

## SCHOOLS FORUM AGENDA ITEM

For Action For Information **Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

This report provides a briefing on the DfE's latest consultation on the transition to the 'hard' National Funding Formula in the Schools Block, which was published on 7 June 2022. The deadline for responses to this consultation is 9 September 2022.

**Date (s) of any Previous Discussion at the Forum**

The Forum considered at the 18 May meeting the DfE's response to the September 2021 consultation (which was published at the end of March).

**Background / Context**

The DfE in 2018/19 implemented the National Funding Formula (NFF) across the Dedicated Schools Grant (DSG), and within the Schools Block, in 'soft' format, meaning that local authorities can still decide the formulaic calculations that are used for distributing Schools Block funding to mainstream primary and secondary schools and academies, albeit within tight Regulations. Local authorities continue to set their own Growth Fund and Falling Rolls Fund arrangements. There currently are also elements of Schools Block funding that are not yet covered by the NFF, the most prominent of these being the funding of PFI (Building Schools for the Future).

The DfE has for some time stated that its longer-term intention is to transition to a 'hard' formula approach, where Schools Block formula allocations will be calculated by the DfE, rather than by local authorities, using a national funding formula. The DfE launched, in July 2021, a consultation, to gather initial views on how to complete the transition to the 'hard' NFF. The DfE published its response to this consultation at the end of March 2022 and we presented a briefing on this to the Schools Forum meeting 18 May. Within this briefing, we highlighted that:

- Implementing a 'hard' NFF remains the long-term aim of the DfE, linking to the March Schools White Paper. However, the DfE understands that transition must be actioned carefully, to minimise turbulence. Change will happen gradually and following impact review at each stage.
- For 2023/24, the DfE will instruct all local authorities to use each of the NFF factors, and *only* these factors. The DfE will also instruct that all authorities that do not already 'mirror' the NFF must move their formula to be closer to the NFF values, by at least 10%. Those that already mirror will have a '1% threshold' allowance. This suggests that authorities that already mirror the NFF will have some, but not much, flexibility to vary their formulae to move away from NFF e.g. in order to manage affordability issues.
- The DfE continues to recognise the complexities of moving premises factors (split sites, PFI), as well as Growth Fund and Falling Rolls Fund arrangements, into a hard NFF. Regarding Growth and Falling Rolls, the DfE is minded to continue an element of local management of these funds.
- Review will be conducted of the services that are delivered by the Central Schools Services Block, which the DfE states will align with the Schools White Paper, and further consultation will take place. The option of de-delegation by local authorities will continue under the hard NFF. Multi Academy Trusts will continue to be permitted to 'top slice' and to pool funding, although the DfE is to investigate changes that could improve the transparency and consistency of these processes.
- The DfE will "not prioritise" bringing the funding of local authority maintained schools onto an academic year basis, in line with academies.

We have previously emphasised to the Schools Forum that:

- In anticipation of the transition to hard NFF, we have already moved to using the NFF for our local Schools Block formula (since 2018). So, much of what the DfE proposes about requiring authorities to move closer to the NFF from April 2023 isn't an immediate worry. Our concerns are more related to cost control during the final transition period.
- One of the biggest potential risks for us is the funding of PFI (Building Schools for the Future) within the Schools Block, where the Council and individual schools and academies have contractual commitments.
- Early Years and High Needs funding is expected to remain managed by local authorities.

## **Background and Context**

- The Schools Forum will have an adjusted roll in the future, as there will be minimal direct Schools Block formula funding activity to manage. However, the Forum will still be an important local body going forward, including for early years, for high needs and for central services. How the Forum will sit alongside other partnership bodies, that are proposed to be developed from the SEND review, in the management of the High Needs Block, will be a specific aspect to consider.

## **Details of the Item for Consideration**

The DfE's latest consultation can be found here:

<https://consult.education.gov.uk/funding-policy-unit/implementing-the-direct-national-funding-formula/>

This report summarises and highlights the key points, for consideration by Forum members, in advance of the Authority preparing and submitting a consultation response. The Authority will submit this response over the summer (to the 9 September deadline) and will give the Forum sight of this in its September meeting.

This latest consultation is rather technical. As such, it is more accessible to funding officers than to Forum members (and will likely be responded to nationally by officers rather than School Forums)! It does not deliver any major surprises, however, with the exception of split-sites funding. It moves incrementally from the previous consultation, primarily to present further options for, and details of where the DfE has got to so far on, the development of specific technical aspects of the hard National Funding Formula, especially split-sites funding, the Growth and Falling Rolls Funds and how Schools Block to High Needs Block contributions could continue. The consultation also sets out a proposed funding cycle (how and when key pieces of information that are needed to operate the hard NFF system would be collected, when consultations would take place, when local permissions would need to be sought from the ESFA). However, the wider key headlines are:

- Although there still isn't a date for when the hard NFF will be implemented, the DfE sets out the aim for full implementation within the next 5 years - by 2027/28 at the latest; sooner if possible, but no later.
- The Minimum Funding Guarantee will continue, and will be amalgamated with the NFF-floor, to provide a single protection mechanism that is fully pupil-led (removing indirect protection of school-led factors).
- De-delegation will continue, with a different process for authorities informing the ESFA (as no APT).
- The NFF will contain a split-sites factor, from April 2024. Local authorities will be required to use this factor, replacing their previous methodologies. The consultation sets out a proposed split-sites formula, which will quite significantly alter levels of funding for split-sites, especially in the secondary phase.
- Whilst, to achieve greater consistency, there will be further prescription and restriction, the Growth Fund and the Falling Rolls Fund are likely to continue to be managed locally. This approach is preferred by the DfE, rather than seeking to operate these funds on a single national basis. How the Growth Fund and the Falling Rolls fund will operate, and how these funds can be used to support schools and academies, is being reviewed and also potentially extended, including explicitly to incentivise the management of surplus places (supporting the "repurposing and removing" of space). Change is expected for April 2024, with funding ring-fenced and 're-baselined' at 2023/24. Levels of growth funding allocated to authorities may not continue at current levels, as both the growth and reduction in numbers will be taken into account.
- Whilst work is continuing on an approach to PFI funding, the DfE does not yet give any timescales for the implementation of a new NFF mechanism nor any details of this.
- There will continue to be a local option for the movement of Schools Block funding to the High Needs Block, with local agreement but via application to the ESFA, using a standard 'menu' of options. The role of the Schools Forum here, in relation to the local partnership arrangements that are proposed by the SEND review, is to be further considered.
- The composition of the NFF itself is being reviewed, to ensure that this remains relevant and fit for purpose. A specific area of review that is highlighted is the Low Prior Attainment factor, which has recently been affected by the COVID-19 pandemic and by changes in assessments.
- There will be further consultations that will take place in the near future, including on the position of the Central Schools Services Block (following the White Paper), the operation of the Schools Block following the SEND review reforms, PFI, and the funding cycle. No timescales are given for these additional consultations.
- The concept of a 'notional SEND' budget will continue under the hard NFF. It is expected that a fully consistent definition will be applied at the point the hard NFF is implemented. In advance of this, for 2023/24, the DfE will provide new guidance for local authorities with the aim of improving consistency.
- The DfE is considering providing a 'calculator tool' so that schools and academies can plan their budgets.

### Details of the Item for Consideration

- The timing of local consultations on still locally-relevant Schools Block matters, such as transfers to the High Needs Block and de-delegation, will likely need to take place earlier in the cycle than it does now ('by' autumn rather than 'in' autumn), in order to pass on the critical information that the ESFA will then use to calculate individual allocations for schools and academies.
- The DfE will continue the 'popular growth' funding mechanism, that is currently applied to academies, where academies that have taken over underperforming undersubscribed schools see significant in year growth in pupil numbers can be funded on estimates of in year numbers, rather than on actual lagged census numbers. The DfE states that there has been criticism that maintained schools are not eligible for this mechanism and so now asks for views on whether this mechanism should be extended to maintained schools.
- As has been highlighted from analysis of previous consultations, the role of the Schools Forum is set to change in the future, in the light of the reduction in the local activity that will be associated with the management of the Schools Block, as well as in response to the SEND review reforms and the Forum's role in the management of funding of high needs provision.

### Schools Block to High Needs Block Contributions

The first section of the consultation focuses on SEND funding, and the links between the Schools Block and the High Needs Block. Transfers from the Schools Block to the High Needs Block are currently permitted, up to a value of 0.5% of the Schools Block, with the authorisation of Schools Forum. Amounts above 0.5%, or where the Schools Forum does not agree, require local authorities to submit a 'disapplication' request to the Secretary of State (SoS). The consultation proposes to streamline processes here, and to limit the circumstances under which a local authority can apply for a contribution to the High Needs Block, by reducing NFF-calculated allocations for individual schools and academies, to a 'menu of options', rather than continuing the relative flexibilities that are available currently. The detail of these options, and further criteria, are still to be determined, but the criteria are expected to reflect the aims of the SEND Review green paper. The method of reducing school and academy NFF-based allocations, that would follow from a locally-agreed contribution to the High Needs Block, is also proposed to be standardised, with local authorities instructing the ESFA using a pre-set 'adjustments menu' of pupil-led NFF formula factors.

In the new process, under the hard-NFF, local authorities that apply to the SoS for a contribution from NFF allocations will be expected to consult earlier, and more widely, and to provide evidence of this consultation within their disapplication requests. As stated above, the role of the Schools Forum in the management of transfers of funding is to be reviewed in the context of the operation of local partnerships, following the SEND review.

### Notional SEND

In order to ensure consistency, the consultation proposes that a national standard calculation of Notional SEND is implemented at the point the hard-NFF is established. However, the latest consultation does not yet propose a calculation. Currently, local authorities use their own methodologies to determine their values of Notional SEND budgets within mainstream primary and secondary formula funding. There is significant variation in practice. In an initially step, for 2023/24, the DfE has said that it will provide new guidance for local authorities with the aim of improving consistency. This may affect our 2023/24 arrangements,

As part of the 2019 SEND Call for Evidence, some responses called for the Notional SEND budget to be 'ring-fenced'. However, the DfE is not proposing to take this step.

### Growth and Falling Rolls Funding

In the first consultation, the DfE proposed to introduce a standardised national centrally managed process for the allocation of Growth and Falling Rolls funding to schools and academies. Following responses, including our own, the DfE has stepped back from this and, although does set out an option for a national process, states that its preferred way is to continue to operate these funds locally, but combining local flexibility with more prescription and regulation. We assume that the DfE will take this option forward. So, although there will be greater consistency, this proposal does 'step away' from establishing a completely centralised approach to funding.

Where local flexibility is retained, the DfE will make changes to legislation to mandate that local authorities prepare more consistent policies and also restrict the operation of these funds. Each local authority would be required to submit their criteria to the DfE for scrutiny. The formulation of growth and falling rolls policies would be standardised, to only allow certain methods of allocation (e.g. lump sum, or per pupil, or both). There would be minimum requirements in respect of the values of allocations that are passed out to qualifying schools and academies. The DfE may also choose to set minimum expectations and set specific circumstances in which growth and falling rolls funding must be automatically triggered. The DfE could also require local authorities to 'ring-fence' growth and falling rolls funding, meaning that, if these funds are unspent, they could be added to DSG balances to be carried forward or could be repaid back to the DfE.

### Details of the Item for Consideration

In respect of the Falling Rolls Fund, the DfE states that it is considering whether to continue to allow only 'good' or 'outstanding' schools and academies to access this. The DfE also asks for views about widening the scope of growth and falling rolls funding to allow local authorities to use this funding to repurpose or remove surplus capacity. This is an area of policy development that we would be especially interested in, in the context of our current demographic trends.

It appears from the consultation that both growth and falling rolls would be funded at DSG-level. Currently, we only receive DSG funding for growth; falling roll funding is generated through top-slicing Schools Block funding. This might be a significant positive. However, against this, we may find that the value of growth funding that we receive at DSG-level may reduce, as the DfE suggests that reductions in numbers will be offset from growth in numbers in order to allocate growth funding. At the moment, we receive growth funding taking account of gross growth only. This is an aspect of the changes that we need to monitor.

#### Split-Sites

Split-sites funding is not currently included in the National Funding Formula. We use our own local approach, as do all other local authorities, and we are funded by the DfE based on the previous year's cost. Only a small number of our schools and academies currently receive split-sites funding – 8 primary and 3 secondary. Our spend on this factor in 2022/23 is £0.425m (£0.137m primary and £0.288m secondary).

The latest consultation sets out in technical detail a proposal for a NFF split sites factor, which would be implemented (and would be compulsory) at April 2024. The consultation proposes to establish a new clear definition of split sites for a) basic eligibility and b) distance eligibility. Funding is proposed to be allocated only on a lump sum basis, rather than per pupil, with the value linked to a % of the lump sum that is allocated by the NFF. In effect, the factor provides additional lots of lump sum funding to recognise that split-site schools and academies have duplicated and additional fixed costs.

Without presenting the full technical detail in this note, we highlight 5 points for the Forum's awareness:

- We will need to complete a data collection and verification exercise with our split-site schools and academies, in order to provide the ESFA with the information it needs to calculate split-sites funding within the NFF. We will be required to submit information within our 2023/24 APT return.
- The DfE's proposed model potentially will change (and will reduce for some) the value of funding a school or academy receives for split-sites, depending on their circumstances. It is not particularly 'generous' by comparison with our existing approach, especially for the secondary phase. There are a number of reasons for this, including the use of a lump sum that is linked the NFF-lump sum.
- Some of our existing schools and academies may no longer be eligible for split-sites funding, depending on their circumstances and how these sit with the DfE's new definitions. We will be able to discuss this with each school and academy as part of our data collection and verification exercise.
- Significantly, the DfE proposes to exclude schools and academies that operate split-site playing fields (where they also have maintenance costs of these) from accessing split site funding. A requirement for eligibility will be that the site has buildings that are used for education (and not ancillary) purposes. If implemented, this will have a significant impact on 2 of our secondary schools / academies that currently receive funding for this purpose through our split-sites factor.
- The DfE has stated that any change in split-sites funding that comes as a result of formula change will be protected by the Minimum Funding Guarantee in 2024/25, which will continue. A change in formula is something we will need to manage within our 2024/25 cycle.

#### Exceptional Premises Factors

Whilst this is not currently relevant to us, for the Forum's awareness, the DfE proposes to restrict and to standardise under what circumstances schools and academies may be given additional premises funding through the exceptional circumstances factor. Some current uses of the exceptional circumstances will instead be incorporated into existing factors, including PFI.

**Implications for the Dedicated Schools Grant (DSG) (if any)**

The outcomes of the latest NFF consultation will directly influence the Schools Block, from April 2024. We will require further, more detailed information, to be published in order to assess the net financial impact on our Schools Block and on individual school and academy budgets in 2024/25. The consultation does clearly point to a change in the way split-sites funding will be calculated, which, although will not have a significant impact on the Schools Block overall, may significantly alter the funding that individual schools and academies currently receive, albeit that the Minimum Funding Guarantee will provide protection. The proposals around the Growth and Falling Rolls Funds may have significant implications both for the amount of money available to us to support these issues, as well as how these monies can actually be used to support school and academy budgets (especially in the context of reducing pupil numbers). The proposals will also have implications for how wider high needs financial pressures are managed under a hard NFF in the future, and the processes for agreeing Schools Block contributions to the High Needs Block.

**Recommendations**

**Recommended – the Schools Forum is asked to consider and to note the information presented.**

**List of Supporting Appendices / Papers (where applicable)**

None

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