

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 gives the Schools Forum sight of the Local Authority's response to the DfE's latest consultation on the transition to the 'hard' National Funding Formula within the Schools Block. The deadline for responses was 9 September.

Date (s) of any Previous Discussion at the Forum

The Forum considered, on 18 May, the DfE's response to the September 2021 consultation. A report on this latest consultation was presented to the Forum's 6 July meeting (Document OP).

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

Firstly, to quickly summarise the key points regarding the DfE's latest consultation. Please note that we presented a fuller summary of this consultation to the Forum's meeting held on 6 July:

- This latest consultation is rather technical. 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).
- 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. In particular, the DfE proposes to exclude split playing fields from split-sites funding purposes. will directly impact on the funding of 2 our secondary schools / academies.
- 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 Schools 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.

Please see Appendix 1, which is the Local Authority's response that has been submitted.

We now await the DfE's further response, which we expect probably early in the new year. This should then enable us to carry out necessary review work, in advance of our 2024/25 DSG and formula funding setting cycle.

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)

Appendix 1 – The Local Authority's Submitted Response (copy)

Contact Officer (name, telephone number and email address)

Jonty Holden, Principal Finance Officer, School Funding Team
(01274) 431927
Jonty.Holden@Bradford.gov.uk