



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

Report to:	Lincolnshire Schools' Forum
Date:	21 April 2022
Subject:	National Funding Formula Government consultation outcomes

Summary:

The purpose of this report is to provide the Schools' Forum with an update on the completion of the reforms to the National Funding Formula: Government consultation response.

Recommendation(s):

To note the content of the report.

Background

The Government conducted its initial consultation last year on how further reforms to the national funding formula (NFF) can be implemented for mainstream schools with the intention of moving to a 'hard' formula. The Government consultation outcomes were published in March 2022, and the report is to provide a summary of those key outcomes.

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, which is otherwise referred to as the 'hard' formula. Currently, Local Authorities (LAs) have the responsibility for agreeing and calculating schools funding allocations, therefore whilst the Department for Education (DfE) has set parameters within which local formulas must operate, LAs have discretion over the amount of funding assigned to each formula factor and some flexibility over which factors to use in their local formula.

The Council responded to this consultation concluding the importance of retaining local flexibility and decision-making powers for all aspects of schools funding. LAs in working with the sector are best placed to respond to local needs and demands on a timely basis within reasonable DfE parameters rather than through a centralised system. What the NFF has achieved is a move to greater consistency in how LAs are funded based on the individual needs and characteristics of schools and their pupils, rather than historic

funding arrangements, which the LA considers to be extremely important in ensuring fair and equitable funding for the schools sector in each area.

The Council continues to replicate 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 hard 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, but also quantum of funding available for schools. This will ensure accountability of the NFF through a centralised system.

The NFF sophistication and refinement has either not progressed as anticipated or in a timely manner to address areas of the formula that are outstanding since its implementation, or where a particular need exists and requires addressing. There are a number of aspects of the NFF that have remained incomplete, such as: Notional SEN, the mechanism for annual funding changes to respond to rising costs within schools to help with financial planning and decision-making. Such arrangements need serious consideration before a move to the 'hard' NFF, including ensuring a zero-based review (or DfE termed 'bottom-up' approach) is on 'modelled' school setting type(s) underpinned by key assumptions and principles to ensure the right level of funding is going into schools to deliver the best outcomes for children and young people.

The Government in its response to the consultation confirms their intention to move forward with plans to introduce the direct NFF (previously referred to as the 'hard' formula), and the Government will bring forward the relevant legislation required to enable this to happen.

The full DfE consultation response on 'completing the reforms to the National Funding Formula' can be found through the following link:

[Completing the reforms to the National Funding Formula - government consultation response \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/consultations/completing-the-reforms-to-the-national-funding-formula)

The government will start the process of transition by bringing LAs formulae closer to the NFF in 2023/24 and will consult further on the implementation of these overall reforms later this year.

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

The move to the 'hard' NFF

- The Government confirms their intention to move forward with plans to introduce the direct NFF. No fixed date has been proposed.
- All NFF factors are to be included in local formulas, and this provision will be included in the relevant School and Early Years Finance (England) Regulations. The

application of protections within the funding system (such as the minimum funding guarantee) will remain to minimise disruption for schools.

- From 2023/24, to progressively tighten rules governing LAs' flexibility over schools funding, so that schools' allocations through their local formula move closer to the NFF distribution. All local formula factors to move at least 10% closer to the NFF, except where LAs are already 'mirroring' the NFF (within 1%). The DfE consider it to be the right balance when determining the speed of transition towards the direct NFF.
- In future years, the Government will consider the impact of the previous transitional step before decisions are made regarding subsequent movement towards the NFF.
- To consult on a new mechanism, in place of the current block transfers, which is consistent with the direct NFF and with future reforms to the SEND system.

Lincolnshire mainstream schools are currently funded at the NFF level, therefore these planned changes will not have a direct impact on individual school budgets.

Premises factors funding

- The Government will consult on a national, centralised approach to the split sites factor and to the Private Finance Initiative (PFI) factor as part of the direct NFF.
- Confirms the split sites factor to be the most feasible to develop a formula with the intention of implementation in 2024/25.
- Further review to develop a new approach to PFI funding for schools, which is to be consulted on at a later date.

The consultation response by participants and that provided by the Council are that 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. Therefore, there are questions regarding the ability of a national formulaic calculation to accurately reflect the individual circumstances of schools (i.e. no school is the same). The direction of travel causes concern for the Council to ensure fair funding is distributed to schools concerned and does not impose an additional administrative burden in supporting such a national process.

The Government has acknowledged in the consultation outcomes the concerns raised about the complexity of PFI contracts and additional costs PFI schools incur. It is important the Government carefully consider any impact changes will make on schools financially.

Schools Growth funding

- The Government plan to develop further options for growth and falling roll funding in the next phase of the consultation regarding a national, standardised system for allocating funding. The DfE remain committed to testing the details, they have however noted the concerns raised around the impact of such a change.
- The next consultation phase would present an alternative for allowing a greater role for LAs in the allocations.
- The Government will continue to provide growth funding to academies considered 'popular', and not to extend this to maintained schools as well, on the basis this is

not inconsistent or unfair, but a reflection of the particular role that academy trusts play in the school system.

Only 34% of LAs supported the proposal to use a national, standardised criteria to allocate all aspects of growth and falling rolls funding. The Council's concern, which is shared by others could have significant ramifications for LAs in delivering their pupil place planning responsibilities, and how such an approach could meet the full variety of local needs. 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. It is also concerning that the proposals are focusing on 'significant' growth in LA planned growth in order to attract funding, as opposed to the current LA approach of supporting 'all' planned growth. It is also disappointing that 'popular' maintained schools are unable to access DfE funding.

Central Schools Services Block (CSSB) funding

- The Government plan to review the services funded through the ongoing responsibilities element of the CSSB. This review will align with the Schools White Paper and the LA role in the school system.
- The ongoing services that are delivered for all schools will continue to be provided by LAs and funded through central Government funding.
- Under a direct NFF LAs will continue to have flexibilities to de-delegate maintained schools' funding.
- Multi-Academy Trusts will continue to have the ability to top-slice academy funding, however the DfE will review transparency of top-slices, including examining changes to improve and standardise this process.
- For historic funding commitments, such as unavoidable termination of employment and prudential borrowing costs, a legacy grant will be established.

Consistent Financial Years for academies and maintained schools

The consultation considered aligning the budgets of schools to the same financial year as academies. It was recognised the significant drawbacks of the additional burdens placed upon LAs and maintained schools to move to academic year financial reporting have been identified, therefore this will not be taken forward at this stage.

Conclusion

The Government are introducing measures in 2023/24 to move more LAs towards the 'hard' NFF. This does not impact Lincolnshire's mainstream schools as the Council currently replicate the NFF.

Government proposals and themes are to develop national funding mechanisms for schools for a variety of funded activities, however the consultation feedback from LA participants and the Council, is that local flexibility should remain to best support local needs. The Council consider it important for the DfE to continue refining the NFF to ensure the right level of funding is going into schools to deliver the best outcomes for children and young people.

The Council will continue to engage with the DfE on these proposals and any future developments including responding to government consultations to ensure Lincolnshire schools are represented.

The Government also published at the end of March 2022, the SEND Green Paper and Schools White Paper.

Consultation

a) Risks and Impact Analysis

The Government direction of moving towards a ‘hard’ formula along with further proposals for nationally driven allocations, the LA could 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 influence or powers to respond to local needs and demands on a timely basis within reasonable DfE parameters rather than through a centralised system.

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	None

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
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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