

Schools Management Forum

Report of: Dianne Nielsen

Subject: Fair School Funding for All: Reform to NNF

Date: 13th October 2021

1.0 Purpose of the report

1.1 The purpose of this report is to provide an overview of the consultation undertaken by the Department for Education (DfE) Fair Funding for All: Reform to National Funding Formula (NFF)

2.0 Summary

2.1 It is the government's intention to move closer to the hard funding formula.

2.2 Middlesbrough apply the rates and funding factors as per NFF and therefore there will be limited impact to schools funding.

2.3 Proposed change to incorporate Growth and Falling Rolls funding within the hard NFF.

2.4 Propose moving copyright licenses funding from Central Schools Services Block to Schools Block.

2.5 Due to the review, there may be a decrease in services remaining with the LA's, a proposal being considered is for these to become part of MHCLGs Local Government Finance Settlement (LGFS) rather than a reduced CSSB block. Therefore removing the CSSB block from DSG.

2.6 Due to the move towards a hard NFF, this will change the powers and responsibilities of schools forums. The role of Schools Forum will continue for Early Years, High Needs and the LAs role in providing central services. A wider review will look at membership and structure of schools forums and consider whether these remain appropriate.

2.7 Considering the possibility of moving maintained schools to being funded on an academic year basis in line with academies.

3.0 Background

3.1 It is the government's intention to move closer to the hard formula and long-term goal for the NFF is that every school's final funding allocation is determined by the same, national formula.

- 3.2 I have listed the question below but you can see the full consultation document within the links below.

https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf
https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20school%20funding%20for%20all%20consultation%20%20Annex%202.xlsx

- 3.3 The deadline for response is 30 September 21.

4.0 Questions and Consultation

- 4.1 The scope of directly applied NFF

Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factor 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 formula?

Middlesbrough have already moved towards the NFF and already apply the NFF and factors in full. This step would mean that we no longer be able to adjust for any local scenarios and needs if necessary.

- 4.2 Developing the schools NFF to support the directly applied NFF.

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

This is currently based on historic spending. These are mainly around PFI, split sites and exceptional costs (which require approval from the ESFA), This will be consulted on in more detail as this is seen as a more complex area of the NFF. We do not apply any of the above in the formula, as they are not applicable to Middlesbrough.

An understanding of how future exceptional circumstances can be captured in the formula need to be considered and understood as part of the premises consultation that will follow, especially if properties are ageing and cost more to maintain.

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The only premises factor for Middlesbrough is school business rates. Please see SMF report on the changes to School Business Rates.

4.3 Growth and falling rolls funding.

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

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

Propose to implement growth and falling rolls funding as part of the hard NFF as a national approach to the formula.

Growth via basic need - forecast pupil numbers for meeting basic need from local authorities and for new and growing schools data will be collected from academies. A standardised criterion will be determined and the size of the forecast growth would determine whether growth funding to be awarded. Funding will be factored into schools core funding, where growth is significant to meet the national criteria. Propose to recoup funding where growth does not materialise in the following year. Where a school falls slightly short of predicted pupil numbers this would not be recouped. The criteria and threshold has not be fully laid out.

Falling rolls - the proposal is that LA's will inform ESFA of schools forecast to see a significant decrease in their number on roll in the coming year and provide data to demonstrate that their space capacity is likely to be needed within the next three years. Funding will be provided where a school has experienced at least one year's decrease to numbers on roll as well as forecast decrease in coming year. Where this does not apply schools are expected to adjust budgets. Funding will only apply to schools who have Good or Outstanding at their most recent Ofsted inspection.

Start up costs new schools – where a new school is to open via the presumption route (rather than central route) a Project Development Grant and additional start up funding has been determined by LA's. This has resulted in in consistencies. The hard NFF proposal is to achieve consistency. This will be consulted on in the second stage of consultation/

Popular Growth – under the new proposal this funding will remain targeted for academies. Will use autumn census to check which academies have experienced significant in year growth and make consistent with basic need growth funding allocations.

4.4 Next steps for the transition to the directly applied NFF for schools.

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?

Do you agree that all LA formulae, except those that already 'mirror' 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?

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? If you do not agree, can you please explain why?

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?

Currently we are setting the funding formulae for schools, what is known as the soft NFF. LA's can design their own formulae with some restrictions but there is still a degree of flexibility. Middlesbrough are already mirroring the NFF by applying all factors and rates supplied by the ESFA. Most LA's have moved towards the NFF or are already mirroring the NFF but there are still LA's formulae that are different. Those LAs who aren't already mirroring the NFF or are not close to the NFF, the proposal is to gradually move them closer to the NFF and help smooth the transition from soft to hard NFF. Once the first step has been taken, the ESFA will reflect on the impact of this movement. There will be no new restrictions on the LA formulae for 2022-23 but from 2023-24 the proposal is further requirements on LA formulae to bring them 10% closer to the NFF. They expect all NFF factors to be in the local formulae with the exception of looked after children, as this is optional and does not form part of the hard NFF. Middlesbrough do not have LAC in the local formulae and will not be affected by this change. . Minimum Funding Guarantees (MFGs) protection will remain in place while moving towards the hard NFF.

Following assessing the impact of 2023-24 the proposal is future years to move closer to the NFF – 15% in 2024-25 and 20% closer in 2025-26.

LA's who are within 1% of the NFF values will be classed as mirroring the NFF and will not be required to move closer to the NFF while transitioning to the hard NFF.

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- 4.5 Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil had been in the school system, should be removed from 2023-24?

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

LAs must set an MFG and are able to cap and scale schools year on year gains in order to address affordability pressures. In the second stage of the consultation of the hard NFF, the DfE will seek feedback on whether giving LA's greater flexibilities over the level of MFG is necessary, as we are already able to cap and scale and that protections are to remain.

English as an Additional Language (EAL) propose to remove the flexibility of relating to the number of years and LA's will need to use EAL3. Middlesbrough applies EAL3 in the soft NFF and therefore will have no impact to Middlesbrough schools.

Sparsity factor currently includes flexibilities that LA's can use. This factor is for remote and small schools. The proposal is to retain the flexibilities the LA's currently have. Middlesbrough does not attribute the sparsity factor as our schools do not trigger this factor.

- 4.6 MATs' Pooling of their Funding.
MATs' currently have the freedom to amalgamate a proportion of the General Annual Grant (GAG). For such things as school improvement and able to provide common services. The proposal is to retain this freedom while moving towards the hard NFF. This will not form part of other participants in the sector such as LAs, which do not have an equivalent unified governance structure sitting across schools.

5.0 Central School Services

- 5.1 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?

The ongoing services that are delivered centrally for schools vary across the county but sit within three categories:-

- Local authorities ongoing responsibilities for all schools
- De-delegated central functions for schools that LAs and MATs are responsible for.
- Optional traded services for all schools

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The review will determine which services best sit within each of the above categories and whether a clearer list of services to be funded centrally is needed and a greater move towards de-delegation and traded services. A technical consultation will follow on the future of central school services.

The proposal is continue to fund statutory responsibilities that LAs hold for all schools centrally e.g. admissions. Also a possibility to centrally fund non-statutory (admission services which are optional).

The DfE do not propose to change the DfE centrally purchased copyright licences for all state funded schools. Depending on the outcome of central schools services, the funding for this may move to the schools block in the same way as growth funding.

Due to the review, there may be a decrease in services remaining with the LA's, a proposal being considered is for these to become part of MHCLGs Local Government Finance Settlement (LGFS) rather than a reduced CSSB block.

5.2 [Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?](#)

The CSSB is made up of funding for ongoing and historic commitments. The expectation is that historic commitments would reduce over time. From 2020-21 funding for this element has been reduced by 20% year on year. The proposal that the funding for historic commitments will be removed by the time the hard NFF is introduced. The only exemption to this is for unavoidable legacy payments, for termination of employment costs and prudential borrowing, which the proposal is to replace with a legacy grant. Middlesbrough does not have any legacy payments. The ongoing historic commitments for Middlesbrough are:-

- Speech and Language contract
- Contribution towards LADO
- SEN home to school transport
- Element of overheads

The above current historic commitments costs £322.9k and will need to be addressed before the hard NFF is implemented.

6.0 Supporting Effective SEND Provision

- 6.1 Currently measures of deprivation and low prior attainments act as the strongest proxy measures in the NFF for the number of children with SEND in mainstream schools. Proxy measures rather than direct measures ie number of EHCPs or number of children on SEN support as rates of identification are not consistent nationally and therefore not used. If is proposed to review these proxies that are used in the NFF and a review will follow the conclusion of the SEND review.

The increased pressure on LA's high needs budgets has been able to be managed by making available to LA's the opportunity to move funding from schools block to high needs block. With the agreement from schools forum the LA is able to currently transfer 0.5% of schools block and with the approval of Secretary of State a transfer greater than 0.5% can be made.

The hard NFF does allow adjustments to the formulae. Future consultation will consider whether a new mechanism, in place of the current block transfer and which is consistent with a hard NFF, needs to be developed where LA's continue to have unavoidable, pressures on their high needs spending. Future consultation will also consider any changes to how mainstream schools received high needs funding following the SEND review.

7.0 Local and National Decision Making

- 7.1 Due to the move towards a hard NFF, this will change the powers and responsibilities of schools forums. The proposal under a hard NFF where a local funding formulae for mainstream schools will no longer continue and therefore the proposal is that schools forum being consulted on formulae will no longer be required. On issues such as growth, this will no longer fall to schools forum as this will form part of the hard NFF. The current role of schools forum in agreeing transfers from schools block to other blocks will no longer apply once the hard NFF is implemented.

The role of Schools Forum will continue for Early Years, High Needs and the LAs role in providing central services.

A wider review will look at membership and structure of schools forums and consider whether these remain appropriate. Please refer to table B in the consultation document for proposal of responsibilities and powers once the introduction of hard NFF is implemented.

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8.0 A Consistent Funding Year

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

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?

The proposal is for the DfE to get a greater understanding of whether there is a desire amongst maintained schools to move the funding cycle to an academic year but retain the financial reporting cycle.

It is not clear what the implications are on budget setting, closure of accounts and financial returns such as CFRs.

9.0. Equalities Impact Assessment

- 9.1 Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.
- 9.2 Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?

10.0. Recommendation

- 10.1 Schools Forum to consider the contents of this paper.