

Consultation on Move to Direct National Funding Formula for Schools

Schools Forum – 15th July 2022

Introduction

The purpose of today's presentation is to update Schools Forum on the latest position in relation to the move towards a direct national funding formula:

1. Introduction to the Consultation
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Introduction to the Consultation

- On 7th June 2022 the Department for Education (DfE) published a consultation on the next stage of the move towards a direction national funding formula. Full details can be found on the DfE website at the following link:
- [Implementing the direct national funding formula - Department for Education - Citizen Space](#)
- The consultation closes on the **9th September 2022**

Introduction to the Consultation

- Follows on from the first stage consultation undertaken in 2021 – [Fair school funding for all: completing our reforms to the National Funding Formula - Department for Education - Citizen Space](#)
- Stage 1 focussed on principles of moving to a direct formula
- Current consultation focuses on some of the detail of implementation...

Introduction to the Consultation

- No definitive “end date” for implementation.
- Expectation of movement to the direct NFF within the next 5 years – by 2027-28 at the latest...
- Further consultations planned on related funding issues..
- ...but still a lot of unanswered questions...

Interaction between NFF and High Needs

- Future consultations plan to cover the operation of funding bands and tariffs to support the development of a national framework for SEND provision
- Will aim to address a range of complex issues, and potentially result in significant changes to the current system.
- Current consultation focusses on:
 1. Continued flexibility to transfer funding from the Schools Block to the High Needs Block
 2. Continuation of notional SEN budget in the direct NFF

Interaction between NFF and High Needs – Flexibility to transfer to HNB

- Currently LA's can transfer up to 0.5% of their schools block with the approval of schools forum, but transfers above 0.5%, or where the schools forum does not agree, must be decided by the Secretary of State.
- Flexibility will remain under direct NFF – Secretary of State to approve.
- Multi-year transfers could be approved – Safety Valve LA's.
- Impact on mainstream schools from a list of options:
 - % reduction in all mainstream schools' NFF allocation.
 - % reduction in the NFF funding that mainstream schools attract through the basic entitlement factor (rather than additional needs factors)
 - % reduction in the NFF funding that schools attract through additional needs factors.

Interaction between NFF and High Needs – Indicative SEND Budget

- Currently notional SEN set at local level by each LA
- Proposal to calculate at a national level as part of the direct NFF.
- Despite some calls for the identified budget to be ringfenced for SEND it will remain notional.
- Link back to the SEND and AP green paper which proposes to introduce nation standards for SEND provision to be available in mainstream schools.
- Consideration to be given to appropriateness of £6,000 threshold?
- £6,000 will remain in the short-term, guidance to be issued to LA's on calculating notional SEN for 2023-24.
- Propose moving Cambridgeshire towards the national average to minimise impact when direct NFF is implemented.

Growth and Falling Rolls Funding

- LA's have a statutory responsibility to ensure there are enough school places available in their area for every child aged 5 to 16.
- Current growth fund discretionary, but required in Cambridgeshire to:
 - Meet the revenue costs associated with new and expanding schools.
 - Support growth in pre-16 pupil numbers to meet basic need. (cannot be used to support increases due to parental preference, or maintain existing class structure for this schools in financial difficulty.)
- Not applied to support Infant Class Size regulations due to overall cost.
- Not applied to support falling rolls due to mandatory DfE criteria – good or outstanding, evidence places will be required again within 3 to 5 years. (only 24 LA's nationally – 12 in London apply)
- ESFA also funds “popular growth” to academies, but not maintained schools.

Growth and Falling Rolls Funding

- **Approach one:** retain some local flexibility
 - Standard formulation
 - Minimum requirements
 - Minimum expectations
 - Requirement for LA's to retain funding centrally
 - Standardise the eligibility criteria for falling rolls fund
 - Requirement for LA's to use School Capacity Survey (SCAP) to assess whether school places will be required in the next 3 to 5 years.
 - Mandatory “good” or “outstanding” requirement being considered.
- **Approach one** is the DfE's preferred approach.

Growth and Falling Rolls Funding

- Under **approach one** funding would still be allocated to LA's:
 - Proposal to re-baseline levels of spend nationally – current basis dates back to 2018-19
 - Funding would be allocated based on **both** growth and falling rolls within LA areas (MSOAs – Middle Layer Super Output Areas).
 - Currently only based on increases.
 - Concern that MSOAs don't currently recognise some of the changes at individual schools level.
 - Would need to see illustrative data of interaction of increases with reductions to assess the overall impact for Cambridgeshire.

Growth and Falling Rolls Funding

- Proposal to increase the scope of growth funding:
 - This would allow LA's and schools/trusts to work together to reduce or repurpose space where there is spare capacity.
 - Consideration could be given to a range of options for the reutilisation of space, including, for example:
 - co-locating nursery or SEND provision,
 - options for reconfiguration, including via remodelling, amalgamations or mergers/closures where this is the best course of action.
- Proposal would allow LA's to use growth and falling roll funds to support revenue costs.
- Overall available funding likely to be a limiting factor within Cambridgeshire.

Growth and Falling Rolls Funding

- **Approach two:** national standardised system
 - LA's would submit data to the DfE and DfE would publish national eligibility criteria and funding rates.
 - Funding to be based on area cost adjustment (ACA) basic entitlement rates.
 - Threshold for growth based on stepped costs:

School Size	Threshold for significant growth
Fewer than 300 pupils	15 pupils
Between 300 and 600 pupils	5% increase in NOR
Greater than 600 pupils	30 pupils

- Opportunity for LA's to provide evidence of exceptional circumstances / costs.
- National system would require pupil number adjustments – clawback?

Growth and Falling Rolls Funding

- **Popular Growth** – currently funded for academies, but not maintained schools
- System for popular growth in academies to remain.
- Consulting on whether maintained schools should also be able access popular growth funding by basing funding on estimates.
- LA's would apply on behalf of maintained schools providing evidence of expected popular growth and evidence of improvements in school performance.
- Would support this approach to ensure consistency across academies and maintained schools.

Premises Funding

- **Split Sites** – currently an optional factor which is only applied for one school in Cambridgeshire.
- Proposal is to base funding on basic eligibility + distance eligibility
- Basic Eligibility:
 - separated by a public road or railway as a clear marker of separateness
 - sites must be used primarily for the education of 5-16-year-olds, and must share a single unique reference number (URN).
 - sites must have a building (excluding ancillary buildings, such as storage sheds).

Premises Funding

- Distance Eligibility:
 - the site would have to meet the basic criterion and meet a distance threshold of 500 metres (0.3 miles) by road
 - same data as sparsity factor to be used to measure distances - Ordnance Survey AddressBase Plus and MasterMap Highways Network data sets
 - a site could trigger additional funding, on top of funding through the basic criterion, to reflect the additional costs of having a second site that is at a greater distance, such as travel time.
 - Recognition 500 metres is a cliff edge – so taper could be considered to allocate funding on a sliding scale.

Premises Funding

- Multiple split sites - capped to a maximum of three 'basic eligibility' payments and three 'distance eligibility' payments
- Payments would be a lump sum. Proposals to set at a maximum of 60% of the NFF lump sum.
- 20% basic eligibility / 40% distance eligibility
- Amounts not yet set for 2024-25, but illustrative figures of £25k basic eligibility and £50k distance eligibility – lower than current Cambridgeshire allocation.
- Protection via MFG and funding floor.
- Potential requirement to change current Cambridgeshire approach from 2023-24 (move to basic and distance criteria), prior to direct NFF implementation from 2024-25?

Premises Funding

- **Exceptional Circumstances** – currently applied in Cambridgeshire for PFI (1 school – circa £207k) and exceptional rental / building costs (5 schools – circa £95k)
- Proposal to standardise what is funded:
- Building Schools for the Future (BSF) school: to be incorporated into a modified PFI factor.
- Amalgamating school: automatically allocate through the lump sum factor. These schools may also become eligible for split site funding.
- Super-sparse school: automatically incorporate this into the sparsity factor.

Premises Funding

- Examples of categories which are currently funded through exceptional circumstances that are proposed to be retained include:
 - Farm school: Schools with a farm attached and used for its educational provision.
 - Rental agreements: Schools which rent additional premises in order to deliver their curriculum because they have inadequate facilities.
 - Dual or joint use agreements: Schools which share the use of a facility in order to deliver their curriculum because they have inadequate facilities.
- Proposal to raise the exceptional circumstances funding threshold to account for at least 2.5% of a school's budget, up from the current 1%.
- If applied this would potentially result in 4 of the 5 primary schools who are currently in receipt of additional funding not longer qualifying.

Minimum Funding Guarantee

- MFG currently protects schools per pupil funding year-on-year.
- The NFF funding floor mirrors the MFG in local formulae and ensures overall affordability.
- These will merge into one single protection mechanism under the direct NFF.
- Proposal is to use local formulae and GAG (general annual grant) as baselines for comparison in the year of transition to the direct NFF.
- Proposal for “simplified” pupil-led funding protection for the MFG under the direct NFF.
- Suggestion is that this approach would remove the “under” / “over” protection of the current methodology. Could benefit some Cambridgeshire schools.

Minimum Funding Guarantee

- Adjusting the floor for changes in year groups.
- The NFF floor is calculated on an overall per pupil basis. This can lead to undesirable effects if a school is changing its year-group structure. For example, if a secondary school expands to become an all-through school, the NFF floor – as it currently operates – would protect the funding for their primary pupils at the same per-pupil funding rates as for their secondary pupils. This would not be fair to other schools which are funded at lower levels for their year 6 pupils.
- Under the direct NFF, the proposal is to make adjustments to the baselines such that schools that change their year-group structures will not be unfairly “overprotected” compared to other schools.
- Seems sensible to remove inconsistencies.

Annual Funding Cycle

Timing	Current arrangements	Proposed Changes
Spring (usually)	DfE usually consults on any planned significant changes to the NFF in the spring before the NFF is published.	No change proposed to the current DfE-led consultation processes.
July	NFF structure and factor values published for the subsequent funding year, together with notional allocations and local authority primary and secondary units of funding (PUFs and SUFs).	Propose to keep the timing of the NFF publication on the structure and factor values unchanged, although what we publish alongside the formula will change.
Autumn	Local authorities consult with their schools forums on local funding formulae, de-delegation and block-transfers.	Local authorities will still need to consult by autumn on de-delegation and transfers to high needs.
December	Local authorities' Dedicated Schools Grant (DSG) allocations published.	DSG allocations will no longer be published for the schools NFF, but they will still be published for early years, high needs and the CSSB.
December-January	Local authorities submit the "Authority Proforma Tool" (APT) with the local funding formulae as well as information on the school estate and pupil data.	Local funding formulae will no longer be produced. We will still need to gather some information from local authorities, but to a slightly different timescale from now. (See below for details).
February	Deadline for local authorities to confirm funding allocations for maintained schools	ESFA will issue the allocations under the direct NFF, and will try to get them out to all schools and academies as early as possible – and no later than current deadlines.
March	Deadline for mainstream academies to be informed of GAG allocations by ESFA	

Providing Information to Schools

- Propose to continue publishing the national funding formula in July each year. Under a direct NFF, the published formula will apply directly to schools, so schools will have earlier knowledge of the final formula which will apply to them. Unlike now, primary and secondary units of funding (PUFs and SUFs) would not be published for local authorities, as they will no longer be needed.
- In order to help schools understand what the formula will mean for them in practice, there are two proposed options:
 - Continuing to publish notional allocations as we do now, showing what each school's funding would look like the following year if their pupil numbers and pupil characteristics remained unchanged. And/or
 - Publishing a “calculator” tool which allows schools to plug in their own pupil numbers and pupil characteristics, to see what their funding would be.

Providing Information to Schools

- Other information not captured by either notional allocations and a “calculator” tool would be:
 - Any de-delegation which would be determined at local level and which local authorities would deduct from the amount maintained schools are allocated from the NFF.
 - Any transfer to the high needs budget, where the Department would be adjusting mainstream school funding allocated from the schools NFF – subject to the outcome of the consultation on that question.
 - Any Exceptional Circumstances funding, which would be subject to the separate application process which local authorities and Academy Trusts would undertake. However, as we would not expect significant year-on-year changes in exceptional circumstances funding, this should only affect a very small minority of schools.
 - Any growth funding which would be provided separately later in the year. When and how growth funding will be provided depends on the outcome of this consultation.

Data to be collected from LA's

- Under the direct NFF, the October census will form the basis of most school and pupil data used to calculate allocations. LA's will no longer complete an APT, since they will not set a local formula, but we will still continue to need some additional information from local authorities.
- Proposal is to collect information related to:
 - PFI
 - Exceptional circumstances
 - Split Sites
 - Growth Funding
 - Transfers to the High Needs Budget

Other Issues

- LA's will need to inform the ESFA of any planned school reorganisations and changes in pupil numbers related to any such reorganisations.
- For academies, trusts will continue to be responsible for supplying information on forecast pupil numbers in respect of academies funded on estimates, and local authorities will need to provide information on forecast pupil number changes which relate to structural changes or basic need.
- Information will need to be collected earlier than under the current system:
 - ESFA could issue a request earlier without the use of a pre-populated form. This means that LA's would need to input data on, for example, planned pupil number changes without access to a form which includes the pupil-numbers recorded in the October census. – *LA Preference*
 - ESFA could issue the request in December, using a form pre-populated with data from the October census. LA's would then need to return this form with a relatively short turnaround – by the end of the first full week in January at the latest.

Other Issues

- ESFA uses information on de-delegation to make an adjustment to the general annual grant (GAG) funding academies receive for mid-year converters. Information is currently collected through the APT. Two options under the direct NFF:
 1. a separate data collection in March to cover the amounts schools will pay for de-delegated services; - *LA Preference*, or
 2. information on de-delegation not collected as a matter of course from local authorities. Instead, it is only collected when needed for mid-year converters.
- A separate collection in March, would allow the ESFA to continue to publish information on de-delegation, which would be beneficial for transparency purposes. Depending on the number of converters, it could also be simpler to do one single collection (option 1) than several bespoke collections for all mid-year converters (option 2).

Forward Timeline

- **Developing the schools NFF**

- **Split sites:** Subject to the outcome of the consultation, changes to the split sites factor planned for 2024-25.
- **Exceptional circumstances:** Depending on the outcome of the consultation, proposal to implement changes to the exceptional circumstances factor at the time of the introduction of the direct NFF.
- **Growth funding:** Depending on the outcome of the consultation, changes could be implemented to the growth factor in 2024-25.
- **Area cost adjustment:** Plan is to update the Area Cost Adjustment (ACA) methodology in light of the updated GLM data published by DLUHC, with changes coming into force in 2024-25.
- **Private Finance Initiative (PFI):** ESFA plan to consult on options for reform to the PFI factor in advance of the introduction of the direct NFF.

Forward Timeline

- **Transition Arrangements**
- The ESFA will start transitioning towards the direct NFF in 2023-24 by requiring:
 - Local authorities to use all, and only, NFF factors in their local formulae;
 - All local formulae factor values to move at least 10% closer to the NFF, except where local formulae are already “mirroring” the NFF.
 - Local authorities to use the NFF definition for the English as an Additional Language (EAL) factor (although flexibility over the sparsity factor methodology will remain in 2023-24).
 - The approach to transition in subsequent years will depend on the impact in the first year.
 - This should have minimal impact in Cambridgeshire, subject to overall affordability, as the local formula is already based on the NFF rates (excluding ACA).

Legislation

- The Schools Bill supports the move towards a “direct” national funding formula, and the measure will mean that the Secretary of State in relation to England:
 - must determine funding for all mainstream schools through a single, national funding formula
 - must pay this funding to academy trusts and to local authorities for maintained schools
 - has the power to request information from local authorities and academies, such as pupil numbers, information on school reorganisations (planned school closures and mergers), planned school expansions, and information on whether a school has split sites
 - has the ability, on application of the local authority, to reallocate funding from the NFF allocations to local education budgets in order to meet local funding pressures (most likely relating to high needs), in place of the current “block transfer” mechanism

Legislation

- This measure will mean that local authorities:
 - will have a local education budget (“locally-determined education budget”) in order to deliver their education responsibilities, which will be provided by the Secretary of State
 - this includes providing any supplementary funding provided to schools (“locally-determined supplementary funding”) where the Secretary of State determines that local authorities are best placed to determine funding in line with their other duties
 - and includes spending on and other local education expenditure, covering high needs, early years, and central school services
 - can continue ‘de-delegation’, which is where local authorities can deduct funding from maintained schools’ budgets to fund central services for those schools

Legislation

- This measure will mean that Schools Forums:
 - will retain their responsibilities around local education spending, with both supplementary school allocations and other locally-determined education expenditure (early years, high needs, central school services)
 - will no longer advise on setting local formula for core schools funding

Next Steps

- **July/August** - LA to produce draft response to consultation and share with key stakeholders.
- **August/First week of Sept** – Consultation response to be finalised and submitted by 9th September deadline.
- **Autumn Term** – Schools Forum meeting to consider impact on 2023/24 local budget.