



# DfE Consultation Fair school funding for all: completing our reforms to the National Funding Formula

*Consultation Response*



# Main Elements of the Consultation

The main elements of the consultation can be split into themes as follows:

## 1. Completing the National Funding Formula (NFF) reforms

Questions in the section relate to:

- The scope of the directly applied (“hard”) NFF
- Growth and Falling Rolls funding
- Next steps in transitioning to the hard NFF

## 2. Completing other elements of funding reform

Questions in this section relate to:

- The Central Schools Services Block (CSSB)
- A consistent funding year for all schools

# Scope of the Hard NFF

- The aim of the NFF is to embed the following principles into the funding system:
  - **Fairness** – each mainstream school funded on a consistent basis, to reflect their needs and circumstances.
  - **Simplicity and transparency** – 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

## Proposal

- Subject to the further development of premises and growth funding factors, it is proposed to include all NFF funding factors – pupil-led and school led – in the hard formula, without further local adjustment through local formulae.

## Questions

**Q1.** Do you agree with the aim to include all pupil-led and school-led funding factors in a hard formula, without further local adjustment through local formulae?

- Yes (agree in principle with the move to a national formula and have been working towards this)

**Q2.** Do you have any comments on how premises funding could be reformed during the transition to the directly applied NFF?

- We have some concerns about the ability to standardise a formula to adequately reflect the local and individual school circumstances in over 20,000 schools and await the further consultation on these specific issues. Specific factors in the Buckinghamshire formula support split site and small schools and we would want to ensure that any standardised formula will not disadvantage small schools

# Growth Funding

## Proposal

- To use national, standardised criteria to allocate all aspects of growth and falling rolls funding on a lagged basis, including funding for growth to meet basic need for new schools (including start up, growing schools and falling rolls funding).

## Questions

**Q3.** Do you agree with the proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

- No (see comments to Q4)

**Q4.** Do you have any comments on our proposed approach to growth and falling rolls funding?

- We support increased standardisation in allocation of growth funding for new schools as it will improve consistency in how new schools are supported.
- There are potential risks to ensuring sufficiency of school places if local funding discretion is removed from discussions around place planning. This would particularly apply in situations where local flexibility is required to meet pressure on places in a particular area, for example a need for an additional class.
- We disagree with the proposal to target growth funding for schools which have seen an increase in popularity towards academies only. School improvement is driven by high quality school leadership and teaching, which can occur irrespective of a school's governance structure, so funding to reflect an increase in pupil numbers due to popularity should be accessible to all schools.
- Not all authorities currently operate a falling rolls fund. Where it is in place it is often to reflect specific local circumstances which would be difficult to reflect on a standardised basis

# Next Steps towards a Hard NFF

## Proposal

- There is recognition that there is increasing alignment between many local funding formulae and the National Funding Formula. Intention over the coming year is to increase that alignment.
- No changes planned for 2022/23, however, for 2023/24 intent is to make all local formulae factor match existing NFF factors and remove flexibility around EAL factor regarding number of years assessed.
- Where LAs aren't already closely aligned to NFF, it is proposed to require values to begin to align by 10% in 23/24, 15% in 24/25 and 20% in 25/26 (subject to review).
- There is recognition that some variance could still exist in the interim due to affordability gap.
- MATs will be permitted to continue to fund schools through a local assessment of need.

## Questions

**Q5.** 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?

- Yes

**Q6.** Do you agree that all LA formulae, except those that are 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?

- Yes

# Next Steps towards a Hard NFF

## Questions

**Q7a.** 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?

- Yes

**Q7b.** If you do not agree, can you please explain. N/A

**Q8.** 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?

- No further comments (BC already mirrors the NFF)

**Q9.** Do you agree that the additional flexibility for LAs in the English as an Additional Language (EAL) factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24?

- Yes (BC already uses the factor that is proposed as it recognises and funds pupils for their first 3 years in a school)

**Q10.** Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

- Yes (BC gains from this proposal as more schools are in scope)

# Central School Services Block (CSSB)

- Through the move towards a hard NFF the DfE intends to review the way in which funding for central school services should work, with local authorities having less flexibility to determine how the DSG allocated to them is used.
- The DfE will review central DSG spend and set out a clearer list of services that can be funded centrally and what services can be de-delegated (from maintained schools) or traded. A more technical consultation on the future of central school services will be issued.
- It is possible that, after reviewing central school services, there may be a decrease in services remaining with the LA that are centrally funded with more services de-delegated or traded. Under such a scenario the DfE would consider whether the local authorities' funding for those should become part of MHCLG's Local Government Finance Settlement (LGFS) rather than a reduced CSSB. This will impact on funding for those services as DSG is a ringfenced grant whilst funding allocated through the Local government Finance Settlement will not be specifically identified.
- The document also confirms the DfE intention to continue to reduce funding for Historic Commitments and remove it by the hard NFF is introduced (the document does not confirm which year this will be). Within that, there is likely to be a grant to replace funding for any Premature Retirement Costs in schools currently funded from the central DSG.

# Central School Services

## Questions

**Q11.** 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?

- We await further clarity from the Department on those services which will continue to be centrally funded and those which are to be funded through de-delegation or top-slice, or through traded services. It is difficult to comment fully on the proposals prior to that. There are financial efficiencies to be gained through holding funds centrally following de-delegation and it is important that this facility remains for some activities.
- Moving the funding for delivery of centrally provided statutory education functions into the non-ringfenced general fund would result in a transfer of financial risk to the LA if these areas faced pressures and would also be impacted by the wider pressures faced by LAs to make savings. Consideration should also be given to any wider impacts of transferring funds on the methodology of general fund allocation.

**Q12.** Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

- Yes (These are unavoidable costs therefore it is important to continue to fund)

# Consistent Financial Year

- Maintained schools and academies currently operate different financial years.
- The consultation states that the DfE wants to explore the pros and cons of whether funding for maintained schools should be allocated on an academic year basis following the move to a hard NFF, to give a consistent financial year for all schools.
- Whilst schools will plan their staffing and resources on an academic year basis this would have the potential to cause some complications with accounting and financial reporting as maintained schools would still be operating within the local authority financial year for accounting purposes.

## Questions

**Q13.** How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

- Agree (note - the document is not specific on what this would look like but we are interpreting it as a simple arrangement similar to how we currently account for post-16, meaning it should be a straightforward system to operate)

**Q14.** 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?

- We agree that schools tend to plan on an academic year basis and therefore a consistent funding year has some advantages.
- There will be a lag in the first year as maintained schools move from receiving updated funding allocations in April to receiving their new allocation in September. This is a disadvantage to growing schools in that first year.
- We are making the assumption that the administrative and accounting arrangements will be similar to those for post-16 funding in maintained secondary schools and therefore systems and processes can be put into place to enable a financial reporting year to be different to the funding year – it would be helpful for any further proposals to include more detail.

# Equalities Impact

**Q15.** Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change. Before answering this question, please refer to Annex (C) of the consultation document.

- In supporting the principle of moving towards the hard NFF we expect that the formula will continue to be kept under review especially in relation to how the formula targets support for disadvantaged pupils

# Comments

**Q16.** Do you have any further comments on our move to complete the reforms to the National Funding Formula?

- We are in support of the progression towards a hard NFF to enable consistency and fairness in funding for schools. We have been moving towards mirroring the NFF over time.
- It is essential that the formula continues to be kept under review. In supporting the principles of a hard NFF we would expect that the formula continues to develop to effectively target funding to need.
- The document flags a number of further consultations to follow and these will be important in bringing detail to some of the key issues raised.
- The document does not give clarity on the timelines for the implementation of a hard NFF other than to suggest a start to move closer from April 2023. Timelines for changes to both the formula and to central schools funding will be important to support local authorities in planning ahead.