



SCHOOLS FORUM

Department for Education Consultation

'Fair school funding for all: completing reforms to the National Funding Formula'

27 September 2021

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies	X	Foundation Stage	
PVI Settings		Primary	X
Special Schools / Academies		Secondary	X
Local Authority	X	Post 16	
		High Needs	

Purpose of Report

Content Requires;		By;	
Noting	X	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

- 1) This report provides an update and analysis of the DfE's proposals on the next stage of the introduction of the National Funding Formula (NFF)

Recommendations

- 2) That Schools Forum note the report

Background

- 3) The DfE launched the consultation on 2023/24 school funding on 8 July and consultation closes on 30 September. It is Phase 1 of consultation on movement

towards the National Funding Formula (NFF) with Phase 2 expected in the autumn. In addition a consultation on SEND funding will follow the release of the SEND Review.

- 4) The consultation appears to be mis-titled in that it does not result in completion and transition to the National Funding Formula (NFF) and indeed sets out 9 areas for further consultation. With so little detail meaningful response on what the implications would be for Leicestershire schools is not possible.
- 5) The document sets out that of the 150 local authorities in England, 105 have moved all of the factors within their school funding formula closer to the NFF of which 73, including Leicestershire, are mirroring the NFF. The consultation sets out that significant differences between local authorities and the NFF still exist. One of which is highlighted is English as an Additional Language (EAL) which East Riding fund at £200 per pupil, Westminster £3,200 with the NFF value being £1,485.
- 6) The direction of travel remains a 'hard' NFF where every pupil is funded at the same rate irrespective of the local authority in which they are educated. However, the proposals further move towards that ambition and fall short of its introduction. As in past consultations the DfE fall short of setting a date for the introduction of a hard NFF.
- 7) The consultation also does not cover the choice of factors within the NFF, nor the values attached to them but states these will be continued to be subject to review and particularly in the light of future Spending Reviews. There remains no published evidence to support the values used and their ability to fund the needs they identify.

The Proposals

- 8) The current NFF only includes factors that recognise individual pupil characteristics i.e. low prior attainment, deprivation, schools also get funding for premises factors that is allocated on top of the NFF values directly by local authorities. The aim of the hard NFF is that all funding should be allocated by factors within the NFF and should include all school funding.
- 9) It is uncertain how other local factors may be included, in Leicestershire for example pupil numbers are adjusted with the approval of the Secretary of State to reflect the movement in pupils in schools undertaking or affected by age range change. Further adjustments may also be needed to ensure that the NFF is affordable given that schools and local authorities are funded by different school census dates a year apart.
- 10) The allocation of premises factors within the NFF has been recognised as an issue within the NFF since its introduction in 2018 hence it's omission. It would appear that it remains so as yet again local authorities are asked for comments on how it can be incorporated into the NFF.
- 11) Local authorities receive an allocation within the Schools block to meet the revenue costs of opening additional mainstream school places. Guidance for local authorities has been explicit that growth should only be funded where there is a basic need for additional places but not as a result of growth in popular schools which should be

met through the school formula. However it would appear that the DfE has been making funding available to academies for popular growth. The DfE plan to use national criteria to allocate growth directly to all schools which will include collecting data from local authorities on basic need. The proposal included;

- Allocating growth through the NFF for schools with 'significant growth' – significant is not defined
- Allocating start up and diseconomies of scale funding through the NFF
- Providing funding for schools with an increase of popularity after being sponsored by a multi-academy trust

All proposals would be subject to readjustment if growth did not materialise, the consultation is silent in regard to unexpected growth. Further information is expected in a Phase 2 consultation.

- 12) The DfE wish to see a move towards the hard NFF but have not made that final move. The proposals are that all local authorities should use the NFF factors and move 10% closer to the allocated values. Leicestershire fully mirrors the NFF factors and values however a Schools Block transfer is likely to result in divergence from them. There will be more flexibility for local authorities to vary the Minimum Funding Guarantee (MFG) to manage turbulence and affordability pressures, it is though unclear whether these flexibilities will apply to all local authorities in respect of affordability or just though transitioning to the NFF.
- 13) Whilst local authorities have no flexibility to vary the school funding formula across maintained schools to respond to individual school issues multi-academy trusts can 'pool' the allocation for all of their schools which will remain in 2022/23. It should be noted that one of the drivers for the introduction of the NFF was to create consistent funding arrangements for schools across all local authorities, retaining this in future school funding could result in c1,200 MAT formulae instead of the c150 that were present in local authorities. This section of the consultation closes with the following statement '*The government's long term ambition is that all schools should ultimately be part of strong academy trusts*'. It is difficult to envisage how this cannot be viewed as contradictory to the aims set out for the NFF if trusts were to set their own funding arrangements.
- 14) The consultation sets out that the role that local authorities have in school funding will diminish as a result of a hard NFF and there will be less flexibility to determine how DSG will be allocated. The DfE propose to redefine how local authorities ongoing responsibilities for all schools are funded which may result in changes to DSG, specific grant and through the Local Government Finance Settlement. The DfE's thinking is uncertain and a further 'technical consultation' will follow.
- 15) Funding for historic commitments meets the cost of a £244k contribution to the Education Quality Service and used to support maintained schools causing concern. This element of funding began to be reduced in 2021/22 and is now proposed to be removed totally. There is a proposal to provide a specific grant to meet the costs of premature retirement costs met from DSG.
- 16) Phase 2 of the consultation will consider how the move to a hard formula can support the recommendations coming from the SEND Review. The document sets that the NFF includes proxy indicators for the incidence of SEND in the school population and

that SEND in schools should not be funded by reference to the number of EHCP's. It is intimated that there may be some change in the way mainstream schools are funded for SEND.

- 17) There is reference to transfers from the Schools to High Needs Block '*... does not tackle the underlying cause of a mismatch between a local authority's high needs budget and its high needs spending and it does not represent a sustainable long-term solution.*' It further sets out that continuing to move funding between blocks would not allow schools to see the benefits of a hard formula. This suggests that transfers will not be allowable after 2022/23 but then states that following the publication of the SEND Review there will be consideration of a new mechanism for those local authority's with significant and unavoidable pressures on high needs spending.
- 18) A review of the role of Schools Forums will be undertaken. There is no proposal to remove them as the DfE view them as a significant stakeholder with which to discuss emerging funding policy proposals. However, other than direct release of information to Schools Forum Chairs there is very little direct communication between the DfE and Schools Forum.
- 19) The DfE have also re-tabled through this consultation the implementation of a consistent funding year across maintained schools and academies. Currently maintained schools operate an April – March financial year whereas the financial year for academies is September to August.

Conclusions

- 20) The direction of travel towards a hard NFF where all school funding allocations are calculated nationally is unchanged within this consultation although the DfE have not committed to any timescale for its introduction. Whilst it is clear from the document that the role of local authorities in school funding will be removed at some point it would appear given the potential for some level of turbulence from some aspects of the proposals the DfE would like those authorities to manage that locally.
- 21) Whilst not being explicit the document includes a number of references to the expectation of a school system dominated by academies. It also identifies areas where there are currently inequities in the school funding system i.e. academies being funded for popularity growth which is not available to maintained schools and also in the future where multi-academy trusts will be able to fund their schools with little or no reference to the NFF factors and values which seems to render the entire concept of the NFF and consistent and transparent funding across schools totally unachievable. There are currently 150 local authorities taking funding decisions that may or may not reflect the NFF, it is entirely possible that every of the c 1,200 multi-academy trust may have a different way to fund their schools with none funded by the NFF.
- 22) The proposed movement towards the NFF factors and values will have no direct impact on Leicestershire as the formula currently reflects the NFF. The position would be impacted by a 2022/23 Schools Block Transfer but the values within the formula are likely still to be in the expected range of within 10%.

- 23) In many areas the consultation does not give sufficient detail to identify potential issues. However, the proposals to remove the historic funding within the Central Schools Block will result in a direct funding reduction for schools causing concern and movement to either specific grant or to the Local Government Finance Settlement may also have some impact. DSG currently funds £1.543m of Statutory Duties, Asset Management and Central Support Services, these services are largely managed in Corporate Resources, any reduction in funding is unlikely to be met by a compensatory reduction within the services.

Equal Opportunity Issues

- 24) The DfE have completed an Equalities Impact Assessment on the proposals. With little detail in the consultation document it isn't possible to quantify what the changes may mean for Leicestershire Schools.

Background Papers

<https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>

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