



Open Report on behalf of Heather Sandy, Executive Director - Children's Services

Report to:	Lincolnshire Schools' Forum
Date:	29 June 2023
Subject:	Implementing the Direct National Funding Formula - Government consultation outcomes

Summary:

The purpose of this report is to provide the Schools' Forum with an update on the Government consultation response publication to Implementing the Direct National Funding Formula.

Recommendation(s):

To note the content of the report.

Background

In March 2022, the Government in its response to the consultation 'Fair Funding for all: Completing our Reforms to the NFF' confirmed their intention to move forward with plans to introduce the direct National Funding Formula (NFF), including the Government bringing forward the relevant legislation required to enable this to happen.

A report to the Schools' Forum was provided in April 2022 outlining the consultation outcomes and the Governments position. A link to the consultation outcomes is as follows:

[Fair school funding for all: completing our reforms to the National Funding Formula \(education.gov.uk\)](https://www.education.gov.uk/fair-school-funding-for-all-completing-our-reforms-to-the-national-funding-formula)

The objective of the Government in implementing a NFF was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school through a single, national funding formula without local adjustments.

Currently, Local Authorities (LAs) have the responsibility for agreeing and calculating schools funding allocations, however LAs are required to operate within defined parameters within which local formulae's must operate. The focus of the consultation was

on progressively tightening the rules governing LAs' flexibilities over school funding, so that school allocations move closer to the NFF. This was implemented by the Department in 2023/24.

The Council continues to adopt the NFF since its introduction in 2018/19 due to the increase in per pupil funding levels being seen across mainstream schools. It is still however important to ensure funding formulas are scrutinised by Schools' Forums and take into account schools' views on funding decisions, and therefore allowing local flexibility to best respond appropriately to issues facing their schools locally. Through a 'direct' NFF, it is a necessity that the Government engage with LAs and schools on the formula and those views are listened to, not only on how funding is distributed (including being underpinned by key assumptions and principles using 'modelled' school settings), but also on the quantum of funding available for schools through a zero-based review. It is imperative that the right level of funding is going into schools to deliver the best outcomes for children and young people. The approach would ensure fair funding is achieved and would also be responsive to cost changes taking place from year to year. This will ensure accountability of the NFF through a centralised system.

On 7 June 2022 the DfE launched its second consultation which considered the next steps in completing the NFF reforms to move all schools onto the 'direct' NFF. The consultation was more future focused rather than for 2023/24. The consultation outcomes were published on the 26 April 2023, which can be found using the following link:

[Implementing the Direct National Funding Formula Government consultation response \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/2022/06/07/consultation-on-the-next-steps-in-completing-the-nff-reforms-to-move-all-schools-onto-the-direct-nff)

A series of questions were asked by the Department through the consultation and the key outcomes of these are outlined below.

Interaction between high needs and schools funding

- The Government outline that the interaction between funding for mainstream schools and funding for high needs is a key factor for future reform.

Block Transfers to the High Needs block

- The Government has confirmed that there will be continued flexibility to transfer funding to LAs High Needs budgets, through a new mechanism to adjust mainstream schools funding.
- LA transfers will be subject to an application process to the Secretary of State for final decision following consultation with local schools. Currently, LAs can transfer up to 0.5% of its Schools block to the High Needs block with the agreement of their Schools' Forum following consultation with all schools and academies, therefore this proposal is further tightening up the arrangements on Schools block transfers.
- The Government expectations are that the impact of the SEND reforms will bring financial sustainability, therefore reducing the need for LAs to make such applications.

However, with the current demands and the ability of LAs to manage their costs within their High Needs block, local level adjustments are still required.

- Applications for block transfers will require submission to the Secretary of State in the Autumn, with final decision taken early in the new year.
- The majority of respondents supported the idea of a standard short menu of options when making adjustments to the NFF allocations where block transfers are agreed.
- The Government will engage further with LAs and key stakeholders on the detail of this criteria.

Indicative SEND budgets

- The Government is to introduce a national approach to calculating schools' indicative SEND budgets (i.e. replacing notional SEN budgets). This is a move away from it being determined locally. Indicative SEND budgets are a non-ringfenced portion of a schools core budget for meeting the costs of provision for pupils with special educational needs. It can only act as an indicator of what might be needed.
- Lincolnshire along with majority of respondents were supportive of this approach. The concept was introduced by the Department, and it was expected that the Government's NFF implementation in 2018/19 would have determined a national indicative SEND budget at that time.
- A nationally set indicative SEND budget would improve consistency of funding and practice across the country.
- Further Government consultation will take place on the design and operation of this approach, including aligning with the reforms in the Government's SEND and Alternative Provision Improvement Plan.
- LAs targeted funding is often directly linked to the notional SEN determination; therefore it is important that changes do not create an additional burden to LAs High Needs blocks.

Schools Growth funding

- The Government intends to introduce further requirements on how LAs can operate their growth funding to deliver greater consistency in its application.
- The Government also intends to establish a basic level of funding for planned reorganisations. Such reorganisations relate to schools agreeing to increase their planned admission number (PAN) to enable LAs to meet their place sufficiency duty.
- The Government intends to engage further with LAs and key stakeholders on the design of these new requirements.
- The funding received by LAs from Government will not be re-based for 2024/25, but the Government will explore this in future years. The Government intend to revise the current growth allocation methodology to allocate funding on the basis of growth and falling rolls.

Lincolnshire's current policies do satisfy the needs of schools in supporting planned growth reorganisation, which have been developed with the sector over a number of years. 82% of respondents to the consultation supported the case for retaining local flexibility, as opposed to a national standardised system. The Department's stakeholder

involvement will be important in drawing out the Department's interpretation of 'some local flexibility' within their future schools growth arrangements.

Implementing a national split site factor

- The Government's position is to establish a national, centralised approach to the split sites factor funding for schools.
- Allocations of split site funding will be made on the basis of 'basic eligibility' and 'distance eligibility' from 2024/25.
- Basic eligibility criteria has been established for split site funding, such as, separated by a public road or railway; site is used by 5 to 16-year-old pupils that attend the school during school hours for the majority of those hours; etc.
- 500 metres between sites is the distance threshold, however tapering funding will be applied, starting from 100 metres.
- Funding split site funding to the maximum of 60% of the lump sum (£76,800). The Government's view is that an additional site should cost less to run than the schools main site, and funding should be seen as a contribution to overall costs.
- The basic eligibility element will be assigned two-thirds of the available funding and one-third of the available funding through the distance element.

The Council's local arrangements for split site funding are well established for reviewing and determining local premise factors, which broadly reflect the costs that these schools are incurring, i.e. considers the individual circumstances of the school. The Department's stance is a move away from this and funding should be seen as a contribution to the additional site. Three Lincolnshire secondary schools currently in receipt of split site funding will see reductions in their allocation, however the minimum funding guarantee will provide a form of funding protection to provide time in adapting to a change in funding level.

Other consultation outcomes include:

- Where LAs operate a falling role factor, all local schools can be considered, rather than it being available to only schools judged 'Good' or 'Outstanding'.
- The Government will expand the use of the growth and falling roll funding to allow LAs to fund revenue costs associated with repurposing or reducing school places, e.g. creating resource based provision.
- All mainstream schools (maintained and academies) will have access to the Government's popular growth funding. The Department will be determining the limited circumstances in which schools can access this funding.
- The Government will continue to progress plans to amend the exceptional funding factor by adopting a national application system rather than a local-led approach. The threshold level of 1% of the schools budget will remain in place, however this may change in the future. Lincolnshire has a local primary school rents factor within the exceptional funding factor.
- The Government will use local formulae baselines for schools when transitions to the direct NFF take place.

- The Government intends to move to a more simplified pupil-led funding protection for the minimum funding guarantee under the direct NFF. The LA notes the Department's desires for simplicity, but changes to the direct NFF will likely continue to take place and that sparsity funding at a school level could change from year-to-year, therefore having protection to school-led funding is important to safeguard schools from significant changes in funding.

Next Steps

The Government will announce the 2024/25 NFF for schools and high needs in July 2023. This will also confirm the Government's requirements on LAs to bring their local funding formulae closer to the NFF in 2024/25.

The Government intendeds to undertake stakeholder engagement to develop further the recommendations outlined within this latest consultation, as the Department move schools to the direct NFF.

Conclusion

The Government have introduced measures in 2023/24 to move more LAs towards the 'direct' NFF. This does not impact Lincolnshire's mainstream schools as the Council currently adopts the NFF.

The latest Government consultation outcome proposals and themes are to either develop national funding mechanisms (such as the split site factor and block transfer process), or to drive greater consistency in the application of funding locally, such as the schools growth funding.

The Council will continue to engage with the Department on these proposals and any future developments including responding to Government consultations to ensure Lincolnshire schools are represented. The Council still consider the importance of retaining local flexibility and decision-making powers.

Consultation

a) Risks and Impact Analysis

The Government direction of moving towards a 'direct' formula along with further proposals for nationally driven allocations, could see the LA lose local flexibility and decision-making powers for all aspects of schools funding. This is a risk, as the LA will no longer have the powers and limited influence nationally to be able to respond to local needs and demands on a timely basis.

The Council will continue to engage with the Department on future funding proposals, including undertaking financial modelling to understand the impact this will have at an individual school level.

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Implementing the Direct National Funding Formula Government consultation response	Implementing the Direct National Funding Formula Government consultation response (publishing.service.gov.uk)
National Funding Formula Government consultation outcomes – Schools’ Forum report (21 April 2022)	Report Reference: (moderngov.co.uk)
Completing the reforms to the National Funding Formula – Government Consultation response	Completing the reforms to the National Funding Formula - government consultation response (publishing.service.gov.uk)

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