

# Sheffield Response

## Stage 1 - Fair school funding for all: completing our reforms to the National Funding Formula

Consultation closes: 30<sup>th</sup> September 2021

**Question 1:** Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further local adjustment through local formulae?

**Impact** – The DfE would issue budget shares based completely on the NFF values including all premises and PFI factors including growth and falling rolls.

**Proposed Response:** YES Except PFI

We think that although all pupil-led and some premises factors (split sites) could be allocated under the National Funding Formula (NFF) we think PFI should be the exception to this.

Some Local Authorities are more impacted by PFI than others. Sheffield could be disproportionately, negatively affected, compared to some Local Authorities, as we have a very high comparable proportion of PFI schools and contracts with a high level of affordability gap. Not sure how a bottom up funding approach could work fairly and equitably, due to the varying national PFI schemes currently in place.

**Question 2:** Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?

**Proposed Response:**

We would reiterate that PFI should be removed from the NFF and keep this as a separate element to the National Funding Formula.

However, if it were to become a national formula element there would need to be a dynamic formula to consider transition phases within PFI.

A proposed build up would be to build up at individual LA level:

Cost of Unitary Charge – Base; Utilities; Variations; Benchmarking & Market Testing

Take account of all PFI Grants

Calculate school contributions based on agreed GBA % of budget share

Leaves an affordability gap

There is also concern that the PFI affordability gap funding could be locked into a schools protected baseline, as some PFI phases are coming to an end. We would need to use the flexibility with the Minimum Funding Guarantee (MFG), to ensure that we could still disapply the regs. to remove it from any baseline.

Split Site: Could be lump sum based on pupil number size, Amount per pupil based on distance apart, plus pastoral care element.

**Question 3:** Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

**Impact:** LA would lose the current flexibility to allocate funding for Awkward Year Groups and Infant Class size issues, plus it could have the potential to have a negative impact on smaller

schools, where the loss of a few pupils has a significant negative financial impact. The Growth 'pot' of £2m would be removed from the LA and put into a national 'pot'.

**Proposed Response: NO**

Removing this flexibility from Local Authorities to be able to target funding would disproportionately affect small schools and works against the NFF by adding volatility.

We are of the opinion that Growth needs to be flexible at a local level, with consistency of application. These proposals don't consider the potential complexities e.g., different cohorts, migration, nuances re. class sizes.

Local Authorities would need to strengthen their local strategies that takes into account surplus places which could help support schools affected by falling rolls, who may be affected by the loss of a Falling Rolls fund.

**Question 4:** Do you have any comments on our proposed approach to growth and falling rolls funding?

Our comments are shown above, but also, there is concern that carrying out an adjustment the following year, to take into account pupils that didn't materialise, could leave schools in financial hardship. Again, this does not provide schools with stability. Schools would staff up based on forecast numbers and incur costs as such, even if numbers didn't materialise schools would still be paying full salaries.

**Question 5:** Do you agree that, in 2023-24, each LA should be required to use each of the NFF factors (with the exception of any significantly reformed factors) in its local formulae?

**Impact:** Sheffield currently do use all factors except one, which is Sparsity. This didn't significantly apply previously, and Sheffield chose not to use it. However, changes to this formula would now mean that one school in Sheffield would receive a significant sum.

**Proposed Response: YES**

Sheffield use all these factors now, apart from sparsity, which would now apply to one school. This factor could be built into our formula.

**Question 6:** Do you agree that all LA formulae, except those that already 'mirroring' the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the hard NFF for schools?

**Impact:** The impact will depend on the pace of movement and affordability.

**Proposed Response: YES**

Our view is that further transition/full implementation is down to affordability – based on LAs receiving the full allocation (including on High Needs Block as we are still redirecting funds from Schools Block). This is not likely to happen before 2023/24.

This would seem a sensible approach, however, if the threshold is affordable to LAs, based on LA MFG baselines and not DfE NFF Baselines used. Some flexibility around 'overshooting' of values may be required. If there is 'excess' funding from school-led funding after allocating NFF values LAs may direct that funding via AWPU or other elements of their choice, what scope would there be to do this if you cannot overshoot, except for directing it through specific school-led elements, where it would not be equal to all schools, just some schools.

Sheffield would need approx. a further £13m to fund full NFF values for Social Deprivation and keep our AWPU at the current level. Our principle would be to maintain the Age Weighted Pupil Unit (AWPU) and wait for it to catch up nationally, and that any new funding goes through the Social Deprivation factor.

Currently, according to Sheffield Policy of early intervention, we invest £13m more in our AWPU compared to NFF. £12m of this is related to Primary schools. Keeping our ratio at 1:1.29 is supporting this level of funding for Primary schools, as AWPU is where the 'excess' funding goes, whilst keeping to the Sheffield principle of 50:50 ratio for Social Deprivation funding.

**The impact for the questions 7,8 & 9 is the same as above, affordability will be the issue.**

**Question 7:** Do you agree that LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23? If you do not agree, can you please explain why?

**Proposed Response: YES IF AFFORDABLE**

This gives LAs time to build up to NFF rates at an affordable pace, if there was suitable flexibility on level of MFG and gains capping.

**Question 8:** As we would not require LAs to move closer to the NFF if their local formulae were already very close to the NFF, do you have any comments on the appropriate threshold level?

**Proposed Response: YES**

We agree in principle with the threshold. However, clarification would need to be sought. If an LA was 1.5% within the NFF does that mean that they should only move 0.5% to get to within 1%?

**Question 9:** Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24?

**Impact:** Currently LAs can choose to fund pupils which have been in the school system, for either 1, 2 or 3 years. This change is actually widening the net for all Authorities and is asking do you want to remove the flexibility of being able to choose the level 1, 2 or 3 years, and just using the 3 years as a mandatory level?

**Proposed Response: YES**

Sheffield use this already. We agree that the current flexibility of being able to choose the level should be removed and just use the mandatory 3 years instead. This gives scope for schools to benefit from the maximum allocation by using 3 years, instead of just 1 year.

**Question 10:** Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

**Impact:** This factor is mainly for those rural areas such as North Yorkshire who have many small schools quite a distance apart. It didn't really affect Sheffield, but as factor values have changed one school is now eligible and would receive a significant amount for a small school.

**Proposed Response: YES**

This doesn't impact most of our schools, only 1. However, LAs with sparsity issues, the more flexibility allowed the better.

**Question 11:** are there any comments you wish to make on the proposals we have made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS?

**Proposed Response:**

Our preference for ongoing central school services is that this should continue to be provided as part of the overall DSG allocation and not move to LGFS. Having this allocation separately clearly identifies the level of resources available and permits ringfencing of funding. This flexibility will be lost if this is subsumed within LGFS.

**Question 12:** Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs? We will also invite further evidence on this at a later stage.

**Proposed Response:**

Sheffield do not have any costs of this type, therefore this is not strictly applicable to Sheffield. However, while termination of employment costs and prudential borrowing costs do not apply to Sheffield, we do have other forms of Historic Commitment costs such as Early Intervention and Prevention, Multi Agency working and Safeguarding services supporting schools in the City. We expect the gradual reduction of this funding over the next few years and are planning accordingly.

**Question 13:** How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

**Question 14:** Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis that you feel we should be aware of?

**Proposed Response for both Q13 & Q14:**

We agree that it makes sense for schools funding to be aligned to the academic year.

However, this could have the potential for causing confusion and additional work for schools and the LA Finance Teams. If the financial year for maintained schools remains at March, in line with LA funding, but their funding moves to an academic year, with budgets being completed for the academic year, this would mean that the budget and financial year would not be co-terminus. It could also have the potential to impact school budget interviews, closedowns all having to re-timetable from April to August.

Whilst the reasoning for moving funding to an academic year seems sensible, it doesn't work if the financial year remains at March which then has the potential to create additional work in schools to provide financial information and reconciliations of the two processes.

**Question 15:** Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.

**Question 16:** Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?

**Proposed Response to Q15 & Q16:**

The principle to direct us at a local level is not fair in terms of consistency, for example regarding deprivation and the impact on disadvantaged communities.

Not all LAs have the same context so local flexibility is paramount. Local flexibility allows to make decisions that benefit the overall delivery of school services, and a centrally operated system will

not be able to respond to this and several good practices (Awkward year group, Infant class size, falling rolls) will be lost.

Sheffield has gained from the NFF; however, the overall pot of national funding is insufficient and affordability (for both Schools Block, High Needs Block) remains the main issue to deliver full transition.

Regarding premises: all pupils and staff have the right to a safe and dry place to learn/work, but the Buildings Condition Allocation for maintained school does not cover the cost of all essential maintenance putting additional pressures on the revenue spending.