

## SCHOOLS FORUM - 21 January 2020

<b>Title of paper:</b>	Changes to the arrangements for the funding of schools in 2020/21 and the outcome of the consultation
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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):**

<b>1</b>	To <b>note</b> the content of the proposed schools funding formula for 2020/21 in the consultation document ( <b>Appendix A</b> ).
<b>2</b>	To <b>note</b> the consultation responses received from Nottingham City schools and the significantly low response rate.
<b>3</b>	To <b>note</b> 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:

	<b>Primary</b>	<b>Secondary</b>
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.

<b>Table 2: PRIMARY AND SECONDARY UNITS OF FUNDING</b>		
	<b>Primary</b>	<b>Secondary</b>
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?

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

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.

<b>TABLE 4: NUMBER OF SCHOOLS ATTRACTING FLOOR PROTECTION AT THIS LEVEL</b>				
	<b>2019/20</b>		<b>2020/21</b>	
	<b>Primary</b>	<b>Secondary</b>	<b>Primary</b>	<b>Secondary</b>
£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
<b>Total</b>	<b>75</b>	<b>17</b>	<b>75</b>	<b>17</b>

**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.

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

- 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.

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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.

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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