

SCHOOLS FORUM – 7 December 2017

Title of paper:	Arrangements for school funding in 2018/19 and 2019/20 and the consultation outcome
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Summary

Following the Secretary of State for Education's September 2017 announcement on the funding arrangements in 2018/19 and 2019/20, Nottingham City Council has decided to distribute funding to individual schools in 2018/19 and 2019/20 in line with the National Funding Formula with a Minimum Funding Guarantee (MFG) up to 0.5% per pupil.

The consultation with Nottingham City schools commenced on the 14 November 2017 via Scene.

The consultation period ended on Friday 24 November 2017 (5pm).

This report collates details of the responses to the consultation with schools for consideration by Schools Forum.

Recommendation(s):

1	To note the content of the proposed schools funding formula for 2018/19 and 2019/20 in the consultation document (Appendix A).
2	To note the consultation responses received from Nottingham City schools and note the very low response rate.
3	Give feedback on the Local Authority's recommendation to implement the national funding formula with a minimum funding guarantee of up to 0.5% in the financial year 2018/19.

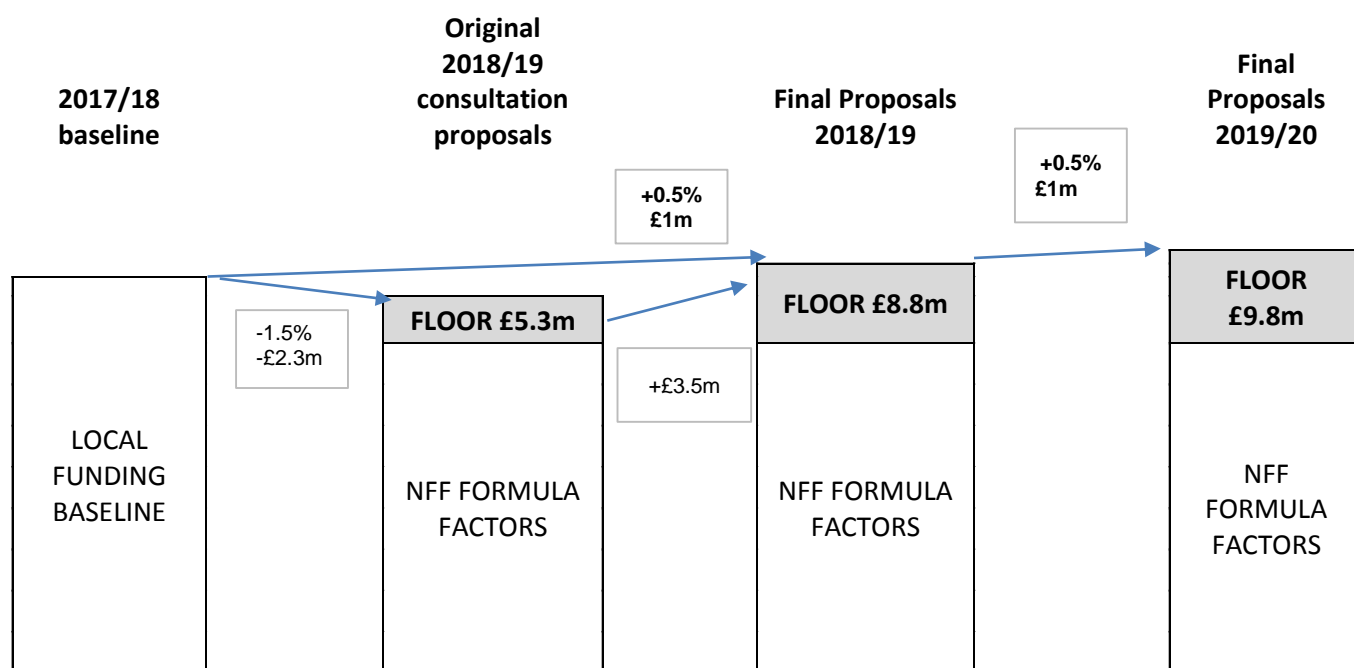
1 REASONS FOR RECOMMENDATIONS

- 1.1 The new national funding formula (NFF) for schools is being implemented from April 2018. The NFF dictates how much funding Local Authorities (LA's) will receive for

2018/19. However, for 2018/19 and 2019/20 LA's can still decide how to distribute the funding to their schools.

- 1.2 **Nottingham's schools are currently funded at a higher rate in our existing local formula than the new NFF.** However, there is also a funding floor built into the NFF which, under the final proposals, means that no school will see a reduction in funding per pupil. The NFF allocation is based on a per pupil increase of 0.5% in 2018/19 and 1% by 2019/20 compared to the 2017/18 baseline. This is good news for Nottingham's schools, as the original government proposals would have resulted in funding cuts of minus 1.5% per pupil each year.

The diagram below explains the movement of funding allocation through the NFF consultation process.



- 1.3 **The LA's proposed approach for 2018/19 is to move straight to the NFF with a positive minimum funding guarantee (MFG) which will be set as close to +0.5% per pupil as possible (after funding pupil growth, premises, and mobility).**
- 1.4 **The LA are recommending** this approach because:
- It will ensure that schools benefit evenly from the funding increase - this is because all but two schools in the City are likely to have a NFF allocation that is protected by the floor, (with those two schools actually gaining under the NFF to the extent they do not need floor protection).
 - By adopting the NFF from 2018/19, it provides schools with a two-year transition period, which is supported by the funding floor. The protection each school receives will be transparent; this is important to enable schools long term financial planning.

The understanding of the transition period funding will also enable schools to do long-term planning after 2019/20 and identify the necessary savings strategies required to set a balanced budget for 2020/21 onwards.

- c The DfE has stated its preference for LA's to adopt the NFF as soon as possible.

- 1.5 The **alternative would be to retain our local funding formula (LFF)** and increase our existing unit rates to distribute the funding increase that the LA has received.

This option **is not recommended** because:

- a It could potentially mean that only specific groups of pupils would benefit from the additional funding if it were to be targeted at specific factors.
- b It would result in a less even distribution of the funding gains and could even result in some schools seeing a per pupil funding reduction depending on their October 2017 pupil data (e.g. if their FSM numbers dropped significantly).
- c It wouldn't provide schools with the amount of protection they would receive under the NFF until 2019/20. This does not help schools manage the transition to the NFF in 2020/21 when the funding floor may be removed.

- 1.6 The final funding allocation for 2018/19 will be confirmed by the DfE in mid-December 2017.
- 1.7 Whichever methodology is adopted, the value of the schools block funding for 2018/19 and 2019/20 would remain the same and the NFF will be fully implemented by the DfE by 2020/21.
- 1.8 The estimate is that 97.8% of schools will be in receipt of the floor funding from 2018/19, it is the LA's intention to introduce the NFF in the financial year 2018/19. This is so that schools can clearly see how much protection they are receiving, and for all school to be able to receive the benefit of up to 0.5% of the additional funding released by the DfE.
- 1.9 **As there are several elements of the 2018/19 budget, which are still to be finalised, it is the LA's aim to pass on as much of the 0.5% per pupil increase onto schools. However, should there be a shortfall in funding after the NFF has been applied the MFG would need to be adjusted to enable the shortfall to be recouped.**

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 On 14 September 2017 the Secretary of State announced her final decisions for the Schools, Central School Services and High Needs NFFs.

Technical notes and operational guide were published on 28 September 2017.

On 10 October 2017, LA's received detailed reports showing the breakdown of notional Schools NFF allocations at individual school level as if implemented in 2017/18.

- 2.2 Since the original proposals, the government has provided additional funding of £1.3 billion by 2019/20 for the Schools and High Needs NFFs:
- £416m in 2018/19 and
 - A further £884m in 2019/20.

It was announced that the additional funding would be distributed in a way that would enable all schools and local areas to benefit.

- 2.3 In the Schools Block, the extra funding has been allocated to basic per pupil funding and minimum funding levels have been set; these are set out in **Table 1** below:

TABLE 1: MINIMUM AMOUNT PER PUPIL		
	Primary	Secondary
2018/19	£3,300	£4,600
2019/20	£3,500	£4,800

- 2.4 The extra funding has also made it possible to give LA's a minimum percentage increase (a floor) for every school of 0.5% per pupil in 2018/19, rising to a cumulative 1% in 2019/20.
- 2.5 Schools cannot regard the notional allocations to LAs as an accurate prediction of the budget they will actually receive as the notional budgets are based on the October 2016 census and the final allocations will be based on the October 2017 census data.

Each LA also has the discretion, within parameters set by DfE, to decide how to distribute its funding between schools in the local formula, based on the funding received and local priorities influencing the movement from current local formula values. However, it is LA's aim to pass on as much of the 0.5% per pupil increase onto schools.

- 2.8 The Schools Block allocation also contains funding for premises factors (those relevant to Nottingham City are split sites, PFI, BSF and business rates), pupil mobility and pupil growth.

These allocations reflect historic spend, i.e. 2017/18 spending for both 2018/19 and 2019/20, apart from a PFI inflation increase.

If actual costs in the next two years are higher, LAs will need to use some of the 0.5% uplift to make good the shortfall. The DfE is considering whether it is possible to create a formula for the historic spend items in 2019/20 but no progress has yet been made.

- 2.9 The total of NFF school allocations and the historic spend pot will be divided by 2017/18 rolls to produce Schools Block Units of Funding per pupil for primary (£4,481 for Nottingham City) and secondary (£5,869).

These values will be multiplied by October 2017 census data to produce the 2018/19 Schools Block LA allocation. For 2019/20, the unit values will be updated for new pupil characteristics data.

2.10 **Table 2** shows the outcome of the consultation with Nottingham City schools.

TABLE 2: OUTCOME OF THE CONSULTATION		
	Number	Percentage
Agree	3	3%
Disagree	0	-
Do not know	0	-
No response	86	97%
Total	89	100%

Of the 3 schools who responded to the consultation, 1 was a head teacher at a primary school and the other 2 were from school business managers at primary schools.

The following comment was raised during the consultation period.

1. Our Governing body have asked that I respond on their behalf.....' They agree with the proposal, but request that the Local Authority pass all funding on to schools and minimise the funds held back by the Authority.'

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 The LA has considered three potential options to decide what formula to propose:

- I. To keep the current local funding formula (LFF) and increase the rates to pass on the additional funding allocated to the LA as a result of the additional 0.5% per pupil;
- II. Review and revise all of the funding factors under the local funding formula;
- III. Adopt the NFF so that schools can clearly see how much funding they attract under the NFF and be able to see how much funding they are receiving in protection due to the funding floor.

4 OUTCOMES/DELIVERABLES

4.1 To allocate budgets to schools on a fair and transparent basis before 19 January 2018 which is the deadline for submitting schools budgets for 2018/19 to the Education and Skills Funding Agency.

5 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

5.1 Nottingham's schools are amongst the highest beneficiaries of the decision to invest additional funding in schools and high needs over the next two years.

- 5.2 It is being used in part to guarantee that the schools block allocation is based on a 0.5% per pupil increase in 2018/19 and by 1% by 2019/20 compared to the 2017/18 baseline funding.
- 5.3 Previously the majority of Nottingham schools were due to receive per pupil funding cuts of minus 1.5% per year.

2018/19 Implications

- 5.4 From an overall schools block perspective, the final proposals provide illustrative allocations now showing:
- A 0.6% (£1.167m) increase to the total schools block for 2018/19; this is compared to the consultation proposals of a 1.2% reduction (£2.384m).
 - This is a shift of 1.8% (c. £3.5m) increase in funding for Schools block based on pupil numbers at a point in time.
- 5.5 The DfE claim that per pupil funding is now being maintained in real terms for the remaining two years of the Spending Review period. However, **schools have seen significant cost pressures** over the last 3 years - the 2015 spending review settlement did not provide for funding per pupil to rise in line with inflation.
- 5.6 The Minister states that for the first time the resources that the Government is investing in our schools will be **based on the individual needs and characteristics of every school in the country.**
- 5.7 The reality is that whilst there are now nationally set funding factors and rates, the final allocations are arrived at after applying complicated calculations around a funding floor, a gains cap and minimum per pupil funding levels.
- 5.8 The funding floor means that **Nottingham's schools will continue to get significantly more than other similar schools nationally that were lower funded in the past.**
- 5.9 Based on the illustrative figures provided by the DfE in October 2017, by **the financial year 2019/20 Nottingham City schools will receive £9.8m (as per the APT) protection as a result of the 1% funding floor.**
- 5.10 From the illustrations provided by the DfE, all but two schools are receiving protection due to the funding floor. The reason why the one primary school and one secondary school are not in receipt of the floor is because they both have a high proportion of pupils eligible for the prior attainment factor. Both of these schools will see increases of more than 0.5% in 2018/19. The primary school will receive an increase of 2.6% per pupil and the secondary school will receive an increase of 1.6% on the adjusted baseline.
- 5.11 Noted below are the projected ranges of protection primary and secondary schools would receive in 2019/20 based on 2017/18 pupil data.

	Number of schools attracting floor protection at this level	
	Primary	Secondary
0-£50k	17	0
£50k-£99k	35	2
£100k-£149k	16	1
£150k-£199k	3	5
£200k-£299k	3	3
£300k-£399k		3
£400k+		1
Total	74	15

As demonstrated by the table above **Nottingham City schools are due to receive significant amounts of funding due to the funding floor.**

On average Nottingham City schools will be attracting **£267 per pupil** extra through the floor, compared to the raw NFF result pre-floor.

- 5.12 As the LA does not currently have access to the final pupil numbers for the setting of the 2018/19 budget and all of the historic funded budgets confirmed for 2018/19 this makes modelling very difficult. Therefore, this is the reason we are consulting on the principle to be adopted in setting schools budgets for 2018/19.

Longer-term implications post 2019/20

- 5.13 In the past, Nottingham has received the **second highest funding per pupil outside of the London authorities** and consequently our schools have amongst the **highest baseline funding per pupil nationally.**

The DfE took LA's formulae as the starting point for the NFF rather than reviewing the weighting of factors to generate a fair distribution.

However, the DfE have built the funding floor as a factor within their NFF - as opposed to presenting it as transitional protection.

The DfE have not confirmed what will happen in relation to the funding floor post 2019/20, this information will be released as part of the next Comprehensive Spending Review.

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27 November 2017

6 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

6.1 Legal Implications

6.1.1 The budgetary framework for the financing of maintained schools is contained in Chapter IV of Part II of the School Standards and Framework Act 1998 ("SSFA"). This chapter of the SSFA includes sections 45 (maintained schools to have budget shares), 45A (determination of specified budgets of a local authority), 45AA (power to require local authorities in England to determine schools budget), 47 (determination of school's budget share) and 47A (the duty on a local authority to establish a schools forum for its area).

6.1.2 Amongst other things, section 45 of the SSFA states:-

(1) For the purposes of the financing of maintained schools by local authorities, every such school shall have, for each funding period, a budget share which is allocated to it by the authority which maintains it.

(1A) In this Chapter "maintained school" means –

- (a) a community, foundation or voluntary school,*
- (b) a community or foundation special school, or*
- (c) a maintained nursery school, or*
- (d) a pupil referral unit in England.*

(1B) In this Chapter "funding period" means a financial year or such other period as may be prescribed.

(2) Sections 45A to 47 have effect for determining the amount of a school's budget share for a funding period.

6.1.3 Section 45A(2) of the SSFA states that for the purposes of Part II of the SSFA, a local authority's "schools budget" for a funding period is the amount appropriated by the authority for meeting all education expenditure by the authority in that period of a class or description prescribed for the purposes of this subsection (which may include expenditure incurred otherwise than in respect of schools). Section 45A(2A) of the SSFA states the amount referred to in subsection (2) includes the amount of any grant which is appropriated, for meeting the expenditure mentioned in that subsection, in accordance with a condition which –

- (a) is imposed under section 16 of the Education Act 2002 (terms on which assistance under section 14 of that Act is given) or any other enactment, and*
- (b) requires that the grant be applied as part of the authority's schools budget for the funding period.*

6.1.4 This means that the designated schools grant (“DSG”), which is paid to local authorities under section 14 of the Education Act 2002 (“EA2002”) essentially on condition imposed by the Secretary of State under section 16 of the EA2002 that it is applied as part of an authority’s schools budget for the funding period, is part of the schools budget. Indeed, the DSG is the main source of income for the schools budget (Education Funding Agency (“EFA”) guidance *Dedicated schools grant Conditions of grant 2017 to 2018* (December 2016), paragraph 2). Local authorities can add to the schools budget from local sources of income (*ibid*, paragraph 4).

6.1.5 Section 45A of the SSFA goes on to state:-

(3) For the purposes of this Part, a local authority's “individual schools budget” for a funding period is the amount remaining after deducting from the authority's schools budget for that period such planned education expenditure by the authority in respect of that period as they may determine should be so deducted in accordance with regulations.

6.1.6 Section 45AA of the SSFA states:-

(1) Regulations may require a local authority in England, not later than the prescribed date, to make an initial determination of their schools budget for a funding period.

(2) The date prescribed for the purposes of subsection (1) may be a date falling up to 48 months before the beginning of the funding period.

(3) Regulations under subsection (1) may—

(a) authorise or require local authorities in England to take account of matters arising after the initial determination of their schools budgets for any funding period but before the beginning of the funding period, by redetermining their schools budgets for the period in accordance with the regulations, and

(b) require notice of any initial determination or revised determination to be given in accordance with the regulations to the governing bodies of schools maintained by the local authority.

6.1.7 For the current funding period (that is, the financial year 2017/2018) the relevant regulations are the School and Early Years Finance (England) Regulations 2017 (SI 2017/44) (“SEYFR”), which came into force on 16 February 2017. Amongst other things, regulation 10 of the SEYFR:-

(1) A local authority must, before the beginning of the funding period and after carrying out any consultation required by regulation 9(2), decide on the formula which it will use to determine the budget shares for schools which it maintains (other than special schools, pupil referral units and nursery schools, and in relation to nursery classes in schools maintained by it).

(2) A local authority must use the formula determined under paragraph (1) in all determinations of school budget shares in respect of the funding period.

(3) *A local authority must, before the beginning of the funding period and after carrying out any consultation required by regulation 9(2) or (3), decide on the formula which it will use to determine—*

(a) *the budget shares for nursery schools maintained by it;*

(b) *the amounts to be allocated in respect of nursery classes in schools maintained by it;*

(c) *the amounts to be allocated to relevant early years providers in its area; and*

(d) *the amounts to be allocated in respect of community early years provision in schools maintained by it.*

(4) *A local authority must use the formula determined under paragraph (3) when making all the determinations referred to in paragraph (3)(a) to (d) in respect of the funding period.*

(5) *A local authority may not change its formulae after the funding period has begun.*

(6) *The formulae must be determined in accordance with Part 3 of these Regulations.*

6.1.8 Regulation 9(2) of the SEYFR requires a local authority to *consult its schools forum and schools maintained by it about any proposed changes [to the funding formula which it determined under the predecessor regulations], in relation to the factors and criteria taken into account, and the methods, principles and rules adopted.* Regulation 9(3) of the SEYFR states where a local authority proposes to make changes to the funding formula which it determined under the predecessor regulations *which will affect relevant early years providers in its area, it must also consult those providers in relation to the factors and criteria taken into account, and the methods, principles and rules adopted.*

6.1.9 Whether the SEYFR are to be amended or revoked and replaced for later funding periods is unclear – there are not even any draft regulations currently available. However, since school finance regulations tend to be made annually and, as this report anticipates, the Secretary of State, via the Department for Education, has proposed major changes to school finance, particularly to funding formulae, it is likely that there will be such regulations. For the time being, local authorities have the Executive Summary issued by the Secretary of State entitled *The national formula for schools and high needs* (September 2017) and the Policy document entitled *The national funding formula for schools and high needs* (September 2017), together with the non-statutory guidance issued by the Education & Skills Funding Agency entitled *Schools revenue funding 2018 to 2019* (September 2017). Nottingham City Council (“NCC”) is proposing changes to its funding formula that accord with these documents.

6.1.10 Therefore, having consulted with its maintained schools with broadly favourable results (where there was any response), NCC now needs to consult with the Nottingham City Schools Forum about its proposed changes to its funding formula; hence this report.

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27 November 2017

7 HR COLLEAGUE COMMENTS

- 7.1 The content of the report is noted. As there are no proposals that directly impact on Nottingham City Council employees, there are no specific HR observations or recommendations on this report. However, it is noted that there is a more positive proposed outcome in terms of funding levels for schools, and as such, there is the potential for a more positive outcome in terms of workforce sustainability and security.

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8 EQUALITY IMPACT ASSESSMENT

- 8.1 Has the equality impact of the proposals in this report been assessed?

No ☒
An EIA is not required

Yes ☐
Attached as Appendix B, and due regard will be given to any implications identified in it.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 The national funding formula for schools and high needs – Policy document - September 2017
Schools revenue funding 2018 to 2019 – Operational guide – September 2017
Schools Block national funding formula: technical note – September 2017