

Nottingham City Council

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)

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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.

Table 2: Gainers and losers as result of the proposed new mobility funding 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.

Table 3: Range of gains and losses as a result of the proposed new mobility funding formula				
	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.