



SCHOOLS FORUM

Implementing the Direct National Funding Formula – Government Consultation

29 September 2022

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	X	Pre School	
Academies	X	Foundation Stage	X
PVI Settings	X	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	X
Decision		Maintained Secondary School Members	X
		Maintained Special School Members	
		Academy Members	X
		All Schools Forum	

1. This report sets out the most recent consultation of the DfE's proposals for final stages of implementation of the National Funding Formula for primary and secondary maintained schools and academies

Recommendations

2. That Schools Forum note the issues arising from the consultation and Leicestershire County Council consultation response to it.

Background

3. The DfE began the implementation of the National Funding Formula (NFF) in 2018 based on the principles of fair, simple and transparent and efficient and predictable. It is also now stated that a Direct NFF (formerly known as a Hard NFF) i.e. a system where formula budgets for all maintained schools and academies are generated by the DfE rather than local authorities support the objectives of the schools white paper.
4. The DfE's stated objectives for the NFF have been consistent. The NFF funds all pupils with the same characteristics at the same rate irrespective of which local authority in which they are educated. Whilst there may be concerns in respect of the funding values added to the pupil characteristics, all local authorities are funded at the same level. Whilst Leicestershire schools may have been underfunded in the past, this is not the case for the future. There will continue to be funding differences at school level, this is not an outcome of funding levels it is a result of need. The NFF provides a basic level of funding for all pupils and then additional funding for pupils with low prior attainment, eligible for free school meals and for pupils from deprived backgrounds measured from their home address. Leicestershire schools are funded at the NFF levels, the only exception to this are the schools receiving additional funding as a result of the funding flow who are funded at levels above the NFF.
5. The ability for local authorities to define their own funding formulae remains but is much reduced for 2023/24 where authorities may only use the factors set out in the NFF in their formula but also restricts the variation in funding levels for each of the factors to 10%. These changes were subject to earlier consultation and are confirmed.
6. The latest consultation was issued in July and the consultation closed on 9 September and considers the approach to a number of issues that have remained unresolved since the first phase of implementation in 2018, largely the approach to funding growing schools, the allocation of premises funding that currently remains outside the NFF and the ability for local authorities to fund exceptional circumstances. The issues considered in the consultation are all no-pupil related factors.
7. The consultation further considers the ability to transfer funding from the Schools Block to High Needs and how that can be addressed in the future together with the scope and calculation of the notional SEN budget. The proposals, particularly around a national approach to funding school growth, would introduce new requirements for local authorities to provide data for both maintained schools and academies. The proposals also introduce further financial risk from the DfE's favoured approach to funding school growth.
8. The remit of school funding reform also appears to have expanded and is now stated to be a supporting mechanism to achieving the objectives set out in the schools white paper. It also requires a change in legislation which is being introduced through the Schools Bill to allow the Secretary of State to directly determine schools funding which is currently within the parliamentary process.
9. The consultation is therefore about how funding change will be achieved rather than should it change. The Leicestershire consultation response is attached as Appendix

1 and the remainder of this report sets out the background to the views set out within it. No timeline is set for achieving the change other than within the next five years or sooner.

The interaction between the direct NFF and funding for high needs

10. The consultation considers the future approach to the ability to transfer funding from the school block to high needs. It confirms the ability to do so will remain, subject to the necessary approvals, and the indicative SEND budget for schools as a successor to the notional SEN budget within a school's formula budget.
11. The proposal for consistency in decision making on future based on nationally agreed option on how any adjustment to the funding formula would be made to deliver any transfer is welcomed although the exceptionally tight timescales to achieve consultation and secure the necessary approvals is unchanged.
12. The principle behind an indicative SEND budget remains challenging. Whilst the notional SEN budget has been an integral part of the school finance system for many years it is widely misunderstood. The proposed approach to its calculation will create national consistency but consistent guidance needs to be introduced to ensure that both schools and local authorities are clear in its application within the high needs funding system.

Growth and Falling Rolls Funding

13. There is currently a disconnect between capital and revenue implications arising from the basic need for additional school places whether that be new school or expanding schools. Whilst local authorities are required to have policies to cover the funding arrangements the DfE remains driven by the desire to achieve consistency.
14. The consultation makes two proposals and the DfE's preferred option is for local options within a national framework rather than a full national system. Whilst this may seem like the preferred option as it will achieve some local flexibility the proposals convey additional financial risks to local authorities with little or no tools to address the potential for school block overspends.
15. Currently the DfE allocate growth funding to local authorities by analysing data on pupil growth by Middle Layer Super Output Area, it aggregates areas of pupil growth but ignores areas where pupil number may be falling, it also proposes to and expand the use of funding from the revenue costs of commissioning additional places to include the removal of surplus places. This raises two fundamental issues, the first being that removal of surplus school places usually requires capital funding and there appears to be no proposal to widen the use of DSG to capital, and secondly it is unlikely that surplus school places can all be removed so netting off growth and falling rolls introduces a real risk of insufficient revenue funding for expansion and a schools block deficit that is potentially unrecoverable.
16. The proposal rests on a re-baselining of the national funding pot to be distributed. Given nationally expenditure is less than the current DfE's growth allocation overall funding levels may reduce which for Leicestershire could be a significant issue with the extent of housing developments to be delivered in the medium to long term.

Premises Funding

17. This area of the consultation proposes a nationally consistent criteria for the allocation which is to be welcomed. The proposal contains two factors eligibility i.e. does the school have a split site and distance i.e. how far away is it. It is uncertain whether these proposals will have an impact on Leicestershire schools currently receiving that funding as the balance between the two eligibility criteria is subject to the consultation as will the value that will be used. Consideration is also being given to a sliding scale to schools which just miss out on eligibility in respect of distance.
18. The proposals would introduce some additional and significant data collection burdens on local authorities that will cover both academies and maintained schools and it is interesting to note that the DfE set out they hold insufficient data on schools to manage the system. However, it does not feel appropriate in a direct NFF that local authorities are required to provide premises data for academies for example.
19. Changes are also planned to the ability to provide what are usually small rural schools with additional funding where they incur additional costs from accessing sites other than their school. Proposals further restrict the threshold from a cost of 1% of a schools budget to 2.5% of the schools budget. This would render 7 of the schools currently receiving funding ineligible to do so in the future although the reduction in funding may be compensated for within the proposed changes to funding protection.

Funding protection

20. The current protection arrangements are complex and include the MPPL and the Minimum Funding Guarantee (MFG) both of which protect against different elements of change through the transition to the NFF. There is also often confusion about guaranteed per pupil funding increase, capping and scaling and how these interact with the formula budget and layers of protection, this will be addressed once a full NFF is delivered.

Other Issues

21. Consideration is also given to some other issues one being what would be useful to schools in order to plan their budgets. The proposal to issue a calculator tool is welcomed and is consistent with the approach Leicestershire has introduced to support strategic financial planning in schools and academies.

Conclusions

22. The implementation of a direct NFF is inevitable and appears to be embedded wider in the government's education policy than previously envisaged. The Legislation changes required to deliver the Direct NFF is already included within the Schools Bill currently progressing through parliament. The balance between local and national is difficult to achieve but these proposals appear to require local authorities to address the final barriers to the delivery of the direct NFF including potential future financial risk.

Equal Opportunity Issues

23. None arising directly from this report.

Background Papers

<https://consult.education.gov.uk/funding-policy-unit/implementing-the-direct-national-funding-formula/>

Officers to Contact

Jenny Lawrence

Finance Business Partner – Schools and High Needs

Email; jenny.lawrence@leics.gov.uk

Tel: 0116 3056401

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