

Report to: Schools Forum

Date: 17th September 2021

Report of: Director of Childrens Services
Deputy Chief Executive

**Report
No:**

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Report Title: **National Funding Formula Consultation**

**Confidential /
Non Confidential:** This report does **not** contain information which warrants its
consideration in the absence of the press or members of the public

Purpose: To inform the Schools Forum of the current Government
Consultation "Fair school funding for all : completing our reforms to
the National Funding Formula"

Recommendations: The Schools Forum is asked to note and comment on the report.

Decision:

1. PURPOSE OF THE REPORT

To inform the Schools Forum of the current Government Consultation “Fair school funding for all: completing our reforms to the National Funding Formula”

2. INTRODUCTION

The schools National Funding Formula (NFF) was introduced in 2018-19 and from this time has had a phased implementation with local discretion remaining for some elements.

The aim of the NFF is that every school's funding allocation is based on the same formula with no local determination.

The Government has launched a consultation “Fair school funding for all: completing our reforms to the National Funding Formula”: -

Launch date	8 th July 2021
Respond by	30 th September 2021

The consultation is seeking feedback on the proposals of what the direct NFF should look like, and the transition towards it.

The formula covers mainstream schools, maintained schools and academies, for pupils ages 5-16. Early years, High Needs and Post 16 have a separate funding formula and are not subject to the consultation.

3. CURRENT NFF FUNDING FACTORS

The diagram below sets out a summary of the different funding factors in the current NFF:-

	Funding Type	Formula Factors					
A	Basic per pupil	Age-weighted pupil unit					
B	Additional needs	Deprivation	Low prior attainment	EAL		Mobility	
C	School-led	Lump Sum	Sparsity				
				Premises			
				Rates	PFI	Split sites	Exceptional Premises
D	Geographic	Area Cost Adjustment					
E	Protection	Minimum Per Pupil Levels			Funding Floor		

The consultation does not cover the choice of factors or value of factors as these will be reviewed annually.

4. SOFT FORMULA & HARD FORMULA

Since its introduction the NFF has been a ‘soft’ formula. This means that the Local Authority Dedicated Schools Grant is calculated based on the NFF however the LA

then determines individual schools funding allocations through a local formula.

There are parameters within which local formulae must operate, and these are tightened each year to enable a smoother transition to full NFF.

The consultation focuses on the key implications of moving from a 'soft' to a hard NFF.

5. NATIONAL FUNDING FORMULA PRINCIPLES

Through the NFF the government are working to embed the following principles :-

- **Fair** – each mainstream school funded on a consistent basis, to reflect their needs and circumstances.
- **Simple and Transparent** – every individual mainstream school's funding calculated through a single national formula transparent to all in the system.
- **Efficient and Predictable** – a single national formula through which funding is matched to relative need, creating greater predictability in funding and ensuring resources are distributed and used across the system as efficiently as possible.

6. TIMELINE

No fixed date has been set to move to the hard NFF as smooth transition is required.

This consultation is a first stage and a second consultation with more detailed proposals will be published at a later date.

7. SCOPE OF THE NATIONAL FUNDING FORMULA

The consultation is seeking views on whether all of the factors in the formula, as set out in section 3 should be included in a hard NFF.

The proposal is to include all NFF funding factors but there needs to be further development of premises and growth funding factors.

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

8. FACTORS BASED ON HISTORIC SPEND

There are 3 premises factors within the formula based on historic/actual spend: -

- PFI funding
- Split Sites
- Exceptional circumstances

These are complex areas to build into a hard NFF so will be consulted on separately, any changes would be introduced from 2023-24 at the earliest, 2024-25 for PFI.

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

9. GROWTH & FALLING ROLLS

Schools are funded on a lagged basis, based on pupils on roll at the previous autumn census. This lag means schools can educate a different number of pupils than they are funded for. This lag is 7 months in maintained schools and 12 months in academies.

Despite the issue with growth a lagged funding system is preferred as this gives certainty, it also gives planning time where a school is experiencing falling rolls.

Growth Fund

A growth fund enables additional funding to be paid to the schools experiencing the lagged growth to support additional salary costs incurred for the additional pupils.

Currently local authorities receive a growth allocation and operate a local funding arrangement, in Bolton the growth fund allocation is £1.9 million, some of this funding is for implicit growth, this is where pupil numbers are amended within the formula for new and growing schools. These adjustments utilise £1.1m of the Growth fund. The balance of the Growth Fund that is available creates a growth pot for existing schools where they are asked by the Local Authority to increase the PAN to address basic need.

Falling Rolls Fund

Local authorities can make this available for schools with significant short-term falls in pupil numbers, which are :-

- expected to be reversed in the near future, in order to ensure that capacity that would be required in the near future is not put at risk.
- Good or Outstanding at their most recent Ofsted inspection

Bolton does not operate a falling rolls fund.

Proposed Changes

The proposal is that, when a hard NFF is implemented, funding for growth, new and growing schools, and falling rolls will still be allocated, however the method through which this funding is allocated would change moving to a new national approach.

Forecast pupil number growth would be collected from local authorities and academy trusts. Additional funding would be allocated to schools with significant additional growth with an adjustments process if the growth did not materialise.

Local authorities inform the ESFA which schools are forecast to see a significant decrease to their number on roll in the coming year with data to demonstrate that their spare capacity is likely to be needed within the next three years.

Funding would only be provided 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.
- Good or Outstanding grade at the most recent Ofsted inspection.

Not all growth in schools is to meet basic need. Growth can also occur where a school

becomes more popular with parents and children locally. For popular growth funding it is proposed to make funding available for schools which have seen an increase in popularity, after being recently sponsored by a multi-academy trust which has improved the school's performance. This funding would, therefore, be targeted at academies, rather than all schools – "to reflect the unique role that academy trusts have in turning around previously under-performing schools"

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

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

10. TRANSITION

Currently under a soft NFF there is flexibility at local level, for example some factors are optional and there is flexibility over the values. In addition a Looked After Children factor is permitted however is not in the NFF.

Bolton utilise all the factors besides sparsity, and values are the same as the NFF values except free school meals.

The consultation proposes in 2023-24 a move further to the NFF in that all factors should be used and cash values move 10% closer to NFF values in 2023-24, 15% in 2024-25 and 20% in 2025-26. Any new premises factors will be exempt from these requirements in 2023-24.

Any LA that is within 1% of the NFF values would be seen as mirroring the NFF and no further movement towards would be required.

In Bolton this would mean adopting Sparsity factor and moving the FSM value closer to the National Funding Formula. It is hoped this move on FSM would be manageable as lagged data was the reason for the variance.

Minimum Funding Guarantee (MFG) protections will remain in place during transition to a hard formula.

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?

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?

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?

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?

Currently the EAL and Sparsity factors have flexibilities which the LA can use:-

EAL

LAs have flexibility relating to the number of years in which an EAL pupil has been in the school system, in order to attract this funding. It is proposed that this flexibility should be removed from 2023-24 so that all LAs would need to use the NFF's 'EAL3' measure, in which pupils attract this 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

Bolton Currently use EAL3 within the formula

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?

Sparsity

The 'sparsity' factor includes a number of flexibilities which LAs can currently use. LAs can apply a different 'tapering' to the sparsity factor, which determines how much remote schools are allocated (determined by how small and remote they are). LAs can also set different thresholds for how small and how remote schools must be to be eligible for sparsity funding. A new methodology for calculating sparsity distances has been introduced in the NFF from 2022-23, therefore it is planned to retain these flexibilities in 2023-24, to minimise the disruption for LAs

Bolton doesn't use the sparsity factor currently.

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

11. COMPLETING FUNDING REFORMS WITHIN A SCHOOL LED FUNDING SYSTEM

The move towards a hard NFF has implications and interactions with wider aspects of the funding system and how it supports a school-led system: -

- Multi Academy Trusts (MATs) pooling of funding
- Central school services
- Supporting SEND provision
- Local and national decision making
- A consistent funding year

MATs Pooling of Funding

MATs can pool their General Annual Grant (GAG) funding to form a central fund which allows a Trust to pool some of the funding provided for all of the pupils for which it is responsible and distribute it differently between its constituent academies.

This freedom will remain in the move to a hard NFF and will continue once the transition to a hard formula is complete

The benefits it is thought this brings are:-

- It can allow trusts to provide common services across all their academies efficiently, without the need for complex and bureaucratic re-charging systems

- to help them to turn around under-performing schools they can direct funding to urgent school improvement priorities

Central School Services

Ongoing services that are delivered centrally (either by LAs, or by academy trusts) for schools fit into three broad categories: -

- Local authorities' ongoing responsibilities for all schools
- Central functions for schools that local authorities (for maintained schools) and MATs (for academies) are responsible for (de-delegated services)
- Optional traded services for all schools paid out of individual school's delegated budget share that are offered to schools to buy or not.

The ongoing services will be subject to review and which category services should sit under. A clearer list of services to be funded centrally will be set out, with a greater move to de-delegated and traded services. There will be a more technical consultation covering this. It will be considered whether any funding for local authority responsibilities would become part of the Local Government Finance Settlement rather than the current Central School Services Block of the DSG.

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?

Historic Commitments

The CSSB includes an historic commitments element, relating to continuing expenditure by LAs on commitments entered into before 2013, on activities which since that date have been deemed not to be appropriate for local authorities to fund directly from the DSG. From 2020-21, funding has been reduced by 20% per year as it is not believed to be fair to maintain significant differences in funding indefinitely which reflect decisions made by some LAs a decade or more ago.

It is proposed that the department fully removes the remaining funding for historic commitments by the time the hard NFF is introduced.

It is proposed 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.

Bolton has a budget of £536,000 historic commitments in 2021-22, none of these are identified as unavoidable legacy payments

Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

Supporting Effective SEND Provision

This consultation has been published ahead of the publication of the government's SEND Review. The recommendations of the SEND Review will have important implications for how support for pupils with SEND is delivered and funded, including in mainstream schools, therefore there will need to be further consultation in the future on how the move to a hard formula can best support and deliver the specific recommendations coming out

of the SEND Review, once published. This is likely to form part of the second stage consultation on the hard formula.

Future consultations will also consider whether a new mechanism to replace block transfers will need to be considered where LA's continue to face significant unavoidable pressures on their high needs spending and will also consider the future of notional SEN budgets.

Local and National Decision Making

In the long term, the introduction of a hard NFF will change the role of schools forums in some important ways, but not remove the need for a local forum to facilitate the engagement of schools and other providers in decisions and consultation on local matters however some of the Schools Forum powers and responsibilities will no longer apply:-

- Changes to local funding formula
- Block movements
- Allocation of Growth Fund
- De-delegation of central services

Responsibilities that would continue include:-

- Early Years funding
- funding central services to schools
- High Needs funding, eg commissioned places and top up arrangements

A wider review of Schools Forums will take place at a later date however the consultation stresses that schools forums are important to the stakeholder engagement role the inform the development of school funding policy, and this would not change under a full NFF.

Consistent Funding Year

Maintained schools and academies are currently funded on different cycles: -

- April to March financial year for maintained schools,
- September to August academic year for academies. T

This difference between the funding cycles means that, at a pre-16 level, maintained schools and academies are likely to be receiving different funding amounts for 5 months of a year, despite having otherwise the same characteristics. This does not align fully with the intention of moving to a hard NFF - that schools with the same characteristics should receive the same amount of funding

As schools plan curriculum and staffing on an academic year the consultation considers whether maintained schools should move to funding on an academic year basis.

Maintained schools would have a different financial reporting cycle and funding cycle as the accounts would remain on a financial year basis because they are part of the Local authority accounts.

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?

12. RECOMMENDATION

The Schools Forum is asked to note and comment on the report

Annex A – Consultation Questions

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

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Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

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?

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?