

Fair funding for
all schools

Review of National Funding Formula

DfE consultation

Launch date: 8 July 2021

Respond by: 30 September 2021

The Proposal

Background

Initial DfE consultation exploring further steps towards a hard national funding formula (NFF):

<https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>

Consultation considers next steps towards transitioning to a hard NFF over the coming years, maintaining protections to minimise disruption.

Scope

Principles

By moving towards a hard NFF, the DfE aims to further embed the following principles in the funding system:

- **Fairness** – each mainstream school funded on a consistent basis, to reflect their needs and circumstances.
- **Simplicity and transparency** – every individual mainstream school's funding calculated through a single national formula transparent to all in the system.
- **Efficient and predictable** – a single national formula through which funding is matched to relative need, creating greater predictability in funding and ensuring resources are distributed and used across the system as efficiently as possible.

Question is whether, in order to achieve these principles and the goal of delivering an equitable funding system for all schools, all elements of funding should be distributed through a hard NFF or whether there would continue to be merit in local control of certain aspects of mainstream school funding.

Proposal

Subject to the further development of premises and growth funding factors, it is proposed to include all NFF funding factors – pupil-led and school led – in the hard formula, without further local adjustment through local formulae.

Questions

Q1. Do you agree with the aim to include all pupil-led and school-led funding factors in a hard formula, without further local adjustment through local formulae?

No – See Q16. (no option for comments)

Q2. Do you have any comments on how premises funding could be reformed during the transition to the directly applied NFF?

We are not convinced that a national funding formula can adequately reflect the local and individual school circumstances in over 20,000 schools. Some further standardisation may be possible but some elements, such as exceptional premises costs and PFI arrangements, cannot be reflected through a formula, given that there are often unique circumstances.

Areas for potential reform could be the funding for split sites, where this could be considered in the context of the lump sum. For example, a case could be made that a school on two sites should not receive funding beyond what would be provided if they were two separate schools with two lump sums. Consideration therefore would need to be given as to what efficiencies could be made to warrant a reduction to the lump sum.

Growth funding

Proposal

To use national, standardised criteria to allocate all aspects of growth and falling rolls funding on a lagged basis, including funding for growth to meet basic need for new schools (including start up, growing schools and falling rolls funding).

Q3. Do you agree with the proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

No - The proposals fail to achieve the stated aims. (no option for comments)

Growth funding

Q4. Do you have any comments on our proposed approach to growth and falling rolls funding?

Standardisation of growth funding would remove the current inequity of funding regarding new schools.

In funding new schools, it is important to ensure funding is provided on the basis of comparable schools, rather than an average e.g. similar levels of deprivation, LPA. There are potential risks to ensuring sufficiency of school places relating to the impact of removing local funding discretion from discussions around place planning.

Further funding also needs to be considered through the Growth Fund to support schools who are fundamentally re-organising. This will include funding for pupils, but may also need to provide funding for additional costs incurred.

Falling rolls funding has been applied flexibly to meet local need, support necessary small schools and academies and compliment provisions for growing schools. We are not convinced these local circumstances can be adequately reflected on a national basis and may risk school viability in some instances.

Growth funding

Q4 continued....

The proposal fails to recognise that popular growth is inequitable and fails to meet the stated aim of fairness. School improvement is driven by high quality school leadership and teaching, which can occur irrespective of a school's governance structure, so should be accessible to all schools. Changes to the NFF should be driven by funding policy, rather than seek to further other government policy objectives.

Further consideration will need to be given regarding the funding for temporary growth resulting in the need for school expansion. Where growth is short-term, it is better value for money to meet the cost of provision of temporary classrooms from revenue, rather than capital, which is more appropriate for longer-term growth. Further consideration will also need to be given to the timing of any data collection process as this could impact on quality of data provided.

The department will need to define the meaning of "significant" regarding funding for growth as this can vary due to a range of factors e.g. school size, timetabling, staff structures etc. There is a risk to the department regarding the high level of detail it may require to establish appropriate levels of growth funding as this may result in a considerable resource burden.

Next steps towards a hard NFF

Proposals

There is recognition that there is increasing alignment between many local funding formulae and the National Funding Formula. Intention over the coming year is to increase that alignment.

No changes planned for 2022/23, however, for 2023/24 intent is to make all local formulae factor match existing NFF factors and remove flexibility around EAL factor regarding number of years assessed.

Some variation is allowed for new or reformed NFF factors (e.g. sparsity and potentially premises factors).

Where LAs aren't already closely aligned to NFF, it is proposed to require values to begin to align by 10% in 23/24, 15% in 24/25 and 20% in 25/26 (subject to review).

There is recognition that some variance could still exist in the interim due to affordability gap.

MATs will be permitted to continue to fund schools through a local assessment of need.

Next steps towards a hard NFF

Q5. 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?

Yes – With reservations as this could be undermined by MAT GAG pooling (no option for comments).

Q6. 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?

Yes – With reservations as this could be undermined by MAT GAG pooling (no option for comments)

Q7a. 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?

Yes

Next steps towards a hard NFF

Q7b. If you do not agree, can you please explain. [N/A](#)

Q8. 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?

As stated in Q16, we support an NFF applied to a core element of spend across all schools, including MATs, with some local discretion allowed by MATs, Schools Forum etc to reflect local need. This threshold should align to the value of that local threshold. If a threshold was applied, this should be adjusted to reflect the size of an individual funding gap in year i.e. shortfall between final allocation and funding required to meet NFF values in full, as this may result in unavoidable instances where local formulae move further from the NFF.

This should be considered in the context of the intended timeline for implementation of the hard NFF as any transition would need to be managed carefully avoiding any rapid change in later years.

Next steps towards a hard NFF

Q9. 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?

Yes – However due to GAG pooling, no assurance can be provided that this will be reflected in all schools funding. (no option for comments)

Q10. Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

Yes – We support local flexibility to reflect local needs and circumstances (no option for comments)

Central Services

Proposal

The DfE considers a move to a hard NFF as a case for change and intends to review central services. This is intended to bring more consistency and to move towards a more school-based system that allows schools maximum control over their funding, with costs falling into 3 areas:

- Local authorities' ongoing responsibilities for all schools – both maintained and academies (for example relating to admissions, or monitoring school attendance).

These are funded from the ongoing responsibilities element of the Central Schools Services Block (CSSB) that is paid to LAs in the DSG.

Central Services

Proposal continued....

- De-delegated central functions for schools that local authorities (for maintained schools) and MATs (for academies) are responsible for.

These functions are generally funded through local authorities or MATs top-slicing school budgets. Functions that can be funded this way by LAs are set out in regulations (for example outdoor education or duties related to functions under the discrimination provisions). Statutory school improvement functions are also delivered centrally for schools for maintained schools, but provided for separately through the LA school improvement monitoring and brokering grant.

- Optional traded services for all schools paid out of individual school's delegated budget share that are offered to schools to buy or not.

The DfE raises the possibility of movement away from central funding towards traded and de-delegated, in which case, any residual centrally funded activities could be moved to the LA Budget with a transfer to MHCLG. It also intends for funding for historic commitments to cease by the time the hard NFF is introduced, with a legacy grant paid for unavoidable termination costs.

Central Services

Q11. 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?

We are unclear why the proposed changes to the mechanics for funding mainstream schools will be any form of driver for change to central services as responsibilities remain unchanged. Pooling resources centrally for a large number of schools provides both significant financial efficiencies and effective risk mitigation, therefore it is important this facility remains. Without the critical mass achieved by this approach, schools may face financial pressures, putting future provision at risk, and it may add costs to the delivery of statutory duties by LAs.

Confirmation of the future of de-delegation is important as a trading model would not always be feasible, putting services at risk that may therefore require complex and lengthy exit strategies. The consultation references de-delegation then describes top-slicing. This needs further clarification as they are two distinct things with top-slicing applied to all maintained schools, whereas de-delegation only applies to maintained primary and secondary schools. If the proposal is to expand the use of top-slicing to include those currently de-delegated areas, this could be beneficial as this will enable special schools and PRUs to be included.

The recent pandemic has provided a good example of the value the local authority plays through its role of providing education leadership, engaging extensively with all schools, including both maintained and academies. It is important to ensure funding for these activities are maintained. The need for LA leadership and engagement across all schools has been well highlighted, with perhaps more of a case to expand the LA role regarding areas such as early intervention.

Central Services

Q11 continued....

We have highlighted in this response that the proposals fail to achieve the stated aims as they only ensure LA maintained schools will receive the funding they are entitled to through the NFF. We have also raised the importance of recognising local needs in all schools. A proposed solution would be to broaden the scope for top-slicing with greater freedom of purpose. This would allow for pooling of funds for both maintained schools (with agreement from Schools Forum) to meet local needs and within MATs to achieve the same results as GAG pooling. Given the DfE's recent focus on financial transparency, this would increase the level of scrutiny where funds are pooled and allow for better evaluation of the impact.

By moving the funding for delivery of centrally provided statutory education functions into the non-ringfenced general fund, this could create tensions and potential inefficiencies by separating the provision from the consequential outcome. This already presents challenges in the system in a number of areas, such as SEN and Home to School Transport, with perhaps a stronger argument to draw funding and activities together rather than create further separation.

Any transfer to the general fund would also result in a transfer of financial risk to the LA if these areas faced pressures and would also be impacted by the wider pressures faced by LAs to make savings. Consideration should also be given to any wider impacts of transferring funds on the methodology of general fund allocation.

Regarding areas of historic spend, further detail would be beneficial regarding the timescales for when funding will cease, along with confirmation that this will also result in amendments to regulations to remove the current flexibilities to spend in this area. We assume that as the LA is likely to still need to agree top-slice and de-delegation levels, some form of annual return will still be required. We also assume the LA will continue to receive and allocate all funding to maintained mainstream schools.

Central Services

Q12. Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

Yes – These are unavoidable costs therefore it is appropriate to continue to fund (no option for comments)

Funding Year

Proposal

Maintained schools and academies are currently funded on different cycles: the April to March financial year for maintained schools, and the September to August academic year for academies.

As part of taking the next steps to a hard NFF, the DfE wishes to explore the pros and cons of setting funding allocations for both academy and maintained schools on a consistent academic year basis.

Q13. How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

Disagree – (no option for comments)

Funding Year

Q14. 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 would not add any significant benefit and would simply shift burdens and complexities, rather than resolve anything. Given the limited availability of resource, we would consider there are other areas of much greater importance to focus.

Teachers' pay is a significant element of a school's budget, however, there are many other areas of spend that will not reflect the academic year, including many staff whose pay awards change in April. Based on government statistics on gross expenditure by LA maintained schools in the financial year 2019-20, 47% was spent on permanent and supply teaching staff. ([LA and school expenditure, Financial Year 2019-20 – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](https://www.gov.uk/explore-education-statistics))

There would be more significant issues if this proposal involved any changes to the financial year and processes within maintained schools, including any delay to the availability of funding allocations beyond the 28 February deadline, as this would create inconsistencies in financial and funding years adding complexity to budget setting.

Funding Year

Q14 continued....

Any delay would mean funding estimates would be required to set a financial year budget and would require further detailed work by schools in the autumn term to reset budgets to reflect actual funding. It may also, therefore, add to workload over the summer, which may create a new burden as many school staff are term time.

More detail is required to fully establish the impact, assuming this simply proposes that schools will receive funding allocations based on 5/12ths and 7/12ths of the respective funding years in each funding year the impact of this change is limited as is the value.

Based on the assumption above, this would increase the lag in funding received by mainstream schools, increasing the time difference between the cost of meeting need and when the funding is actually provided.

If this proposal is simply around apportionment of funding, there may be more advantages in accelerating the timescales of funding allocated to academies to a financial year as this would be more responsive to when costs are incurred and would potentially reduce cash flow issues.

If this change was to be explored further, this would need to be considered in the context of other grants as any change would need to be applied consistently to all.

Equalities impact

Q15. Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change. Before answering this question, please refer to Annex (C) of the consultation document.

As the proposals do not ensure all schools will receive the funding allocated through a hard NFF, this does not address the points raised in the DfE's equalities impact assessment regarding pupils with SEN or impacts on ethnic groups linked to deprivation.

All schools, including those within MATs, should receive the level of funding provided through the NFF with the facility to top-slice to meet local need in maintained schools (with approval from Schools Forum) and MATs in a fair and transparent way.

Comments

Q16. Do you have any further comments on our move to complete the reforms to the National Funding Formula?

We are, in principle, in support of a hard national funding formula, however, the proposals fail to achieve the stated aims of fairness and before further steps towards a hard NFF are taken, more details are needed and a number of fundamental issues should be resolved. This means, at this stage, it is difficult to support the proposals.

The foreword states this is a step forward from “the postcode lottery of the previous funding system, in which historic funding levels, rather than current needs, drove distribution.” However, this issue will remain whilst significant levels of funding are locked into historic patterns of distribution.

By permitting MATs to continue to pool funding, it will not ensure movement towards a NFF for all and it creates a system of potentially thousands of local formulae – which goes against the principles of the NFF. This will not provide transparency or ensure consistency of funding across all schools.

A better approach would be to ensure a national formula is applied for a core element of spend across all schools, including MATs, with some local discretion allowed by MATs, Schools Forum etc to reflect local need. For example, 90% of all funding nationally set and 10% remaining local or through greater flexibility in de-delegation / top-slice (see Q11).

Comments

Q16 continued....

Further reform of the existing factors is also required to ensure funding is reflective of need. The introduction of the Minimum Pupil Funding Level factor has resulted in similar levels of per pupil funding being received by schools meeting very different levels of need and can mean that a school that takes on a pupil with additional needs may receive no additional funding as it may be offset by a reduction in the protection mechanism.

Sufficient funding should be provided to meet the basic educational entitlement for all pupils. Additional funding would then be provided to meet additional need.

We are unconvinced that a national funding formula can adequately reflect the local and individual school circumstances in over 20,000 schools. Some further standardisation may be possible but some elements, such as exceptional premises costs, cannot be reflected through a formula due to their often unique circumstances.

From a practical perspective, any impact on the minimum funding guarantee (MFG) should be considered in the context of greater formula change as LAs seeking to align local formulae to the NFF values may trigger increases in MFG.

Other points to note

- Further changes to be made following publication of the SEN review, including a potential new approach to block transfers, how mainstream schools receive high needs funding, and the future of the SEN notional budget.
- Schools Forums to be reviewed, but would still have a role regarding the other funding blocks and potentially new responsibilities.