



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, 21 January 2020

Time: 1.45 pm

Place: LB 31-32 - Loxley House, Station Street, Nottingham, NG2 3NG

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

AGENDA

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CHANGES TO THE LOCAL FUNDING FORMULA FOR SCHOOLS IN
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SCHOOLS FORUM - 21 January 2020

Title of paper:	Changes to the arrangements for the funding of schools in 2020/21 and the outcome of the consultation
Director(s)/ Corporate Director(s):	Catherine Underwood, Corporate Director for People Laura Pattman, Chief Finance Officer
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Summary

Following the Secretary of State for Education's September 2019 announcement on the funding arrangements in 2020/21, Nottingham City Council will continue to distribute funding to individual schools in 2020/21 in line with the National Funding Formula (NFF) and to adopt the changes to the formula introduced in 2020/21, these include:

- A new mobility formula;
- Minimum Funding Guarantee (MFG) of between 0.5% and 1.84% per pupil;
- No cap on gains under the NFF.

This is following on from the consultation with Nottingham City schools which was launched on 4 December 2019. The consultation period ended on Friday 20 December (5pm).

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

Recommendation(s):

1	To note the content of the proposed schools funding formula for 2020/21 in the consultation document (Appendix A).
2	To note the consultation responses received from Nottingham City schools and the significantly low response rate.
3	To note the LA's proposal to continue to distribute funding to schools in 2020/21 in line with the 2020/21 NFF.

1 REASONS FOR RECOMMENDATIONS

- 1.1 Aligning the Local Funding Formula (LFF) to the NFF has been the basis of previous decisions taken by the LA in consultation with Schools Forum (SF) and individual schools, this is the preference of the Department of Education (DfE).

- 1.2 Although schools budgets have not kept pace with inflation in real-terms over the preceding years, a principle of the 2020/21 NFF is a funding floor of 1.84% MFG per pupil to protect funding in real-terms between the financial years 2019/20 and 2020/21. This minimum increase in 2020/21 allocations per pupil has been based on the individual school's notional NFF allocation in 2019/20.

As 91% of Nottingham City schools will be in receipt of the funding floor in 2020/21 it is the **LA's intention to continue to adopt the changes to the NFF in 2020/21**, enabling schools to transparently see the protection they are receiving, and for all schools to be able to receive the benefit of the additional funding released by the DfE.

Appendix B shows the movement of funding since the implementation of the NFF.

- 1.3 On 19 December 2019 the LA were given their initial 2020/21 Schools Block allocation. After calculating schools budgets for the financial year 2020/21 including premises and pupil growth **the LA can confirm that the MFG has been set at the maximum of +1.84% per pupil.**

1.4 **The LA are recommending this approach because:**

- a It will ensure that schools benefit evenly from the funding increase – this is because all but one secondary school seven primary schools are in receipt of protection from the MFG, (with those eight schools actually gaining under the NFF to the extent they do not need protection from the MFG).
- b By adopting the changes to the NFF in 2020/21 it ensures that the protection each school receives is transparent; this is important to **enable schools long-term financial planning which may require saving strategies for 2020/21+ onwards.**
- c The DfE has stated its preference for LA's to adopt the NFF as soon as possible.

- 1.5 Regardless, of which methodology were to be adopted the value of the schools block funding in 2020/21 would remain the same.

- 1.6 The majority of Nottingham City schools are in receipt of transitional protection the increased funding passed onto schools through the core factors will have the effect of increasing the funding passed through the core factors but then reducing the level of protection that schools receive. This is why the majority of Nottingham City schools will only see an increase of 1.84% in their funding compared to 2019/20. See **Table 4 in section 5.1**, this shows the level of protection schools will receive in 2020/21.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

- 2.1 On 4 September 2019 the Chancellor announced that the schools budget would rise by 2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23, compared to 2019/20 funding levels. In addition, each year the government would provide almost £1.5bn of funding to compensate schools for the increased cost of employer pensions contributions.

2.2 On the 12 September 2019 - Operational guidance was released by the Education and Skills Funding Agency (ESFA).

On the 11 October 2019 the ESFA published the NFF provisional allocations for schools, high needs and central services for 2020/21. The provisional allocation for Nottingham City Council was £214.001m. This included funding for premises but not pupil growth. In addition the ESFA also released the impact of the NFF on schools in 2020/21 at a summary level.

On 18 October 2019, LA's received detailed illustrations on how their primary and secondary units of funding have been calculated for the financial year 2020/21. The ESFA also provided illustrative notional school-level allocations for 2020/21 under the NFF. To support these illustrations the ESFA released the "Schools block national funding formula: technical note" on 23 October 2019.

As stated in 1.3 on 19 December 2019 the initial 2020/21 Dedicated Schools Grant was released. Refer to the **Schools Budget 2020/21 report which is tabled at Schools Forum on 21 January 2019** for an overview of the 2020/21 schools budget.

2.3 The additional funding announced by the Chancellor on 12 September 2019 has been used to fund the increase in the:

- core factor rates by 4% with the exception of the free school meals factor which has been increased by 1.84%;
- minimum funding levels; these are set out in the table below:

	Primary	Secondary
2018/19	£3,300	£4,600
2019/20	£3,500	£4,800
2020/21	£3,750	£5,000

- RPIX for PFI schools (3.03%)
- Minimum Funding Guarantee (MFG) of 1.84% per pupil
- removal of the cap on gains

2.4 Schools should not regard the notional school-level allocations supplied by the ESFA as what they will actually receive for the financial year 2020/21. This is because schools actual allocations will be based on more up to date pupil data. As well as this the illustrations for maintained schools were based data from the 2019/20 APT and from the 2019/20 General Annual Grant (GAG) for academies and free schools.

2.5 The Schools Block allocation contains funding of £4.050m for premises (those relevant to NCC split sites, PFI, BSF and business rates). This allocation is based upon the historic spend in 2019/20, apart from a PFI inflation increase.

2.6 **Table 2** shows the primary and secondary unit of funding (PUF's and SUF's) rates that are to be applied in the financial year 2020/21.

Table 2: PRIMARY AND SECONDARY UNITS OF FUNDING		
	Primary	Secondary
2019/20	£4,501.87	£5,943.44
2020/21	£4,593.86	£6,055.98

The PUF's and SUF's are multiplied by the October 2018 census data to produce the illustrative Schools Block allocation excluding the premises factor and pupil growth. For 2020/21, these unit values have been multiplied by the number on roll on the October 2019 school census.

2.7 Noted below are the consultation questions put to schools relating to the proposed changes to the funding formula for 2020/21, **Table 3** shows the outcome of the consultation with Nottingham City schools.

1. Do you agree with the LA's proposed approach to adopt the NFF mobility funding formula for allocating funding to schools in 2020/21?
2. Do you agree to set a positive MFG of up to 1.84% in the financial year 2020/21?
3. Do you agree to have no cap on gains under the NFF?

Table 3: OUTCOME OF THE CONSULTATION						
	Question 1 Number of responses	Question 1 Percentage	Question 2 Number of responses	Question 2 Percentage	Question 3 Number of responses	Question 3 Percentage
Agree	8	8.7%	8	8.7%	10	9.2%
Disagree	0	-	0	-	0	-
Do not know	2	2.2%	2	2.2%	0	-
No response	82	89.1%	82	89.1%	82	90.8%
Total	92	100.0%	92	100.0%	92	100%

Of the 10 schools who responded to the consultation, 4 were from primary head teachers, 1 was a primary business manager, 4 were secondary head teachers, 1 was a secondary operations manager.

The following comments were raised as part of the consultation period:

Question 1

1. It is important to align to the NFF formulae ASAP to ensure no clawback that would be financially detrimental.
2. The proposal is consistent with the SF approach to adopt the NFF to date and is also the DfE preference.
3. Changes to the mobility factor evidence no financial detriment either.
4. This will not have an effect on our funding at present.
5. How are the schools decided and what is the mechanism for assessing high mobility?

Question 2

1. It is noted in the document that the LA's aim is to pass on as much of the 1.84% as possible.
2. Again there is a marginal impact for our Academy.

Question 3

1. Although I suspect our school will not gain from the proposal the rationale /moral imperative is a fair one.
2. We want to make sure that City schools, including ourselves receive the full ESFA funding.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 The LA also considered:

1. To keep the current local formula which has previously been based on the NFF to 2019/20, and to pass on the additional funding as a result of the 1.84% MFG through the core factors by increasing the rates.

This option has not been recommended because:

- a It would mean that only specific groups of pupils would benefit from the additional funding if it were to be targeted as specific factors.
 - b It would result in a less even distribution of funding gains.
 - c It wouldn't provide schools with the amount of protection they would receive under the NFF in 2020/21. This does not help schools manage the transition onto the NFF in 2023/24 when the funding may be removed.
2. Having a cap on gains, this was dismissed as it would limit the amount of funding to be passed onto schools who were fully on the NFF, this was deemed unfair and it was felt that schools should receive all the funding they attract, the LA would be receiving the funding from the DfE, so the LA feel it should be passed onto the gaining schools. Even if there was a cap on gains to schools the funding would not be able to be passed onto the majority of schools as they would already be protected up to the maximum MFG of 1.84%.

4 OUTCOMES/DELIVERABLES

- 4.1 To allocate budgets to schools on a fair and transparent basis before 21 January 2020 which is the deadline for submitting schools budgets for 2020/21 to the ESFA.

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

2020/21 Implications

- 5.1 As the majority of Nottingham City schools are in receipt of transitional protection the increased funding passed onto schools through the core factors will have the

effect of increasing the funding passed through the core factors but then reducing the level of protection that schools receive. Therefore, in effect the majority of Nottingham City schools will only see an increase of 1.84% in their funding per pupil compared to 2019/20. **Table 4** shows the number of schools in receipt of protection in 2020/21 based on the October 2019 school census. The information for 2019/20 has also been included for comparative purposes.

TABLE 4: NUMBER OF SCHOOLS ATTRACTING FLOOR PROTECTION AT THIS LEVEL				
	2019/20		2020/21	
	Primary	Secondary	Primary	Secondary
£0-<£50k	18	-	38	4
>£50k-<£100k	34	2	21	1
>£100k-<£150k	12	2	12	2
>£150k-<£200k	8	1	3	3
>£200k-<£300k	3	5	1	4
>£300k-<£400k	-	3	-	2
>£400k	-	4	-	1
Total	75	17	75	17

Table 4 demonstrates Nottingham City schools are seeing a reduction in the level of protection they are attracting but they are continuing to receive significant amounts of funding due to the MFG.

On average Nottingham City schools in 2020/21 will be attracting **£186 per pupil** extra through the MFG, compared to the raw NFF result pre-MFG. In 2019/20 this figure was £273 per pupil.

- 5.2 The funding floor means that Nottingham City schools continue to receive significantly more than other similar schools nationally that were lower funded prior to the introduction of the NFF in 2018/19. Although Nottingham City receives more funding than other LA's with similar schools, nationally **all schools are experiencing cost pressures as the funding settlements have not kept pace with inflation.**
- 5.3 Based on the final October 2019 census data provided by the DfE, **Nottingham City schools will receive £7.815m in protection in the financial year 2020/21 as a result of the 1.84% MFG.** In 2019/20 Nottingham City schools received £11.233m in protection.
- 5.4 Having no cap on gains in 2020/21 will see schools that are fully on the NFF with no protection will be able to receive gains they attract. **Table 5** shows the range of the gaining schools.

TABLE 5: RANGE OF GAINS IN 2020/21		
Phase	Number of schools	Percentage gain per pupil
Primary	7	2.23% to 4.85%
Secondary	1	2.61%
Total	8	

- 5.5 Whichever methodology were to be adopted, the total amount allocated to the LA would remain the same. The approach taken by the LA to adopt the latest changes to the NFF is considered to be the most fair and transparent for schools.

Julia Holmes
Senior Commercial Business Partner
Strategic Finance – Children & Adults
10 January 2020

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 dedicated 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 and Skills Funding Agency (“ESFA”) guidance *Dedicated schools grant Conditions of grant 2019 to 2020* (Updated 19 November 2019), paragraph 3.1). Local authorities can add to the schools budget from local sources of income (*ibid*, paragraph 3.1).

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 2019/2020) the relevant regulations are the School and Early Years Finance (England) (No. 2) Regulations 2018 (SI 2018/1185) (“SEYFR”), which came into force on 7 December 2018. 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 must ensure, in the formula determined under paragraph (3), that the predicted total number of hours calculated under regulation 16(1) is calculated by a rate

(6) The rate referred to in paragraph (5) must be the same rate used in all determinations referred to in paragraph (3)(a) to (d).

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

(8) 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 formulae 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 funding formula for schools and high needs* (September 2017) and the Policy document entitled *The national funding formulae for schools and high needs 2020-21* (October 2019), together with the non-statutory guidance issued by the ESFA entitled *Schools revenue funding 2020 to 2021* (September 2019). 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.

7 HR COLLEAGUE COMMENTS

7.1 There appears to be no direct workforce or employment implications as a result of this report. However, it should be noted that where funding is time limited and where this may have a potential implications for against staffing establishment, it is recommended that schools should take appropriate expert HR advice from their service provider on employment matters, particularly where this might mean a reduction in staffing establishment, and ending of employment contracts.

Lynn Robinson
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14 January 2020

8 EQUALITY IMPACT ASSESSMENT

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

No

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, 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

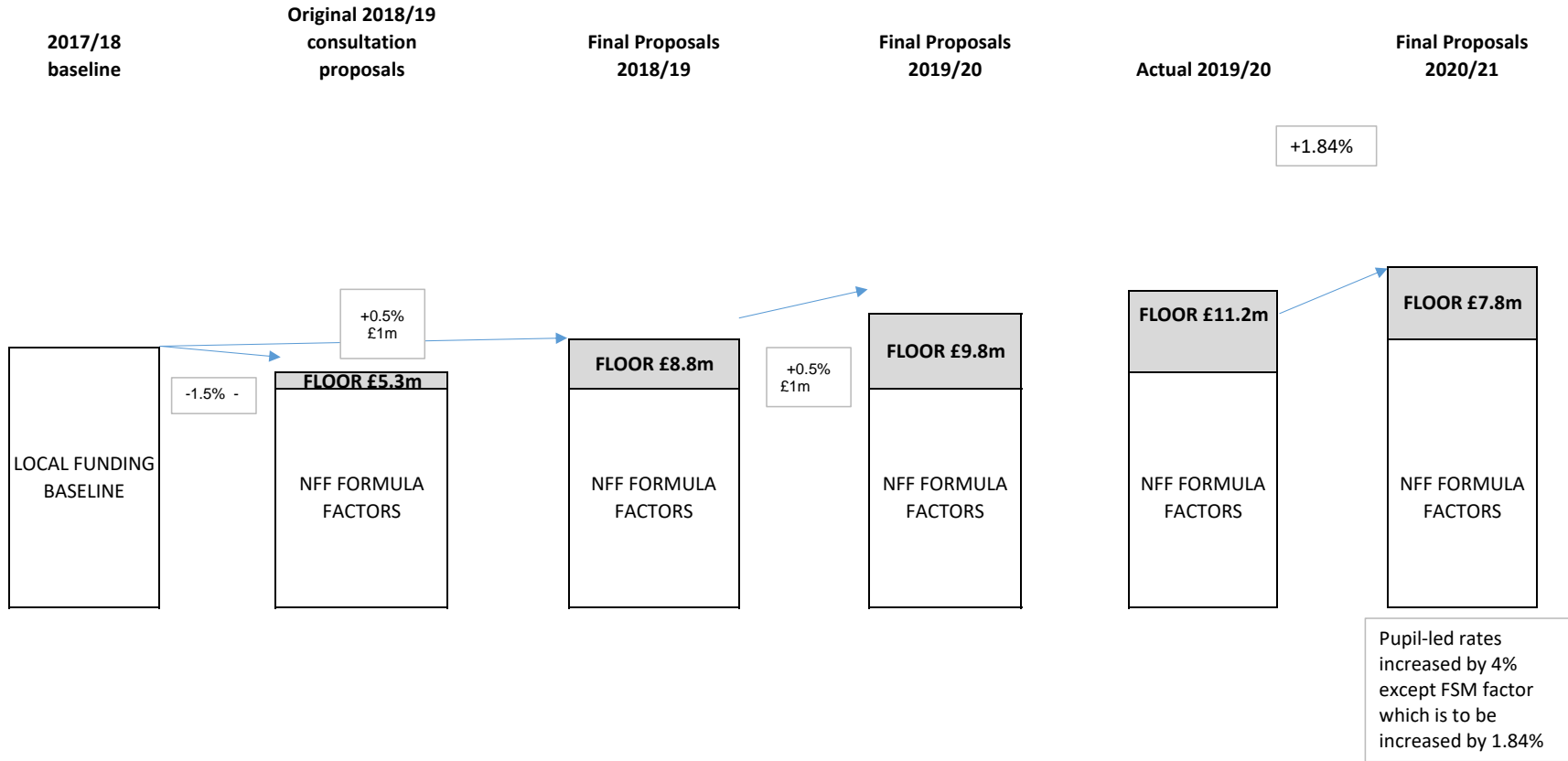
10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

10.1 DfE – The Schools and Early Years Finance (England) (2) Regulations 2018

- 10.2 DfE – The national funding formulae for schools and high needs Policy document 2020 to 2021 – October 2019
- 10.3 DfE – Schools block national funding formula: technical note – October 2019
- 10.4 ESFA – Schools revenue funding 2020 to 2021 – Operational guide – September 2019
- 10.5 DfE – Schools Forum - Operational and good practice guide – September 2018

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APPENDIX B



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LOCAL CONSULTATION

Proposed schools funding formula for 2020/21 (Primary and Secondary schools)

Launch date: Wednesday 4th December 2019

Closing date: Friday 20th December (5pm)

How to respond:

Consultation response forms are available on the schools extranet at <http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>

Completed forms must be saved and then sent **by e-mail** to: school.funding@nottinghamcity.gov.uk (please include the word "Consultation" in the subject line of your email)

Enquiries relating to submitting the Consultation Response form:

Tom Whitchurch
Telephone: 0115 87 63812

Samera Khan
Telephone: 0115 87 61264

or email school.funding@nottinghamcity.gov.uk

Enquiries relating to the content of the Consultation Document:

Julia Holmes
Senior Commercial Business Partner
Telephone: 0115 87 63733 or e-mail: julia.holmes@nottinghamcity.gov.uk



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1.0 Executive Summary

- 1.1 Since 2018/19 Nottingham City have adopted wherever possible the National Funding Formula (NFF) to allocate funding to schools.

The funding for Nottingham City Schools includes an element of protection termed 'funding floor' to ensure that all schools NFF allocations see a minimum gain of 1.84% above their 2019/20 baseline per pupil-led funding in 2020/21. City schools receive significant floor protection from the minimum funding guarantee (MFG) beyond the funding generated through the NFF formula rates. In 2020/21 the Department of Education (DfE's) have removed the cap on gains in 2020/21.

- 1.2 **For 2020/21 the changes being implemented to the NFF relate to the:**

a. **Mobility factor**

The revised mobility formula allocates mobility funding to 45 schools (10 more schools than under the previous eligibility criteria) and generates a higher mobility allocation for all but 1 City school (with that school seeing an immaterial reduction). It is therefore proposed to align our funding formula to the revised NFF in 2020/21. For schools receiving MFG protection, this will not affect overall funding levels of the schools as it simply reduces the MFG element. The benefits for moving to the revised formula is:

- Further alignment to the NFF for Nottingham City Schools and;
- Reducing the reliance on MFG for schools budgets

b. **MFG**

Setting a positive MFG which will be set as close to +1.84% per pupil as possible will enable as much funding as possible to be given to schools.

c. **Cap on gains**

The removal of the cap on gains will enable schools who are fully funded under the NFF with no protection to receive all the funding they attract under the NFF. 11 schools in Nottingham are forecast to be in receipt of no MFG protection in 2020/21. The gains are forecast to be up to 5% for the affected schools.

The Local Authority (LA) is proposing to adopt the 2020/21 NFF as we feel it is the most logical and fair approach.

- 1.3 Prior to implementation the LA is required to consult all schools on changes to their funding formulae. Your views are required by **5pm on Friday 20th December 2019**.
- 1.4 Head teachers are asked to share the consultation contents with their governors and provide a response on behalf of the school.

- 1.5 **Action for schools:**

To respond to the question below on the response form by **5pm on Friday 20th December 2019**.

1. **Do you agree with the LA's proposed approach to adopt the NFF mobility funding formula for allocating mobility funding?**
2. **Do you agree to set a positive Minimum Funding Guarantee (MFG) of up to 1.84% in the financial year 2020/21?**
3. **Do you agree to have no cap on gains under the NFF?**

The consultation response form can be found at:

<http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>

Your responses will be shared with Schools Forum (SF) on 21st January 2020.

The rest of this document contains further detailed information about the changes to the NFF and the impact on Nottingham's schools.

2.0 Summary of the National Funding Formula reforms

2.1 On 4 September 2019 the spending review announcement stated:

'The schools budget will rise by £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23, compared to 2019/20 funding levels. In addition, each year the government will provide almost £1.5bn of funding to compensate schools for the increased cost of employer pensions contributions.'

Following the announcement on 10 October 2019 the DfE released a policy document which outlined how LA's are to be funded based on the NFF in 2020/21 outlining that LA's still had the option to set their funding formula using a Local Funding Formula (LFF) or they can adopt the NFF (known as the "soft" approach). No guidance has been provided when the "hard" formula will be introduced.

Full details of the reforms can be found on the DfE website via this link-
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/838394/National_funding_formula_policy_document_-_2020_to_2021.pdf

2.2 The **key changes to the NFF for 2020/21** are:

- The minimum per pupil levels have been set at £3,750 for primary schools and £5,000 for secondary schools. The primary level will rise to £4,000 in 2021/22.

These rates are mandatory and will be included in schools funding allocations and will therefore be adopted.

- There will be a 4% increase to the formula core factors (in addition to growth). The exception to this is:
 - Free school meals factor which will be increased at inflation rates to broadly reflect actual costs and
 - Premises funding will continue to be allocated at LA level on the basis of actual spend in 2019/20 with an RPIX increase for the PFI factor only.
- The MFG will be set at 1.84% (in line with the forecast GDP deflator) to protect pupil-led per pupil funding in real terms. This minimum increase in 2020/21 allocations will be based on the individual school's NFF allocation in 2019/20.

As the majority of Nottingham City schools are in receipt of transitional protection the increased funding passed onto schools through the core factors will have the effect of increasing the funding passed through the core factors but then reducing the level of protection that schools receive. Therefore, in effect the majority of Nottingham City schools will only see an increase of 1.84% in their pupil-led funding compared to 2019/20. See Table 4 which shows the reduction in protection received by schools in 2020/21.

- There will be no gains cap, however, LA's will still be able to use a cap in their LFF if required.

Nottingham City are consulting to remove the cap on gains in line with the NFF and ensure schools fully on the NFF receive all the funding they attract. Even if there were a cap in place there is no mechanism to pass the funding onto the majority of Nottingham City schools as the majority of schools are forecast to be in receipt of the maximum 1.84% MFG per pupil. They would not benefit from the additional funding it would just be deducted from their protection.

- New formulaic approach to the mobility factor rather than allocation on historic spend.

Nottingham City are consulting to adopt this funding allocation.

2.3 It remains the DfE's long-term intention that schools' budgets should be set on the basis of a single, national formula (a 'hard' formula).

2.4 **The funding that the LA will receive in the Schools Block for 2020/21 will be based on the NFF** plus any actual spend on premises incurred in 2019/20. This will be confirmed by the DfE mid-December 2019 and it will be based on the autumn 2019 school census.

3.0 Detail - Proposed changes to the local funding formula to align it to the updated NFF

3.1 Under the NFF the majority of factors have remained the same as those used by the LA in 2019/20 however, detail of the changes made by the DfE for 2020/21 are set out below:

3.1.1 **Mobility factor**

Since the introduction of the NFF funding has been allocated to LA's based on the actual spend in the previous year. The DfE have stated that they felt this was unsatisfactory and that they intended to introduce a formula for the allocation of funding, this will be commence in 2020/21.

Current eligibility criteria

As previously stated above, funding for mobile pupils was previously allocated to LA's based on historic spend, NCC has continued to allocate funding to schools for mobile pupils based on the formula used prior to the introduction of the NFF in 2018/19. Under this formula, funding is allocated to a school if the pupil entered a school in the last three academic years, but did not start in August or September (or January for reception pupils). There is a 10% threshold and funding is based on the proportion above the threshold. So if a school has 12% mobility only 2% of its pupils would attract funding.

New eligibility criteria

The new formula for allocating funding will be based on pupils whose school census record, at their current school (or one of its predecessors), in the last three years, indicates an entry date which is not typical.

For year groups 1 to 11, 'typical' means that the first census on which a pupil is recorded as attending the school (or its predecessors) is the October census. So, 'not typical' means that the first census a pupil is recorded as attending the school is a January or May census. For the reception year, 'typical' means the first census is October or January.

Table 1: Mobility funding factors				
	Current methodology for allocating funding to schools used by NCC		Proposed new methodology for allocation funding to schools	
Factor	Unit Value	Eligibility	Unit Value	Eligibility
Primary Mobility	£93.42	Start date in education at any school in England was in the last three academic years, but did not starting August or September (or January for reception pupils). Targeted only at schools experiencing pupil mobility above a 10% threshold and funding is not provided for the first 10% of mobile pupils. (Separate Primary and Secondary).	£875	Schools receive funding for all mobility-eligible secondary pupils through this factor, above a threshold set at 6% of the secondary NOR. The total number of eligible pupils is calculated by taking the proportion of mobility-eligible primary/secondary pupils from the new mobility dataset (after applying the threshold) and multiplying by the secondary APT adjusted pupil count.
Secondary Mobility	£93.42		£1,250	

3.1.2 **Minimum Funding Guarantee**

Our proposed approach for 2020/21 is to have a positive minimum funding guarantee (MFG) which will be set as close to +1.84% per pupil as possible to enable as much funding as possible to be given to schools.

The only reason we would need to reduce the percentage, were if the make-up of pupils were:

- Significantly different to those used to calculate the primary and secondary units of funding on for 2020/21 (these were based on what schools would attract under the NFF based on the Autumn 2018 schools census) and
- If the school-led costs were to increase compared to the previous financial year.

3.1.3 **Gains cap**

In 2019/20 the cap on gains was 6.09% per pupil against the 2017/18 baselines (no school in the city had gains above this in 2019/20). In 2020/21 the gains cap has been removed in the NFF. Therefore, the LA is proposing to remove the gains cap so that schools gaining under the NFF receive all the funding they attract.

4.0 Impact on Nottingham City schools

4.1 New mobility funding formula

The rate attributable in 2020/21 for both primary and secondary aged pupils has risen considerably compared to 2019/20. **Table 2** shows the impact as a result of implementing the formula.

	2019/20	2020/21	Number of school losing funding due to new proposed mobility formula
Primary schools in receipt of mobility funding	34	41	1
Secondary schools in receipt of funding	1	3	0
All-through schools in receipt of funding	0	1	0
Total	35	45	1

Table 2 shows that 7 additional primary and 2 secondary schools would be eligible to receive the funding through the mobility factor and 1 primary school would lose funding.

In the financial year 2019/20 £0.045m was allocated to primary schools and £0.005m to secondary schools. The new mobility formula is estimated as impacting primary schools to receive £0.499m and secondary schools £0.093m based on the pupils on the Autumn 2018 school census.

Table 3 shows the range of additional funding that schools would attract.

	From	To
Range of gains received by primary schools	£ 200	£ 33,567
Range of gains received by secondary schools	£ 5,515	£ 67,583
Range of gains received by all-through schools	£ 2,156	£ 2,156
Range of losses received by primary schools	£ 114	£ 114

Funding points to note:

- Of the 41 primary schools who would attract mobility funding in 2020/21, 35 would not receive any financial benefit in 2020/21, 7 would;
- Of the 3 secondary schools who would attract the funding 2 schools would not receive any financial benefit.
- The all-through school would not receive the benefit of the additional funding in 2020/21.

The above schools would not receive the benefit of the additional funding because they are forecast to be in receipt of any protection in 2020/21 and the additional funding would be netted off against the protection they are due to receive.

The LA is proposing to adopt the new formula for allocating mobility funding to schools for the following reasons:

1. It mirrors the NFF approach to funding the LA and therefore is appropriate to adopt the same model to funding schools;
2. The DfE have stated that LA's should move towards the NFF as far as is possible;

4.2 Minimum funding Guarantee

Table 4 shows the movement in protection projected between the financial years 2019/20 and 2020/21.

The table demonstrates that Nottingham City schools are still due to receive significant amounts of funding due to the funding floor, but this has reduced significantly between 2019/20 and 2020/21.

In 2019/20 NCC schools received £11.233m in protection and are forecast to receive £6.761m in 2020/21. The main reasons for the reduction in protection are due to the increase in the core factor rates and the increase in the minimum funding per pupil increases.

Range	Number of schools attracting floor protection at this level 2019/20		Number of schools forecast to be attracting floor protection 2020/21 at this level	
	Primary	Secondary	Primary	Secondary
No protection	1	0	9	2
£1-£50k	17	0	37	2
£50k-£99k	34	2	19	0
£100k-£149k	12	2	8	4
£150k-£199k	8	1	1	2
£200k-£299k	3	5	1	5
£300k-£399k	0	3	0	1
£400k+	0	3	0	0
Total	75	16	75	16

4.3 Gains Cap

Table 5 demonstrates the number of schools which are projected to attract an increase of more than the 1.84% MFG in 2020/21. These schools are projected to be solely funded based on the NFF and in receipt of no protection.

Phase	Number of schools	Range
Primary	9	1.92% to 4.82%
Secondary	2	2.43% to 4.19%
Total	11	

5.0 Other options considered in making recommendations

- 5.1 Whichever methodology is adopted the total amount allocated to the LA will remain the same.
- 5.2 The LA is proposing to adopt the principles set out in the NFF in setting schools budgets.
- 5.3 Consideration was also given to having a cap on gains, this was dismissed as it would limit the amount of funding to be passed onto schools who were fully on the NFF, this was deemed unfair and it was felt that schools should receive all the funding they attract, the LA would be receiving the funding from the DfE, so the LA feel it should be passed onto the gaining schools. Even if there was a cap on gains to schools the funding would not be able to be passed onto the majority of schools as they would already be protected up to the maximum MFG of 1.84%.

6.0 Proposed methodology for the calculation of schools budgets in 2020/21

- 6.1 Aligning where ever possible the LFF to the NFF has been the basis of decisions taken at SF and this is the preference of the DfE.

As 88% of schools are forecast to be in receipt of funding from the floor in 2020/21, it is the **LA's intention to continue to adopt the changes to the NFF in 2020/21**, this will enable schools to transparently see how much protection they are receiving, and for all schools to be able to receive the benefit of up to 1.84% of the additional funding released by the DfE.

By **adopting the full NFF this will enable schools to do long-term planning post 2020/21** as it enables schools to understand the protection element of the budget which may require saving strategies for 2020/21+ onwards.

As there are several elements of the 2020/21 budget which are still to be finalised it is the LA's aim to pass on as much of the 1.84% 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.

7.0 The Consultation

All schools are invited to respond to the consultation by 5pm on Friday 20 December 2019. This document and a response form can be found at:

<http://www.nottinghamschools.org.uk/business-management-support/schools-funding/consultations/>

Head teachers are asked to share the consultation contents with their governors and provide a response on behalf of the school.

If you would like to discuss any of the points raised in this consultation please contact Julia Holmes, contact details are on the title page of this document.

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