

National Funding Formula Consultation (NFF) - Schools Block

Key Messages

- Forum members are asked to note and agree the consultation response in Appendix 1
- This is Stage 1 of a Consultation about how quickly the DfE should ask LAs to move towards the full implementation of the NFF.
- The consultation response deadline date is **30th September 2021**.
- Stage 2 of the Consultation will be released upon the results of the Stage 1 Consultation later in the Autumn Term.

1. Introduction/background

- 1.1. The introduction of the schools National Funding Formula (NFF) in 2018-19 meant that funding was to be distributed more fairly across the country.
- 1.2. The DfE is now consulting on proposals on how (and how quickly) LA formulae could move towards a hard NFF, as well as proposals on the eventual completion of these reforms to the NFF.
- 1.3. Importantly, the DfE will also protect schools against losses as a result of this gradual movement towards the hard NFF. The national funding floor and local minimum funding guarantee (MFG) protections will remain in place, so that schools will not lose funding in cash per-pupil terms as a result of moving towards a hard NFF, and all schools will continue to receive fair funding increases.
- 1.4. Some elements of school funding remain out of scope of the present consultation. This consultation is about how mainstream schools are funded, in respect of pupils from Reception to Year 11. Stage 2 of this consultation will be published later in the year, after the results of Stage 1 are known.
- 1.5. Attached at Appendix 1 is the LAs proposed response to the Consultation, which members of the Schools Forum are asked to note and agree upon.

2. Consultation Themes

This consultation covers the following main points:

- How and how quickly LAs should move towards NFF.
- Tightening up of pupil-led elements starts 2023-24, LAs have same flexibility 2022-23.
- Some elements remain out of scope i.e. premises – Split Sites/PFI, to be further consulted on in Stage 2.

- Reform Significant Growth Funding/Falling Rolls – allocated to schools directly based on formula (no top slicing available).
- Premises, changes introduced from 2023-24 at the earliest (or, 2024-25 for PFI).
- Rates to be paid centrally (this decision has been made, from consultation in March).
- Reforms to Central Schools Services Block.
- Role of Schools Forum to Change.
- Change to a consistent funding year: Maintained schools to be funded on an academic year basis.

3. Changes to the Pupil-led and Premises Elements of the Funding Formula

- 3.1. **The new proposals will mean no new restrictions on LA formulae for 2022-23.**
- 3.2. From 2023-24, the DfE propose that all LAs should be **obliged to use each** of the NFF factors in its local formulae, and **only** those factors. This means that Sheffield would need to introduce the Sparsity factor as it has one school that does qualify.
- 3.3. The exception to this will be any NFF factors that are significantly reformed in 2023-24 i.e. Premises factors would not be compulsory in the first year that they are introduced.
- 3.4. In 2023-24, the DfE would require each LA to bring each of its local formula factors at least 10% closer to the NFF factor value, compared to how far the factor was from the NFF value in 2022-23. Premises factors would be exempt from this.
- 3.5. LAs could not 'over-shoot' the NFF value (for example, an LA could not increase its local factor value to an amount higher than the NFF value).
- 3.6. After an initial 10% movement closer to the NFF in 2023-24, and subject to the impact of this movement, they aim to move at least 15% closer to the NFF in 2024-25 and at least 20% closer in 2025-26.
- 3.7. The results of the second stage of the consultation would decide on whether LAs should be granted greater flexibility over the level of the MFG or capping and scaling gains, in order to manage potential affordability pressures, due to asking LAs to move closer to the NFF in 2023-24.
- 3.8. **EAL** - For pupils with EAL, LAs currently have flexibility relating to the number of years in which an EAL pupil has been in the school system. This flexibility will be removed from 2023-24 so all LAs would need to use the 'EAL3' measure. This means pupils attract funding if they are recorded on the census as having entered state education in England during the last three years, and their first language is not English. Sheffield already use this measure.
- 3.9. **Premises: PFI** - The DfE are exploring a more bottom-up funding model for PFI, whereby they will look at the additional costs that each PFI school incur, as a result of their PFI contracts, and then use this as a basis for the calculation of a PFI factor allocation in the NFF – rather than using uprated historic spend.
- 3.10. There will be a separate consultation on the PFI factor and the DfE do not anticipate changes to funding to the PFI element before 2024-25.

- 3.11. **Premises - Split Sites:** The DfE want to fund schools on a formulaic basis, based on an assessment of their additional costs. They want to collect data, assess the degree to which this status generates additional costs for schools, and construct a formulaic factor, based on this data, accordingly. Again, they will consult on proposals separately.
- 3.12. **Premises - Rates –** based on the recent consultation, results of which will be shared in full over the Summer, the DfE **WILL** be paying rates direct, centrally with adjustments. Details to be published in the Autumn Term. Rates funding will therefore NOT form part of the Schools Block from 2022-23.
- 3.13. **Transfers between blocks** - Future consultations will consider whether a new mechanism needs to be developed for situations in which LAs continue to face significant, unavoidable, pressures on their high needs spending – for instance, in areas where particularly high usage is being made of special schools, which are fully funded through LAs' high needs budgets, and relatively low proportions of children with EHCPs are being educated in mainstream schools.

4. Growth Funding and Falling Rolls

- 4.1. **Growth** - The DfE propose to fund Growth and Falling Rolls on a formulaic basis. They intend to collect forecast pupil numbers that are growing to meet basic need (from local authorities), and forecast growth for new and growing schools (from academy trusts).
- 4.2. They will use national, standardised criteria to determine which schools are eligible for funding. Funding will only be allocated where growth is significant.
- 4.3. The DfE would look to spend the same proportion of the Schools Block, adjusted to reflect the level of growth at the time the NFF is introduced. Funding would be subject to an adjustment the following year if pupils did not materialise as forecast. In cases where pupil numbers fell slightly short of forecasts, adjustments would not be carried out.
- 4.4. There will be one additional data collection point for local authorities to be able to provide further data, as the DfE recognise that this could be difficult for LAs to forecast prior to the publication of the NFF allocations. The DfE would make adjustments to schools' core NFF allocations that have already been published in these cases.
- 4.5. **Falling Rolls** - the DfE proposes that local authorities inform them which schools are forecast to see a significant decrease to their number on roll in the coming year and provide data to demonstrate that their spare capacity is likely to be needed within the next three years.
- 4.6. LAs would only be required to provide this funding where schools had already experienced at least one year's decrease to their number on roll, in addition to the forecast decrease in the coming year. Schools should otherwise adjust budgets using the planning time afforded by the lagged system.
- 4.7. This funding will only be provided to schools with a Good or Outstanding grade at their most recent Ofsted inspection.
- 4.8. This would be a national standardised amount for schools that are eligible for falling rolls funding, and this factor would be included into schools' core NFF allocations.

5. Consistent Funding Year

- 5.1. The DfE wants to move maintained schools to being funded on an academic year basis but do understand that this would have the potential to cause some complications with accounting and financial reporting. This is because the financial reporting cycle would differ from the funding cycle, with the financial reporting cycle remaining on a financial year basis in line with the reporting cycles of other funding streams local authorities work with.
- 5.2. The proposal is that maintained schools would be expected to account for their funding on a financial year basis (in each financial year, accounting for the last 7 months' funding from one academic year, and the first 5 months' funding from the next).

6. Central Schools Services Block

- 6.1. The DfE will review how the central school services are currently provided and funded and decide which services best sit within each of the three categories: **Local authorities' ongoing responsibilities; De-delegated central functions** and **Optional traded services**. The intention is for this consultation to be followed by a more technical consultation on the future of central school services covering these issues.
- 6.2. The DfE would continue to fund statutory responsibilities that local authorities hold for all schools centrally, such as admissions services. They may make a change to the centrally funded duties that are not statutory as well (for example some admission services which are optional but might be more appropriate for the LA to continue to provide).
- 6.3. After this review there may be a decrease in services remaining with the LA that are centrally funded, with more services de-delegated or traded. If there is a decrease, the DfE would consider whether LA funding for those remaining elements should become part of MHCLG's Local Government Finance Settlement (LGFS) rather than a reduced CSSB block.
- 6.4. **Historic Commitments** – The DfE propose that they fully remove the remaining funding for historic commitments by the time the hard NFF is introduced. They propose replacing funding for unavoidable legacy payments (those for termination of employment costs and prudential borrowing) that some LAs will still be tied into, with a separate legacy grant, if acceptable evidence is provided.
- 6.5. 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.

7. Changes to Schools Forum

- 7.1. The introduction of a hard NFF will change the role of schools forums, but does not remove the need for a local forum to facilitate the engagement of schools and other providers in decisions and consultation on local matters.
- 7.2. Under a hard NFF, there will no longer be local funding formulae for mainstream schools, or transfers from the schools block to other funding blocks (such as high needs). As a

consequence, the current role for schools forums in deciding upon the local formulae and such transfers will no longer apply.

- 7.3. Schools forums' existing roles in relation to high needs, early years funding, and decisions around centrally funded services would continue.
- 7.4. The DfE plan to conduct a wider review of the role of schools forums as they progress with the introduction of the hard NFF and following decisions on the future of the SEND system. This wider review will consider the rules around the membership and structure of schools forums, to consider whether these remain appropriate in light of the direct changes as a result of the move to a hard NFF, and any new responsibilities that schools forums take on.

8. Recommendations

Forum members are asked to:

- Discuss and agree the Consultation Response in the attached Appendix 1.