

Document NG Appendix 2

Response proposed to the DfE's National Funding Formula Consultation

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?

- Yes
- No
- Unsure

a. Yes, but with caveat.

Recognising how the current system sits, the idea of incorporating all pupil-led and school-led factors into the single national formula is a sensible one. The Department would need to communicate early its intentions for the following years' NFF values to ensure that effective planning can take place at local level and to meet the additional stated aim of making funding efficient and predictable.

However, there are areas that the Department must more closely consider, to ascertain whether a single national factor, without the opportunity for local adjustment, provides for the best solution / the best fit. For example, and of greatest concern to Bradford, it is likely to be difficult to implement a single national PFI factor that accurately and fairly funds authorities for PFI costs. The facility, which currently enables the transfer of monies from the Schools Block to the High Needs Block, would be removed following the proposed transition to hard NFF and this is also a specific point of concern.

In the language the current consultation uses, it is evident that there is a significant amount of formula development work still to take place. In this context, where demonstrably a single national formula approach 'does not work', we ask that the Department considers the options for retaining appropriate elements of local control, within a national formula funding approach, rather than seeking to 'force' a single solution for the sake of meeting an initially stated aim.

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

- a. It is reassuring to see that the Department will consult further on changes to the PFI factor and recognises that this is a complex area to reform. The varying nature of cost and scale between local authorities means that it may be difficult to find a 'one-size fits all' approach. As a bottom line, reform of the PFI factor must not detrimentally affect the ability of any local authority or individual school or academy to meet its contractual obligations. This might suggest that the NFF PFI factor will need to contain within it some form of minimum protection, even after any transitional period.

As an authority with PFI, we would very much like to input into the PFI factor review, as appropriate, at the earliest opportunity.

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

- Yes
- No
- Unsure

a. **Yes.**

As these two funds have a direct relationship with core NFF-led funding, it makes sense to seek to apply standard criteria to their allocation.

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

a. Allocations will still depend on collecting information from local authorities, which is a continued administrative burden and should be recognised as such. This data collection risks generating more administration but also more lag, due to the fact that any Growth Fund adjustment made in the following April will be an extension to the current delay of allocating the correct amount for that year. Where the Department proposes to standardise the criteria for the Growth Fund, determining and paying allocations could instead be passed to local authorities, who would use the standardised criteria. This may potentially better allow schools to receive more timely allocations.

Data used for the calculation of the Falling Rolls Fund is quite changeable (subject to longer term numbers forecasts) and the timing of any collection of data must be considered closely. Again, in the interests of minimising administration and lag, local authorities could be given responsibility to allocate FRF monies using criteria set by the DfE.

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?

- Yes
- No
- Unsure

a. **No.**

Since 2018, transitioning to the NFF should have become an active consideration for all authorities and this should now especially be a consideration for authorities that have yet take significant steps towards 'mirroring' the NFF.

However, all local authorities need time to plan changes from this point on, to avoid excessive turbulence, and it will be beneficial for the changes that authorities must make to be introduced in stages. If the Department is keen to implement the NFF in the medium term, local authorities should be required to move to use the NFF factors. However, we would question whether to have this completed by 2023/24 is the correct time-frame to follow. We would suggest that consideration is given to allowing authorities to manage this movement over 2 more years from this point i.e. for 2024/25. This will allow time for authorities to take incremental steps across both 2022/23 and 2023/24. Moving too quickly may simply increase the number of schools and academies placed onto the Minimum Funding Guarantee or onto the

Minimum Per Pupil Funding Level top up, which may have consequences for their funding under the hard NFF going forward should these two protections be significantly amended.

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?

- Yes
- No
- Unsure

a. **Yes.**

Generally, as an Authority that is currently 'mirroring' the NFF, we have no strong opinion on this proposal. However, we would wish to reinforce our response to question 5, that although closer movement should be an active consideration, all local authorities need time to plan changes from this point on, to avoid excessive turbulence, and it will be beneficial for the changes that authorities must make to be introduced in stages. Taking incremental steps to move closer to the NFF over 3-4 years would fit with this.

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?

- Yes
- No
- Unsure

a. **Unsure.**

As an authority that is currently 'mirroring' NFF, we have no strong opinion on this from a 'scale of movement' point of view. However, we do have concern about how all authorities will have flexibility to manage their Schools Block affordability over the transition period. Currently, authorities can ensure that their Schools Block arrangements stay within funding by amending their formula values. If restrictions are placed on the extent to which these values can be adjusted, this may cause difficulties for authorities in managing the overall cost of their formula arrangements. This may also affect how cost reduction adjustments are 'fairly and evenly' managed. For example, authorities might be required to disproportionately reduce the funding of schools on the Minimum Funding Guarantee, or increase the level of any ceiling (or introduce one), in order to stay within budget, as reducing the level of the MFG or increasing (or introducing) the ceiling may be the only mechanisms available to reduce formula funding cost.

A critical question for us is, how will the Department's arrangements allow flexibility for authorities to manage Schools Block affordability over the transition period?

The Department must consider whether an enforced change of too great a size in one go would create future dependency, on the Minimum Funding Guarantee and / or on some form of ceiling arrangement.

The Department must also consider, and advise authorities further asap, on how Schools Block reserves (or underspends from this point onwards) can be released through formula funding under threshold arrangements. As an authority currently mirroring the NFF, we understand that we will not be permitted

to 'overshoot' the NFF, meaning that we will not be permitted to allocate available Schools Block reserves, or under-spends from this point, into our formula. The Department should provide further guidance to authorities on how Schools Block DSG reserves and under-spends can be used in the run up to the hard NFF, presuming that reserves will no longer be needed once hard-NFF is fully implemented.

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?

- a. Please also see our response to question 7. The threshold should be set to allow all authorities sufficient flexibility to 'fairly and evenly' manage overall Schools Block affordability over the transition period. This includes the flexibility to absorb the additional cost of formula funding at local level that comes from the annual data lag (lag between the census and other data used by the DfE to determine authority-level Schools Block allocations and the census and other data that must be used to calculate individual school and academy formula budget shares).

The Department should also consider issuing guidance to local authorities on how they will be able to allocate DSG reserves or under-spends that may not be required to be held under hard-NFF arrangements in the future. Too tight a threshold might not permit the release of this funding appropriately.

The DfE's consultation recognises that block transfers out of Schools Block would be prohibited under the hard-NFF and that sustainable funding models for other blocks would need to be implemented. We suspect that, in their responses, a number of authorities will raise concerns about thresholds over the transition period with reference to High Needs Block affordability. We would echo these concerns and there needs to be flexibility to manage this.

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?

- Yes
- No
- Unsure

a. **Yes.**

As an Authority that is currently 'mirroring' NFF, we have no strong opinion on this. However, this smaller adjustment would be a way of taking managed incremental steps towards the hard-NFF.

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

- Yes
- No
- Unsure

a. **Unsure.**

The Department has recognised that small sparse schools required additional support, has amended the way in which sparse schools are defined and has increased the amount payable to sparse schools. As stated

repeatedly in our previous consultation responses, the Department must now look at the ways the hard-NFF will better support small urban schools, which face many similar issues relating to the management of fixed costs; whether this is by simply increasing the lump sum provided for under the hard-NFF or by an additional small school protection factor.

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?

a. Our more considered response will need to wait for more detailed proposals.

We would wish to ensure, in making any changes, that the Department has fully worked through the knock-on consequences of its proposals, ensuring that sufficient funding continues to be allocated to authorities, in a fair manner and uplifted for specific pressures relating to education services (rather than just uplifted for general inflation measures). We would suggest that there also needs to continue to be some mechanism for identifying and ring-fencing this funding within the LGFS (so that sufficiency can be reviewed and challenged if necessary).

There is a general risk in transferring the CSSB to the LGFS that this specific funding is 'lost' and will be used for services other than those previously intended. How would a CSSB transfer affect the current spending ring-fencing, and 'fair and equal' condition requirements; would these be retained?

A transfer would be a rather substantial policy change and more detail needs to be provided by the Department to enable our fuller response. Transfer is likely to require careful gradual transition and early warning.

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

- Yes
- No
- Unsure

a. **No.**

An aim of the NFF is to secure equality and fairness nationally irrespective of local decision making. We accept that there will need to be further transition. However, on a general basis, to continue to fund individual authorities that have historically taken DSG-related actions, when other authorities have either managed circumstances differently or have met costs differently (including from general funds), feels be unfairly rewarding some authorities over others. We would not agree with a replacement legacy grant that would provide continued advantage in these circumstances.

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?

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

a. Disagree.

We answer this question with the understanding that we would have the opportunity to provide another response (in the next stage of consultation) should this proposal be taken forward and should more detailed options be presented. Currently, we do not have any appetite for such a change.

We also answer this question on the understanding that this isn't a lead towards the Department seeking to move all aspects of maintained school finance (Y/E, CFR Reporting etc) onto an academic year basis. We would strongly disagree with this.

Whilst it may be nationally administratively beneficial for the DfE / ESFA to seek to align the hard-NFF funding for both maintained schools and academies, the movement to the management of the funding of maintained schools on an academic year basis, whilst maintained school financial accounts continue on the current financial year basis, will result in substantial knock on changes, which would have to be 'squared' by local authorities.

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?

- a. The Department certainly must assess the impact of the additional lag in funding for maintained schools that would be created by changing the funding cycle onto an academic year basis. Currently, maintained schools only see a 7-month lag between data and funding. The movement to a full year of lag, on an academic year basis, will likely generally be viewed by maintained schools as a negative rather than as a positive change to the funding system (reduces responsiveness).