



ADDITIONAL / TO FOLLOW AGENDA ITEMS

This is a supplement to the original agenda and includes reports that are additional to the original agenda or which were marked 'to follow'.

**NOTTINGHAM CITY COUNCIL
SCHOOLS FORUM**

Date: Tuesday, 3 December 2019

Time: 1.45 pm

Place: Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG

Governance Officer: Phil Wye **Direct Dial:** 0115 876 4637

AGENDA

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Report of the Corporate Director for People

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SCHOOLS FORUM – 3 DECEMBER 2019

Title of paper:	SCHOOLS FUNDING REDUCTION– Historic Commitments
Director(s)/ Corporate Director(s):	Catherine Underwood, Corporate Director for People Laura Pattman, Chief Finance Officer
Report author(s) and contact details:	Ceri Walters, Head of Commercial Finance 01158 764 128 ceri.walters@nottinghamcity.gov.uk
Other colleagues who have provided input:	Jon Ludford-Thomas Senior Solicitor 01158 764 398 jon.ludford-thomas@nottinghamcity.gov.uk Rachael Morris, HR Business Lead 0115 876 3459 rachael.morris@nottinghamcity.gov.uk

Summary

This report provides an update to Schools Forum (SF) of the latest update from the Education and Skills Funding Agency (ESFA) regarding a reduction in funding.

The option to do nothing regarding this reduction would not present the best use of the Dedicated Schools Grant (DSG) funding for Nottingham and considering the need in the City from Children the reduction needs to be managed through a strategic approach.

This report provides recommendations on managing the implications of this reduction for 2020/21 and 2021/22.

Recommendation(s):

1	To note the reduction in DSG funding of £1.060m for 2020/21 as set out in section 2 of the report.
2	To approve the funding option for 2020/21, in conjunction with the ESFA guidance statement as set out in 2.4.
3	To note the impact this will have on 2021/22+ (as set out in section 2.6) and comment and agree on the suggested approach for 2021/22+ and the requirement to establish a further Schools Forum Sub Group (SFSG) to support this approach.
4	To approve the members of the additional SFSG from Table 1 .

1 REASONS FOR RECOMMENDATIONS

1.1 To align funding to support the approved budget for 2020/21.

The 2020/21 budget was approved at Schools Forum on the 8 October 2019; the timing of the approvals on this date is material to ensure the achievement of the statutory budget deadlines for both Schools and the Local Authority (LA) enabling the required consultation process for all stakeholders and citizens where appropriate.

Recommendation 2 in this report, for 2020/21 only, is to enable alignment of one off funding to support the reduction in DSG to ensure that the budget deadlines are achieved for 2020/21, this in accordance with the ESFA guidance set out in 2.4

where the recognition of timing has been reflected in the guidance issued regarding funding the historic commitment values.

If this was not approved for 2020/21 this would:

- Impact significantly on the achievement of budget deadlines for both the DSG and the LA;
- Potentially result in a deficit budget set for schools in 2020/21, this would require mitigation in future years which could result in a budget pressure.
- Require the Secretary of States approval for both of the above outcomes.

1.2 To enable a detailed review of the historic commitments spend for the future.

The establishment of a further SFSG is not to replicate the role of the current SFSG. The additional sub group is to provide:

- A different focus to the current SFSG;
- Head Teacher representation of all educational sectors to deliver a longer term strategic view in the use of a reducing historic commitment budget, ensuring its usage aligns to the broader educational strategies and
- Options for other opportunities of investment into LA services that will support educational achievement in the City.

1.3 To ensure adequate time is allowed for in developing a strategy for the use of the historic commitment budget for 2021/22.

Early engagement and agreement is fundamental to ensuring adequate time is allowed for developing a strategy in the use of the historic commitment budget for 2021/22 and any short term investments identified that not only aligns with the principles of the Central Expenditure Block but also the needs of the City; a conclusion is required by September 2020 to ensure achievement of the statutory budget timelines for both SF and the LA.

If this budget is not maximised any underspend will be transferred into the reserve and not to the Schools block as Schools funding levels are fully compliant with the National Funding Formula; the ESFA returns will state the underspend of which there is a significant risk of the budget being reduced the following year to reflect previous years budgets.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 On 8 October 2019 Schools Forum were presented with key budget reports, which were approved and have formed part of the returns for the Department of Education (DfE). These reports were predicated on allocations provided by the ESFA.
- 2.2 On the 10 October 2019 the ESFA contacted the LA to inform them that there was guidance being issued on Friday 11 October which showed a reduction in the overall historic commitment budgets.
- 2.3 This reduction nationally was based on 20% of historic commitments allocations with protection in place to ensure no authority exceeded a reduction equivalent to more than 0.5% of its 2019/20 schools allocation.

Nationally this figure is £43.994m however after the 0.5% protection this has reduced to £43.562m; the impact of 20% for Nottingham is £1.120m, with the protection the reduction is £1.060m.

On the 11 November a meeting was held with the Chair of SF to discuss this announcement; a further meeting was held on the 28 November with the Chair and Vice Chair of SF, Director of Education and Portfolio Holder for Education, Early Years and Employment to discuss further.

2.4 The guidance from the ESFA have stated:

*“We will continue to unwind this funding in future years, and will provide further detail in due course. Our expectation remains that commitments will also unwind over time, for example as contracts reach their end points. However, in 2020/21 we are not changing the requirement in regulations that authorities spend no more on these commitments than they did in the previous year, therefore, **with the approval of the schools forum, an authority can maintain spending in this area using other funding sources if they wish**”.*

*Finally, we are not making any changes to the regulations that local authorities can spend the same amount on historic commitments that they did in the previous year, nor are we changing the flexibility to transfer funding between blocks, with local agreement. **A local authority can therefore choose to maintain spending on historic commitments at current levels using other funding where appropriate.***

This report recommends the use of reserves to manage the budget cut in 2020/21. The points below demonstrate the robustness of this solution.

2.5 As part of the 2020/21 budget process there has been considerable funding allocated to the High Needs and Schools Blocks and as with any budget increases reductions in other budgets are required. Nottingham has seen an increase of £5.294m in High Needs block and £3.997m in the School block, elements of this will be due to pupil growth.

The increase in the High Needs block has resulted in reduced requirements of the reserve and as such the estimated closing balance for 2019/20 is forecast at **£5.9m**.

This **figure currently represents 2.35%** of the relevant blocks which considering the level of budget risk is an adequate level. This is below the LA standard of 3-5% however that is based on a diminishing budget and unfunded growth. **Risks surrounding the DSG have been reduced given the increase in funding over recent years of both the Schools and High Needs blocks, these will be captured as part of the 2019/20 outturn process.**

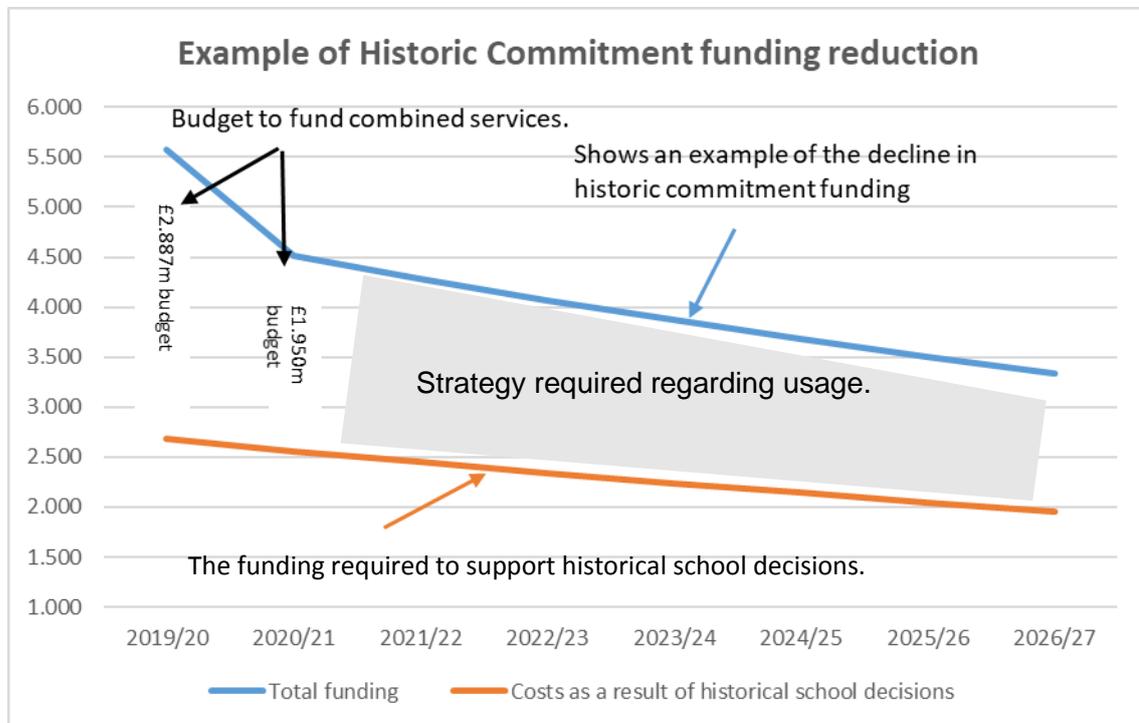
2.6 The ESFA has confirmed that there will be a continued reduction of the historic commitments funding however at this time values have not been confirmed; the LA will be undertaking scenario modelling of this reduction and an agreed approach needs to be undertaken to recognise the impact of this on all budgets and services as set out in section 1.

The requirement of the additional SFSG is to:

- Understand the scenario modelling and the financial implications this produces.
- How the reduction impacts on the services funded from historic commitments;
- Have a collective view of how any reduction in spend will impact Nottingham City;
- Consider the impact to wider strategies and
- Propose ideas that may mitigate this impact and/or also support the achievement of strategies considering any regulations surrounding all sectors.

The graph below demonstrates the financial issue supporting the recommendation to establish a further SFSG.

The £2.887m is the amount originally assumed in setting the 2020/21 budget to fund activities over and above those relating to historical school decisions. The £1.950m is the value based on the latest announcement from the ESFA.



2.7 The additional SFSG would include Head Teacher representatives from SF covering all sectors and LA officers, **Table 1** below sets out those confirmed attendees required and the group of other representatives required.

TABLE 1: ADDITIONAL SFSG REPRESENTATIVES

Sector	Representative required	Confirmed
Chair		Judith Kemplay (Melbury)
Vice Chair		Derek Hobbs (Emmanuel)
Maintained - Primary	Terry Smith (Greenfields) Andy Jenkins (Dovecote)	
Academies - Primary	Tim Jeffs (Djanogly Strelley) Meeta Dave (Radford)	
Academies - Secondary	Paul Burke (Fernwood) David Tungate (Girls Academy) Derek Hobbs (Emmanuel) Cath Rowell (Bluecoat Aspley) Robert White (NUAST)	
Maintained - Special Schools	Patricia Lewis (Oakfields)	
Pupil Referral Units	No SF rep	
Academies - Alternative Provision	Kerrie Henton (Stone Soup)	
Academies - Special Schools	Sean Kelly (Woodlands)	
Local Authority		Catherine Underwood (Corporate Director - People) Councillor Khan (Portfolio Holder for Early Years, Education & Employment) Nicholas Lee (Director of Education) John Dexter (Director of Education) Ceri Walters (Finance) Julia Holmes (Finance) Kathryn Stevenson (Finance)

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 Do nothing – This is not an option as this would, without undertaking a managed approach to the reduction, create:
- a. An unbalanced budget for both the LA and SF if costs reductions or alternative funding options are not considered to manage this budget reduction. It is illegal to set an unbalanced budget without the Secretary of States approval.
 - b. Future budget reduction risks for SF; any deficit budget will impact on future years budget allocations and
 - c. Could create significant budget issues for the LA without a managed approach to any funding reductions.

4 OUTCOMES/DELIVERABLES

- 4.1 To obtain a funded 2020/21 Schools Budget and an agreed 2021/22 Schools Budget, enabling compliance with statutory deadlines and ensuring medium term business planning for both the LA and SF.

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

- 5.1 These are captured as part of this report.

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

- 6.1.1 The current law in force in this area is the School and Early Years Finance (England) (No.2) Regulations 2018. However, these regulations apply for the financial year beginning on 1 April 2019 and such regulations are usually updated annually. Therefore, if implemented, it will be necessary to review these proposals if and when new regulations have been made by the Secretary of State and have come into force.

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7 HR COLLEAGUE COMMENTS

- 7.1 HR advice is for SF to support/agree the recommendations to mitigate the reduction in funding for the 2020/21 financial year and the establishment of a SFSG following the latest funding update from the ESFA.

As part of the SFSG, if there are any workforce implications as part of the longer term and sustainable funding model, these will need to be scoped with HR colleagues (including any risks / costs) and brought back to SF and other appropriate governance routes outlining the high level impact on the workforce for full understanding before a formal consultation process is instigated.

If agreed options result in impacts to the workforce, a genuine and meaningful consultation process should commence with Trade Unions and affected staff, with the correct policies and procedures being adhered to.

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8 EQUALITY IMPACT ASSESSMENT

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

No

X

An EIA is not required because the outcome of the SFSG are not yet know to understand if an EIA is required.

Yes

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

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