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| **Schools Forum 28th September 2021** | Item 5 |

**SUBJECT: Department for Education (DfE) Consultation on the Fair School**

**Funding for all.**

**LEAD OFFICER: Pat Harvey**, Interim Principal Accountant, Children, Schools and Families Finance

**RECOMMENDATION**

**That the Forum:**

1. **Notes the recent DfE Consultation and closing date of 30 September 2021 at 11.45pm.**
2. **Comments on the recent publication.**
3. **Purpose of report and executive summary**
   1. The Department for Education (DfE) published on 8 July a consultation exercise, seeking views on the approach to completing the reforms to the National Funding Formula (NFF) and how to move away from local formulae (soft formula) for all schools’ funding allocations to the NFF (hard formula) in the years ahead.
   2. The link and details of how to respond can be found [Fair school funding for all: completing our reforms to the National Funding Formula - Department for Education - Citizen Space](https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/)
4. **Consultation** 
   1. The consultation consists of 16 direct questions and a draft response is attached as Annex 1. Areas addressed in the consultation are:

* The scope of the end state of NFF
* Developing the schools NFF to support the end state NFF
* Growth and falling rolls funding
* Next steps for the transition to the end state NFF for schools
* Central school services
* A consistent funding year
* Equalities Impact Assessment
* Further comments
  1. It should be noted that the consultation and response is on-line via the link above.

1. **Financial, resource and property implications**

3.1 The financial implications are detailed in the main body of this report.

**4. Legal and statutory implications**

* 1. No legal implications at this stage.

**5. Human rights, equalities and community cohesion implications**

* 1. None at this stage.

1. **Appendices**

Annex 1 – Draft Consultation Response

1. **Background Papers – the following documents have been relied on in drawing up this report but do not form part of the report:** 
   1. Centrally held financial information and other papers held by the Children Schools and Families Finance Team.
2. **Report author**

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**DRAFT CONSULTATION Response to the**

**Fair school funding for all: completing our reforms to the**

**National Funding Formula closing date 30 September 2021**

**Background**

The Government introduced in 2018-19 the National Funding Formula (NFF) for mainstream schools’ and overall aim was to move towards a fairer funding system and replace the postcode lottery of funding. The schools NFF was a move to calculate schools’ funding allocations based on the characteristics and needs of each school and its pupils, rather than the history or location. The new formula was the result of extensive consultation with the school sector, both on the underlying principles and then the design of the formula itself.

The schools NFF is a single, national formula that allocates the core funding for all mainstream schools, both maintained and academies, in England, for pupils aged 5 to 16. Early years, high needs (including special schools) and post-16 provision each have a separate national funding formula, reflecting the specific needs of those parts of the education system, and they are not the subject of this consultation. A separate consultation or a published outcome from the SEN consultation from September 2019 is due for publication with the outcomes.

Since the introduction of the NFF it has been a ‘soft’ formula. This means that the government, through the NFF, calculates funding allocations in relation to each individual mainstream school, based on its characteristics via the autumn CENSUS data. The individual school-level allocations are then aggregated for each local authority (LA). The LA, from its aggregated total, then determines individual schools’ final funding allocations through a local formula, which it is responsible for setting. The template or formula is called the Local Authority Proforma (APT) and is subject to School Forum approval and Education Schools and Funding Agency (ESFA) data validation prior to individual school budgets being distributed in March.

While the government has set some parameters within which local formulae must operate, LAs have discretion about the amount of funding allocated towards each factor and some flexibility over which factors to use in their local formulae.

The funding factors of the NFF are detailed in table 1 below and proposal is to be fair, efficient, transparent, efficient and predictable:

Table 1 – NFF Funding Factors

**London Borough of Merton (LBM) Soft Formula Rates 2021-22**

Table 2 below details LBM current formula rates and draft proposed 2022-23 rates as recently published by the ESFA.

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| --- | --- | --- | --- |
|  | LBM Funding rates | N F F | |
| TABLE 2 - Funding Factors | 2021-22 LBM rates | 2021-22 NFF rates | Proposed 2022-23 NFF rates |
|  | £ | £ | £ |
| AWPU-primary (R-Y6) per pupil | £3,386 | £3,123 | £3,217 |
| AWPU-secondary (KS3) per pupil | £4,796 | £4,404 | £4,536 |
| AWPU-secondary (KS4) per pupil | £5,400 | £4,963 | £5,112 |
| FSM (primary/secondary) | £526 | £460 | £470 |
| FSM6 (primary) | £655 | £575 | £590 |
| FSM6 (secondary) | £953 | £840 | £865 |
| IDACI A (primary) | £701 | £620 | £640 |
| IDACI B (primary) | £508 | £475 | £490 |
| IDACI C (primary) | £473 | £445 | £460 |
| IDACI D (primary) | £438 | £410 | £420 |
| IDACI E (primary) | £292 | £260 | £270 |
| IDACI F (primary) | £245 | £215 | £220 |
| IDACI A (secondary) | £982 | £865 | £890 |
| IDACI B (secondary) | £730 | £680 | £700 |
| IDACI C (secondary) | £678 | £630 | £650 |
| IDACI D (secondary) | £625 | £580 | £595 |
| IDACI E (secondary) | £473 | £415 | £425 |
| IDACI F (secondary) | £350 | £310 | £320 |
| Low prior attainment (primary) | £1,245 | £1,095 | £1,130 |
| Low prior attainment (secondary) | £1,882 | £1,660 | £1,710 |
| EAL (primary) | £625 | £550 | £565 |
| EAL (secondary) | £1,683 | £1,485 | £1,530 |
| Mobility (primary) | £1,023 | £900 | £925 |
| Mobility (secondary) | £1,461 | £1,290 | £1,330 |
| Lump sum (both sectors) | £133,000 | £117,800 | £121,300 |
| Sparsity (primary) | n/a | £45,000 | £55,000 |
| Sparsity (secondary) | n/a | £70,000 | £80,000 |
| PFI (RPIX) % | Within contract | 1.56% | tbc |
| MFG | -1.91% | -0.5% to -2% | -0.5% to -2% |

The hard NFF would allocate most of the funding that mainstream schools receive for pupils aged 5 to 16 – but not **all** of their funding. This consultation does not consider the future of funding that is not determined by the NFF, such as the pupil premium (additional funding for disadvantaged pupils) and the recent grants to support schools’ recovery provision as a result of the pandemic.

# Consultation questions

***Question 1: Do you agree that our 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?***

All NFF funding factors, pupil-led and school-led in the hard formula will be distributed by the NFF and allocated to schools based on the hard formula, without further local adjustment through local formulae.

Schools’ funding allocations include an area cost adjustment (ACA) designed to ensure that the funding allocations reflect local labour market costs.

The overall proposal, therefore, subject to the further development of premises and growth funding factors, is to include these.

## Response

LBM has experienced significant growth within the area for SEN placements and operate working in collaboration with schools and Schools’ Forum a growth strategy that currently the school block funding is top sliced in support. The ESFA would not have local business knowledge of the LA Pupil Place Strategy and planned growth for the next financial year and foreseen anticipated changes during the year. The NFF hard formula would still require `local business intelligence’ on school places and growth including high demand for SEN places but this is not funded from the school block of via the formula.

***Question 2: Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?***

## Response

Individual local authority premises funding including Private Finance Initiative (PFI) costs that are long-term contracts (some up to 25 years) would not be able to be reflected within a hard NFF and if included within the ACA would not accurately reflect each individual schools’ contributions.

Split site funding and individual school overhead running costs of a split site within schools could not be reflected within the NFF or ACA. Buildings and whether listed buildings and modern buildings of split sites all carry considerable different running costs as well as maintenance costs.

**Question 3: Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?**

## Response

The proposal to use standardised criteria would not support local knowledge on growth and it is the LA statutory responsibility to place children in suitable education institutions. The application of standardised criteria would not support local business knowledge and future housing regeneration including planning within LBM.

Falling rolls funding would remove local knowledge and school financial business intelligence on falling rolls and future place planning strategies in association with housing regeneration and future growth plans. The DfE falling rolls in support of schools who are inspected as `outstanding’ or `good’ in category penalises the schools who are administering a recovery plan if they are deemed as `inadequate’ or `requires improvement’ could not be in receipt of falling rolls funding therefore causing financial hardship. It is the LA responsibility for maintained schools and to assist in financial governance if the schools are in financial difficulty and falling rolls funding would benefit the individual schools’ strategic recovery plan. It is common knowledge that schools who are classified as inadequate of requires improvement always require additional resources.

***Question 4: Do you have any comments on our proposed approach to growth and falling rolls funding?***

## Response

LBM supported schools with growth funding of c£640k (2021-22) in support of implicit and explicit growth in schools. This is approved by School Forum each year as part of setting school budgets.

If criteria were set, this would have to be flexible to meet local needs and demands placed upon LA during the academic year especially with in-year migration of children and families and LA ability to support these in-year changes.

***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?***

## Response

LBM current local formula is a soft formula that is a slow transition to the NFF Advance notice of the hard formula to LA’s of the implementation years would be required and some flexibility in factors. This would be required to provide schools’ with adequate notice due to major changes in school budgets. The growth funding and PFI funding that is specific to the LA and schools funding requirements would be difficult to include within the NFF due to each LA’s individual requirements.

***Question 6: Do you agree that all LA formulae, except those that 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?***

## Response

Moving or mirroring the NFF is positive apart from data collection and timing accuracy of factors IDACI for example that is relevant to the funding years of school budgets and not simply moving funding from deprived pupils to other recognised deprived pupils based upon old census. The factors should be generated from accurate census data for the funding year to ensure funding is distributed to schools for the children and young people in their schools.

***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?***

## Response

This is dependent upon each local authority and individual schools funding. In making this overall decision within the formula depends upon school budgets and those schools with falling rolls and schools with deficit budgets. Schools require advance knowledge of major changes if applicable on funding to enable strategic planning especially within schools of falling rolls and deficit budgets.

10%-15% is a range suitable to LBM but advance notice of NFF factors and movement within any range in future funding rates to cause as minimal uncertainty on future school funding and revenue budgets.

***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?***

## Response

The NFF for schools and moving towards this would require MFG (2%) protection to enable LA’s to plan and prepare schools and transitional funding in support may support some LA’s in the hard NFF implementation.

***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?***

## Response

English Additional Language (EAL) children attending schools require additional support and ongoing support and to remove the yearly ongoing support would create a pressure on the school budget due to payment (funding factor rates) being ceased in support. Costs include visual aids, parental support, cut down language support, and learning through play. The EAL child will continue through the schooling system but to remove recognition through the EAL child’s years could been seen as a cut in funding to schools.

Research analysed nine years of EAL data and concluded many EAL pupils need more than six years of support to achieve Proficiency in English, at which point the learner can fully access the curriculum and therefore fulfil their academic potential.

***Question 10: Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?***

## Response

Sparsity factor supports small rural schools, as well as the lump sum in the formula. The sparsity factor would be welcomed for small schools in urban areas facing mobility and population growth pressures, but not applicable to LBM.

***Question 11: 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?***

***Funding for historic commitments under a direct NFF***

## Response

Further detailed work with local authorities on the central school services block of funding would be required before the move to LGFS. This block is supporting historic expenditure of maintained schools that is specific to each local authority and already is subjected to 20% reduction in funding but further ongoing work with LA’s would be required. This block funding is support to schools for statutory services provided by the LA.

Historically, Government has rolled other service area funding into Revenue Support Grant (RSG) and Settlement Funding Assessment (SFA), subsequently then subjecting these areas to year-on-year cuts. The cuts are notionally and proportionally applied to any grants rolled into the formula funding system, resulting in a decline in specific service area funding.

This creates significant risk for schools funding, rolling it into a wider formula funding mechanism would subject it to cuts in line with overall funding reductions.

Reductions in funding for central school services will adversely impact the level of support local authorities are able to offer schools. Throughout the pandemic, LA support has proven extremely valuable to schools, and current proposals may not acknowledge the scale of this support. This may consequently require a greater deal of accountability on the regional schools’ commissioners (RSCs) as well as their relationship with regulatory bodies.

LBM would request two guarantees. Firstly, if this funding is transferred, that it will be protected from reductions. Secondly, that transparency is provided by confirming specific funding levels within SFA in future Local Government Finance Settlements.

***Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?***

## Response

A legacy grant would be useful if support to local authorities continued until the expenditure ceased and is treated separately from the proposal to LGFS.

***Question 13: How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?***

## Response

This movement would cause considerable closedown accounting transactions and confusion to schools and already having to manage and understanding the transition to NFF. The recent business rates proposals and ESFA administering this is an example of LA confusion within schools.

The LA closedown of financial accounts would include additional year end accruals to close the final DSG accounts and create additional work for the auditors and their approval of the accounts.

***Question 14: 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?***

## Response

LA maintained school’s confusion of 5/12ths and 7/12ths calculation especially at closedown. Cash flow issues with local schools who administer their own bank accounts. The natural progression of the academy agenda would be a simple progression for this to happen if schools convert to academy status.

***Question 15: Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.***

## Response

None

***Question 16: Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?***

## Response

Where is the SEND consultation and published outcomes due to local authority’s pressures on high needs block and support of SEND children and young people. The SEND consultation did not include special schools and the current NFF does not include special schools either (different funding block), yet these schools are also experiencing financial pressures on budgets and do not have any consultation channel to raise these concerns apart from directly to LA’s.

### P. Harvey

### 15th September 2021