

Meeting:	<b>Schools Forum</b>
Date:	14 September 2021
Subject:	<b>Item 6: Completing Reforms to the National Funding Formula – DfE Consultations July 2021</b>
Responsible Officer:	Jo Frost, Finance Business Partner – Children’s Services

## **Section 1 – summary**

1. This report sets out the main areas of the DfE consultation entitled “Fair school funding for all: completing our reforms to the National Funding Formula” and the LA’s draft responses.
2. Schools Forum is required to:
  - Note the consultation
  - Note the draft responses
  - Note that individual schools/academies/trusts can respond to the consultation

## **Section 2 – report**

3. On 8 July 2021 the DfE launched a consultation seeking views on the approach to moving to a direct ‘hard’ National Funding Formula (NFF) and how the transition towards this is completed in the years ahead. This is a first

stage consultation. A second stage consultation will be published, with more detailed proposals, following feedback to the first consultation.

4. The consultation only covers funding in relation to mainstream schools in respect of pupils from Reception to Year 11. It does not cover funding that is not determined by the schools NFF such as pupil premium or high needs.
5. Additionally, the consultation does not cover the choice of factors, or the values assigned to those factors within the NFF.
6. The consultation can be found here: [Fair school funding for all: completing our reforms to the National Funding Formula - Department for Education - Citizen Space](#)
7. The consultation was issued on 8 July 2021. The consultation closes on 30 September 2021.

## Background

8. The introduction in 2018-19 of the schools National Funding Formula (NFF) for mainstream schools was a crucial step towards a fairer funding system and replace the postcode lottery of the past. The NFF saw the DfE moving to calculate schools' funding allocations based on the characteristics and needs of each school and its pupils rather than a system that was based on historic spending levels.
9. Since its introduction the NFF has been a 'soft' formula. This means that the DfE, through the NFF, calculates funding allocations in relation to each individual mainstream school, based on its particular characteristics. These individual school-level allocations are then aggregated for each LA. The LA, from its aggregated total, then determines individual schools' final funding allocations through a local formula, which it is responsible for setting.
10. Whilst the DfE has set some parameters within which local formulae must operate, LAs have discretion about the amount of funding put towards each factor and some flexibility over which factors to use in their local formulae – therefore an individual school's funding can, and often does, vary from that which the NFF itself allocates.
11. Maintaining these local arrangements has been an important way to maintain stability in the system. Significant progress has been made in relation to LAs choosing to move their local formulae towards the national formula since its introduction. **Approximately 50% (73/150) of LAs are now mirroring the NFF funding factors exactly.**

12. The intention since the introduction of the NFF has always been to move in time to a funding system in which all individual schools' funding allocations are set directly by the national formula without any local adjustments. This is referred to as the 'hard' NFF.
13. Whilst it is acknowledged that many LAs have moved closer to the NFF since its introduction there continue to be significant differences in the way in which some LAs allocate funding compared to the NFF.
14. These significant differences in how local formula determine a school's final funding allocation mean that schools can receive very different funding allocations depending on where they are in the country.
15. Several case studies were undertaken which identified that (excluding any area cost adjustments)
- medium sized primary school in one part of the country could receive over £200k compared with a similar school with similar pupil characteristics in another LA.
  - medium sized secondary school in part of the country could receive over £400k compared with a similar sized school with similar pupil characteristics in another LA
16. The consultation sets out proposals on how to move towards a hard NFF. It does so by setting out both proposals for what a fully delivered NFF should look like and the next steps to be taken to ensure smooth transition towards this.
17. Whilst a hard NFF remains the long-term goal for delivering a fair funding system, there is recognition that it is a significant change and one that requires careful implementation and transition to avoid any unexpected disruption. This is particularly important as the school system focuses on supporting recovery from the impact of the pandemic.
18. Consequently, **there is no proposal to set a fixed target date by which the hard NFF will be fully in place.** Instead, there will be a measured approach to the transition, moving LAs' local formulae progressively closer towards the NFF.
19. The national funding formula and local minimum funding guarantee (MFG) protections will remain in place so that schools will not lose funding in cash per-pupil terms as a result of moving towards a hard NFF. Schools will also continue to receive fair funding increases.

## **Consultation Questions and Draft Responses**

### **Hard National Funding Formula**

#### **QUESTION 1**

*Do you agree that the 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?*

#### **DRAFT RESPONSE**

Harrow already operates the NFF factors and factor values in full. However, we do not agree with the proposal to move to a hard formula that will take away the LA's ability to manage local issues particularly in relation to the level of the MFG and capping and scaling of gains. In addition, the LA would like flexibility to manage the schools block including the funding required in the growth fund according to local pressures which may mean utilising funding from the NFF generated Schools Block.

### **Premises Factor**

#### **QUESTION 2**

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

#### **DRAFT RESPONSE**

Split sites – not used by Harrow

Exceptional circumstances – not used by Harrow

PFI – this will be looked at separately and will not impact until after 2023-24

### **Growth & Falling Rolls Fund**

At present, funding is allocated to local authorities through the NFF's growth factor, which local authorities are expected to distribute to schools that are growing to meet basic need. Basic need is additional demand for school places due to population growth or net migration.

The proposal is that, when a hard NFF is implemented, funding for growth, new and growing schools, and falling rolls will still be allocated, as these will all continue to be

important parts of the lagged funding system. However, the method through which this funding is allocated should change – moving to a new, national approach.

For growth funding to meet basic need, and for new and growing schools, we propose the following:

- Collecting forecast pupil numbers in maintained schools and academies from LAs
- Using national, standardised criteria to determine which schools are eligible for funding. The main criterion would involve the size of the forecast growth, to ensure that additional funding is only allocated where growth is significant.
- Factoring this funding into schools' core, NFF allocations, where growth is significant enough to meet the national criteria
- Standardising the amount that eligible schools receive.
- Funding would be subject to an adjustment process which will be designed to prevent additional funding being allocated where higher pupil numbers do not appear as forecast.
- Have one additional data collection point beyond the publication of the NFF where it is not possible to provide forecast growth before the NFF is calculated.

### **QUESTION 3**

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

#### **DRAFT RESPONSE**

Falling Rolls Fund – Harrow does not operate a falling rolls fund.

Growth Fund – yes, partially

### **QUESTION 4**

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

National, standardised criteria is welcomed and provides consistency across LAs.

However, Harrow does not currently calculate projections at school level so this would be an added burden.

In addition, funding schools on projections and then adjusting retrospectively where pupils did not attend, is not helpful for schools in budget planning. In Harrow, we have used the current flexibility to operate guaranteed funding for bulge classes or expansions so that schools can recruit and timetable accordingly. If pupils do not turn up then these schools, under the proposed methodology, would have incurred

costs for which they were not funded. This is not conducive to a collaborative working relationship between the LA and schools who may choose not to expand or offer temporary additional capacity if they feel they may be financially penalised.

## **National Funding Formula Factors**

### **QUESTION 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?*

#### **DRAFT RESPONSE**

Yes. Harrow has already moved to the NFF in full.

### **QUESTION 6**

*Do you agree that all LA formulae, except those that are 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?*

#### **DRAFT RESPONSE**

Yes. Harrow is already operating the NFF in full and made the significant shift in the first year in order to smooth the anticipated transition to the hard NFF. MFG has protected schools from significant losses in the meantime.

### **QUESTION 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? If you do not agree, can you please explain why?*

#### **DRAFT RESPONSE**

No further comments.

### **QUESTION 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?*

#### **DRAFT RESPONSE**

No further comments

**QUESTION 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?*

**DRAFT RESPONSE**

Harrow is already operating the NFF including use of EAL3.

**QUESTION 10**

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

**DRAFT RESPONSE**

Harrow does not use the sparsity factor.

**Central Schools Services Block****QUESTION 11**

*Are there any comments you wish to make on the proposals made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS?*

**DRAFT RESPONSE**

We will review the forthcoming technical consultation and respond accordingly.

**QUESTION 12**

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

**DRAFT RESPONSE**

Harrow does not have funding assigned to these categories

## **Consistent Funding Periods**

### **QUESTION 13**

*How strongly do you feel that there should be further investigation into the possibility of moving maintained schools to being funded on an academic year basis?*

### **QUESTION 14**

Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis?

### **DRAFT RESPONSE**

Schools need sufficient budgetary information in a timely manner to ensure proper planning. If accounting and schools regulations remain unchanged so that maintained schools are still required to follow existing timescales in relation to budget setting and closing of accounts then there would potentially be minimal impact. However, if schools are required to produce three year budgets in May but only have confirmed funding to August of the same year this causes significant challenges. In addition, if schools are required to account for funding on an academic year basis for the DfE but account for funding on a financial year basis for LAs then this will cause unnecessary duplication of work at two points in the year and becomes an extra burden

## **Equalities Impact Assessment**

### **QUESTION 15**

*Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change*

### **DRAFT RESPONSE**

No comments

## **Further Comments**

### **QUESTION 16**

*Are there any further comments that you wish to make about the proposed move to complete the reforms to the NFF?*



## ***DRAFT RESPONSE***

The consultation is clear that it does not cover the High Needs and Early Years Blocks yet schools are funded from all of these blocks and pupils are eligible for funding from multiple blocks. Whilst this consultation might seek to resolve the outstanding issues from the Schools Block it is short sighted to consider one aspect of funding from the same grant in isolation.

## **Section 3 – contact details**

### **Contact:**

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