please contact:**

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**APPENDIX**

	Nottinghamshire Local Funding Formula 2019-20		National Funding Formula 2020-21		
	Primary	Secondary	Primary	Secondary	Secondary KS3 Only
	Unit Value £	Unit Value £	Unit Value £	Unit Value £	Unit Value £
<b>Minimum Per Pupil</b>	3,400	4,700	3,750	5,000	4,800
<b>Basic Entitlement - per pupil</b>					
Primary	2,754.43		2,864.89		
KS3		3,873.12		4,029.09	
KS4		4,397.70		4,573.59	
<b>Deprivation - per eligible pupil</b>					
FSM Current	441.19	441.19	451.24	451.24	
FSM6	541.46	787.13	561.55	817.25	
IDACI Band A	576.56	812.20	601.66	842.32	
IDACI Band B	421.14	601.63	436.20	626.73	
IDACI Band C	391.06	561.52	406.12	581.60	
IDACI Band D	360.98	516.40	376.04	536.48	
IDACI Band E	240.65	391.06	250.69	406.12	
IDACI Band F	200.54	290.79	210.58	300.83	
<b>Low Prior Attainment - per eligible pupil</b>	1,024.77	1,554.20	1,067.94	1,614.44	
<b>English as an Additional Language - per eligible pupil</b>	516.40	1,388.75	536.48	1,443.97	
<b>Lump Sum - per school</b>	110,298.10	110,298.10	114,715.74	114,715.74	
<b>Sparsity - per eligible school</b>	25,067.75	65,176.15	26,071.76	67,786.58	
<b>Pupil Mobility - per eligible pupil</b>	345.23	345.23	877.42	1,253.45	
<b>Split Sites</b>		School specific unit values			
<b>Rental</b>		School specific unit values			
<b>Rates</b>		School specific unit values			
<b>Joint Use</b>		School specific unit values			
<b>Funding Floor</b>		Minimum funding guarantee - 1% increase above 2017-18 per pupil baseline.		N/A	
<b>Minimum Funding Guarantee</b>		0.00%		0.50% - 1.84%	
<b>Gains Cap</b>		0.82%		N/A	

**Note:** The National Funding Formula unit values have been increased to reflect the Area Cost Adjustment for Nottinghamshire. For 2019-20 this is 1.00271 and for 2020-21, 1.00276.