

Meeting date: 12 July 2022
Report to: Solihull School Forum



Subject/report title: Government Consultation: Implementing the Direct National Funding Formula
Report from: Assistant Director of Education
Report author/lead contact officer: Steve Fenton Head of Commissioning for Learning

Schools affected:

All Schools | All Primary | All Secondary

Type of Report For Forum to express view to the Local authority
Forum Voting Whole of Forum
Public/private report: Public

1. Purpose of Report

- 1.1 To inform Forum of a government consultation regarding the next steps of national funding formula development.

2. Decision(s) recommended

- 2.1 For Forum, if it wishes to do so, to express views on the matters raised by the government, and to consider if it wishes to make arrangements to respond in more detail by 9 September.

3. Matters for Consideration

- 3.1 The government launched a consultation on 7 June 2022 titled "Implementing the Direct National Funding Formula". The closing date is 9 September 2022.
- 3.2 In 2021 the government held a first stage consultation on the direct national funding formula (NFF) for schools: "Fair school funding for all: completing our reforms to the National Funding Formula". Following the feedback to that consultation, in March 2022 the Government published its response, which confirmed their commitment to introduce the direct NFF.
- 3.3 Following the largely positive response to the consultation, the government have confirmed that they will begin moving towards the direct NFF from the 2023-24 funding year.
- 3.4 The key areas in the consultation are:
- (a) The interaction between the direct NFF and funding for high needs

- (b) Flexibility to transfer funding to high needs
- (c) The indicative SEND budget (currently the “notional SEN (Special Educational Needs) budget”)
- (d) Growth and falling rolls budget
- (e) Premises funding – split sites, exceptional circumstances
- (f) The minimum funding guarantee (MFG)
- (g) The annual funding cycle

3.5 These areas are expanded upon in Appendix A.

3.6 Developing the schools NFF – key timelines:

- a) Split sites: Subject to the outcome of this consultation, the government plan to make changes to the split sites factor in the 2024-25.
- b) Exceptional circumstances: Depending on the outcome of this consultation, the government propose to implement changes to the exceptional circumstances factor at the time of the introduction of the direct NFF.
- c) Growth funding: Depending on the outcome of this consultation, the government aim to implement changes to the growth factor in 2024-25.
- d) Area cost adjustment: The government plan to update the Area Cost Adjustment (ACA) methodology in light of the updated GLM data published by DLUHC, with changes coming into force in 2024-25.
- e) Private Finance Initiative (PFI): the government plan to consult on options for reform to the PFI factor in advance of the introduction of the direct NFF.

3.7 Transition arrangements

3.7.1 As announced on 28 March in response to the first consultation on the direct NFF, we will start transitioning towards the direct NFF in 2023-24 by requiring:

- a) Local authorities to use all, and only, NFF factors in their local formulae;
- b) All local formulae factor values to move at least 10% closer to the NFF, except where local formulae are already “mirroring” the NFF.
- c) Local authorities to use the NFF definition for the English as an Additional Language (EAL (English as an Additional Language)) factor (although flexibility over the sparsity factor methodology will remain in 2023-24).
- d) The approach to transition in subsequent years will depend on the impact in the first year.

3.8 The key parts of the consultation are shown in Appendix A, together with an initial officer view.

4. Responding to the consultation

4.1 There is no meeting of Finance Group or Forum scheduled between this meeting

and the 9 September. Finance meets 12 September and Forum is 11 October.

- 4.2 The local authority will draft our response over the summer holidays, and this could be circulated to Forum members. Initial officer view is shown in appendix A.
- 4.3 Forum is asked if it would wish to make any comments at this meeting, based on Appendix A, or if it would like to make any other arrangement to respond.

5. List of appendices referred to

- 5.1 Appendix A – Details of government proposals and consultation question
- 5.2 Appendix B – the consultation document

6. Background papers used to compile this report

- 6.1 DfE (Department for Education) Implementing the Direct National Funding Formula 7 June 2022 – see links below
- 6.2 <https://www.gov.uk/government/consultations/implementing-the-direct-national-funding-formula>
- 6.3 <https://consult.education.gov.uk/funding-policy-unit/implementing-the-direct-national-funding-formula/>
- 6.4 Summer 2021 consultation, [Fair school funding for all: completing our reforms to the NFF](#)

Key matters in the consultation document and consultation questions.

The interaction between the direct NFF and funding for high needs

the interaction between funding for mainstream schools, and funding for high needs (for children and young people with more complex special educational needs and disabilities (SEND), and those who need alternative provision) is a key consideration in the reform plans.

The Government published the SEND and alternative provision green paper, Right support, right place, right time on 29 March 2022, which sets out our proposals for ambitious reforms to the SEND system to bring greater national consistency, so that provision is based on a child or young person's needs and not where they live or the setting they attend, within a financially sustainable system where resources are targeted effectively. This emphasis on greater fairness and consistency aligns closely with the principles that underpin the move to the direct NFF.

The Government's consultation on the SEND and alternative provision green paper concludes in July 2022. Following consideration of the responses to that consultation, they will consult on further detailed proposals on how high needs funding will operate to deliver the aims of the green paper.

in future consultations the government plan to cover the operation of funding bands and tariffs to support the development of a national framework for SEND provision. This will involve addressing a range of complex issues, and potentially making significant changes to the current system of place and top-up funding for specialist provision, as well as the current expectation that mainstream schools will provide for the first £6,000 of additional expenditure on pupils with SEND, before they become eligible for high needs top-up funding. Extensive consultation will be needed to develop this framework, informed by the expertise of stakeholders.

This consultation focus is on two elements of the high needs funding system where we can provide further clarity for schools, academy trusts and local authorities now on how the direct NFF will operate. Firstly, we set out proposals for how continued flexibility to transfer funding to authorities' high needs budgets, by adjusting mainstream schools funding, could work under the direct NFF. The commitment to include such flexibility was set out in the Government response to the first stage consultation – here, we now set out proposals on how this would operate. Secondly, we set out proposals on the continuation of notional SEN budgets in the direct NFF – that is, continuing to give mainstream schools an indication of a (non-ringfenced) portion of their core budget for meeting the additional costs of provision for pupils with special educational needs.

Flexibility to transfer funding to high needs

In the current funding system, local authorities have a degree of flexibility to transfer funding between the blocks of their Dedicated Schools Grant (DSG) allocations. In the majority of cases, local authorities transfer funding from their schools block (that is, funding for mainstream schools) to their high needs budgets. Local authorities' local funding formulae then determine how the schools block funding (after such transfers) is distributed to mainstream schools. Local authorities can transfer up to 0.5% of their schools block with the approval of the schools forum, but transfers above 0.5%, or where the schools forum does not agree, must be decided by the Secretary of State.

the Government, in their response to the first stage of the direct NFF consultation, committed to retain the flexibility to transfer funding from mainstream schools to local authorities' high needs budgets in the direct NFF. They envisage that this flexibility will need to be used with decreasing frequency as the local systems become financially sustainable, through local action supported by the national reforms envisaged in the green paper. Whilst this flexibility will be retained, it will need to operate differently from the current system once we move to the direct NFF.

As set out in the SEND and alternative provision green paper, local authorities will continue to have responsibility for the local delivery of provision for children and young people with SEND, particularly those with high needs. Therefore, the government propose that local authorities should continue to have responsibility for preparing and submitting any applications to the Secretary of State for funding to be transferred to their high needs budgets, via an adjustment to the NFF allocations for mainstream schools in their area. The applications would include: the amount of the transfer requested; the period over which the transfer is requested (e.g., if it is for more than one year); the reason for the transfer request (i.e. what the funding would be used for); and how and which mainstream schools' allocations would be affected. The final decision maker on these requests would be the Secretary of State, to ensure that decisions are taken on a consistent basis, in line with the principles underpinning the direct NFF.

Although local authorities would be required to include the amount of transfer requested in their application, the Secretary of State would have the discretion to modify that amount in agreeing to a transfer of funds. In some cases, it will be appropriate to agree to multi-year funding transfers (with an annual review) – for example, if a local authority is engaged in a DfE programme such as the Safety Valve work with authorities that have deficit budgets, in which they commit to reforms to their SEND systems which span multiple years.

Further detail on the criteria for assessing funding transfer applications, in particular in relation to how the transferred funding would be used, will be set out at a later stage, as we will need to make sure that such criteria are in line with wider system developments following the SEND and alternative provision green paper consultation.

However, we expect to continue the use of the following criteria:

- Strong evidence that a transfer is necessary to address significant cost pressures on high needs.
- Specific and detailed plans which demonstrate that the transferred funding would contribute to addressing cost pressures in a sustainable way.
- Strong evidence of a transfer of financial responsibility for children with high needs from mainstream schools' NFF funding to the local authority's high needs budget – such as a significant increase in the proportion of children with education, health, and care (EHC) plans placed in specialist settings rather than mainstream schools, or an increase in the costs met by high needs top-up funding for pupils with EHC plans in mainstream schools.

To make the application process more straightforward at a local level, and to support consistency in decision making, we propose that local authorities will be provided with a short "menu" of options on how the adjustment to mainstream schools' NFF allocations could be made.

This flexibility will also allow the requests to address local issues in the provision for children

and young people with complex needs – for example, a local authority may judge that schools with high proportions of pupils with SEN pupils are facing particular pressures, and require additional funding from the high needs budget. Or, a local authority might judge that a portion of the funding directed to additional needs in the schools NFF is, because of local patterns of provision, required to support special schools or units. We envisage that this short list of options would therefore include:

- A percentage reduction in all mainstream schools' NFF allocation.
- A percentage reduction in the NFF funding that mainstream schools attract through the basic entitlement factor (rather than additional needs factors) – this would be of relative benefit to schools with high proportions of pupils with additional needs.
- A percentage reduction in the NFF funding that schools attract through additional needs factors.

Within these options, the Secretary of State would then also take into account local authorities' views on whether to:

- Include primary or secondary schools, or both, in the adjustment of allocations.
- Include schools on minimum per-pupil funding levels (MPPLs) in the adjustment of allocations.
- Include schools on the minimum funding guarantee (MFG) in the adjustment of allocations.

Where a funding transfer request is approved by the Secretary of State, we will adjust mainstream schools' NFF allocations accordingly. We would aim for these adjustments to be made in time for them to be included within the usual timescale for confirming schools' NFF funding allocations. More generally, we want to ensure that as much advance notice of such adjustments as possible is given, both to schools and to local authorities: early clarity on their funding levels will enable better budget planning. This will probably mean that local authorities will need to submit applications informed by the provisional high needs allocations that are published in July each year, and an estimate of mainstream schools' allocations, using the latest NFF factor values and the previous years' pupil data, rather than waiting until allocations are confirmed closer to the start of the financial year.

We propose that, as in the current system, local schools should be able to give their views of a local authority's proposal to transfer funding to high needs. Currently, local authorities must consult their schools forums, and their local schools, on a "schools block transfer" proposal, and – when a decision is referred to the Secretary of State (for example, because the proposed transfer is above 0.5% of the schools block), we require a local authority to submit detail on the responses to these consultations.

It will be important for the Secretary of State's decisions to continue to be informed by local feedback, and so we propose that in advance of submitting applications for transfers of funding local authorities must engage in appropriate consultation with their schools and other stakeholders, and provide evidence on the responses as part of their application.

The government plan to review how the role of the schools forum fits with other local partnership arrangements. The green paper sets out proposals for local SEND

partnerships, which will develop local inclusion plans – a strategic plan for delivery, including setting out the provision and services that should be commissioned in line with national SEND standards. Subject to consultation responses to the green paper, we will look to align the application and approval process for schools funding transfers to local high needs budgets, with the establishment and operation of these local partnerships and plans. As in the current system, the responses to local planning and consultation activity will be key information that the Secretary of State will consider in taking a decision over whether to approve the proposal

Question 1

Do you agree that local authorities' applications for transfers from mainstream schools to local education budgets should identify their preferred form of adjustment to NFF allocations, from a standard short menu of options?

Initial officer view

Yes – there are only a small number of ways to adjust the NFF, and we agree that depending on the purpose of the transfer, there could be good reason to apply the adjustment.

Do you have any other comments on the proposals for the operation of transfers of funding from mainstream schools to high needs?

Initial officer view – no further comments

Indicative SEND budget

The government are clear that there should continue to be a national expectation on how much of the additional costs of supporting pupils with SEN mainstream schools should meet from their formula funding, so that schools and local authorities can plan their budgets appropriately.

Currently local authorities use factors in their local school funding formulae to identify for each school a notional SEN budget. Although this provides the same formulaic calculation for all the schools in each local authority area individually, it does not provide a nationally consistent approach.

There was clear feedback through the 2019 call for evidence that school leaders and SENCOs find it helpful when setting school budgets to have a guide to the amounts they may set aside for spending on SEND support. We therefore propose to continue the concept of identifying for each school a budget for the costs of additional support for its pupils with SEND. This would be calculated by the Department under the direct NFF, rather than by local authorities, and would indicate the amount within the school's overall budget that is allocated to help schools meet the costs of additional provision for children with SEND, up to a defined threshold (currently £6,000 per pupil, per annum).

The budget indicated for SEND will not be ringfenced.

The SEND and alternative provision green paper proposes to introduce national standards for the SEND provision to be available in mainstream schools, with associated funding bands and tariffs. Subject to the green paper consultation, the government will consult on the detailed calculation of an indicative budget for SEND support within the direct NFF, as part of wider consideration of the funding changes that the green paper reforms will require.

The government will also consider and consult on whether a different financial threshold or alternative approach would be more appropriate, consistent with the responsibilities that will sit with mainstream schools under the new national standards.

Prior to the development of those national standards, the government think it is important to maintain the clarity that the £6,000 high needs threshold offers in the system. This reflects that it remains appropriate for mainstream schools to contribute to the costs of supporting their pupils with SEND before seeking additional high needs funding.

The government will, however, issue guidance to local authorities on how they can calculate their schools' notional SEN budget for 2023-24 using local formula factors. We intend that this guidance will help to bring greater consistency and help with creating the right incentives across the current system.

Question 2

Do you agree that the direct NFF should include an indicative SEND budget, set nationally rather than locally?

Initial officer view – Yes – with a NFF and a common national expectation for SEND, then it does make sense for a nationally defined indicative SEND budget.

Growth and Falling Rolls funding

Local authorities have a statutory responsibility to ensure there are enough school places available in their area for every child aged 5 to 16 needing one, as set out under section 14 of the 1996 Education Act. The recent Schools White Paper, Opportunity for all, reiterated that local authorities will continue to play this important role. Our lead proposals below aim to support LAs (Local Authority) as they meet these responsibilities, by ensuring some continued local flexibility.

The government expect local authorities – in fulfilling their place planning function – to reduce or find alternative uses for school buildings where there are high levels of spare places, in order to avoid detriment to the educational offer or the financial position of schools. This can include, for example, increasing the provision of early education and childcare, reutilising space within mainstream schools for SEND units or resourced provision, and reconfiguring the local offer of places via remodelling, amalgamations, mergers, and closures.

The government expects all schools and academy trusts to work collaboratively with local authorities, dioceses, and other schools in the area, to ensure that there is a co-ordinated approach to place planning and delivery. The department expects local partners to support local authorities to meet their sufficiency duty by providing additional places where they are needed and work with them to reduce the number of places offered where they are surplus to requirements.

To further support local authorities to meet their sufficiency duty, the department provides them with revenue funding for growth and falling rolls, through their Dedicated Schools Grant.

In the first stage consultation, the government proposed that the Department introduce national, standardised criteria to allocate revenue funding for schools experiencing significant growth in pupil numbers and/or falling rolls. A narrow majority of consultation respondents agreed with this proposal, although that was true of only a third of local authorities, and a significant proportion of respondents called for continued local flexibility in how growth and falling rolls funding is allocated to schools, to help local authorities fulfil their duties with regard to the sufficiency of school places.

This consultation outlines two options for growth funding under the direct NFF. The first option would allow some continuing local flexibility in how growth funding is distributed to schools, but with significantly greater consistency than in the current system. The second option is a national, standardised system without local flexibility, where we allocate growth funding directly to schools as part of their allocations based on information provided by local authorities. Last, we explain why the first approach, which retains local control, is our favoured approach.

Approach one: retain some local flexibility

This approach would retain some local flexibility for local authorities as they respond to the pupil place planning needs of their areas. Implementing this approach as we transition to the direct NFF would require the following:

- We would place restrictions in the School and Early Years Finance Regulations and/or in the DSG conditions of grant on how local authorities use growth and falling rolls funding.

- In particular, in order to meet the principles of the direct NFF we would:

- (a) place additional requirements on local authorities to increase the consistency and predictability of funding in relation to how local authorities operate growth funding;

- (b) similarly, place additional requirement on how local authorities operate falling rolls funding;

- (c) refine the allocation methodology of growth and falling rolls funding within the DSG; and

- (d) explicitly allow local authorities to spend growth and falling rolls funding on repurposing and removing surplus places.

Local authorities would continue to be required to submit their local growth criteria for scrutiny by the ESFA. We would also publish data on the growth criteria which local authorities were adopting in order to increase transparency of the approaches taken.

These proposals could be implemented in 2024-25.

Question 3

Do you have any comments on the proposals to place further requirements on how local authorities can operate their growth and falling rolls funding?

Initial officer view – We agree that there can be more consistency between local authorities, however we do think that there are a number of different methods available to fund schools, depending on circumstances, e.g. .to fund a teacher (largely for a primary bulge class) or to use per pupil values (largely in the secondary sector), plus elements on a case by case basis of other costs e.g. furniture and equipment, or adaptations. Explicitly allowing LAs to use growth funding on repurposing and removing surplus places is particularly welcomed.

Question 4

Do you believe that the restriction that falling rolls funding can only be provided to schools judged “Good” or “Outstanding” by Ofsted should be removed?

Initial officer view – restrictions should only be made where they are absolutely necessary, removing restrictions can aid local authorities in meeting their statutory duties.

Proposals on allocation of growth and falling rolls funding to local authorities

We propose to reform the allocation of growth and falling rolls funding in order to better suit the current needs of local authorities through:

- Re-baselining the total amount of growth funding, nationally, to better reflect current spending patterns. The current amount of funding is based on spend levels in 2018-19; we would re-set the national total on the basis of the 2023-24 spend.
- Allocating funding between local authorities on the basis of both growth and falling rolls by calculating local authorities' allocation on the basis of areas (MSOAs, within local authority areas) which have either seen growth or (significant) declines in pupil numbers.

Question 5

Do you have any comments on how we propose to allocate growth and falling rolls funding to local authorities?

Initial officer view – We agree to updating the actual spend to a 2023-24 baseline. We agree with using an area-based approach to growth/declines.

Proposal to increase the scope of growth funding

In addition, we believe that there is a strong case to extend the scope of how growth and falling rolls funding may be used by local authorities. It is prudent for local authorities to retain some spare capacity in the system, in order to respond to and manage shifting demand including unexpected changes, provide for parental choice and support the effective management of the admissions system; but it is also important that local school estates are managed efficiently to ensure they remain financially viable.

This involves local authorities and local schools/ trusts working together where there are high levels of spare capacity, to reduce or repurpose this in order to avoid undermining the educational offer or financial viability of schools in their area. Local authorities should consider a spectrum of options for the reutilisation of space, including, for example, co-locating nursery or SEND provision, as well as options for reconfiguration, including via remodelling, amalgamations, or mergers/closures where this is the best course of action. Such repurposing of school estates often involves revenue costs.

We believe it would be helpful if growth and falling rolls funding could be used to support local authorities to facilitate this process, which will become more common in future, as pupil numbers start to decline nationally. We could permit local authorities to spend growth and falling rolls funding on the revenue costs associated with repurposing or reducing school places. This is the analogue of their current role in meeting revenue costs where a new school opens or expands. This could provide local authorities an additional lever in pupil place planning, where the costs of repurposing or removing spaces would otherwise be prohibitive to achieving these longer-term improvements.

Question 6

Do you agree that we should explicitly expand the use of growth and falling rolls funding to supporting local authorities in repurposing and removing space?

Initial officer view: Explicitly allowing LAs to use growth funding on repurposing and removing surplus places is particularly welcomed.

Approach two: national standardised system

Funding provided for schools who see pupil growth is the basic entitlement rate for each additional pupil, adjusted by the area cost adjustment (ACA). This is consistent with the most common current approach taken by local authorities. This would also align with the funding provided by the NFF due to local authorities who amend a school's pupil numbers as part of the new data collection.

In order to implement a national standardised system, we would need to define the threshold for a "significant" growth in pupil numbers, such that growth above this threshold would attract additional funding. Our suggested criterion for significant growth is broadly based on the idea of stepped costs, where the increase of costs is associated with the provision of additional classes and will affect schools differently depending on their size. This is based on our analysis of local authority growth criteria where the most common threshold is around an additional class of 30. We expect the majority of the applications we would receive from local authorities would be for additional temporary or permanent bulge classes, which have been agreed in advance of the academic year. However, some local authorities, particular those with smaller more rural schools choose to fund a half-class of 15 in primary schools, which we have sought to mirror for small primary schools to ensure this system works for them. We have sought to avoid any 'cliff edge' effects where schools of similar sizes would have different thresholds for significant growth. Therefore, we would define significant growth as increases in the number of pupils which mirror the following:

| School Size | Threshold for significant growth |
|----------------------------|----------------------------------|
| Fewer than 300 pupils | 15 pupils |
| Between 300 and 600 pupils | 5% increase in NOR |
| Greater than 600 pupils | 30 pupils |

Our view is that the first approach, which retains local control, should be the approach taken under a direct NFF. We believe this option best reflects the role of local authorities as set out in the white paper, as it would go hand in hand with their sufficiency duty to provide an appropriate place for every child. We propose to implement such an approach, retaining some local flexibility but with greater national consistency, in 2024-25, in advance of the introduction of the direct NFF. In advance, we would consult with local authorities and the sector more widely on the specific proposals and requirements which would be put in place. This approach builds upon existing practice, and should not represent any new processes or burdens to local authorities.

Question 7

Do you agree that the Government should favour a local, flexible approach over the national, standardised system for allocating growth and falling rolls funding; and that we should implement the changes for 2024-25?

Initial officer view: We completely support a local flexible approach to enable LAs to meet their statutory functions. Different scenarios, e.g. significant influxes of refugee pupils require flexible and innovative responses from local authorities and schools. For a national approach, schools may be less willing to expand places if they felt the national method did not cover the costs they were facing.

Popular growth

Not all growth in schools is to meet demographic need. Growth can also occur where a school becomes more popular with parents and children locally. We currently make funding

available for academies with significant forecast growth to reflect their increased costs. Academies that are entitled to this funding provide us with an estimate for their number of pupils in the coming year, which we provide funding for subject to an adjustment process based on the actual, in-year autumn census. Agreements are made on a case-by-case application basis at academy trust level.

As we proposed in our first-stage consultation, and confirmed in our first stage consultation response, we will retain a system of popular growth for academies which have seen an increase in popularity, after being recently sponsored by a multi-academy trust which has improved the school's performance.

A number of respondents raised concerns about "popular growth" being available only to academies, and not local authority maintained schools. It remains our strong view that this reflects the particular role that academy trusts play in the school system. This funding aims to remove a disincentive for MATs (Multi Academy Trust) to take underperforming maintained schools, which historically have had low pupil numbers, into their trusts so that they can lead school improvement. However, in order to address these concerns, we are consulting on whether maintained schools should also be able access popular growth funding by basing their funding allocation on estimates. This would be through a case-by-case application process where local authorities can apply for this funding on behalf of particular maintained schools where there is clear evidence of expected significant popular growth, along with evidence of recent improvements in school performance through pupil assessment data.

Question 8

Do you have any comments on the proposed approach to popular growth?

Initial officer view: Solihull has not experienced the need for "popular growth" for maintained schools, but clearly it could be required, so we welcome a consistent approach across all categories of schools, using the same criteria.

Premises funding

The premises factors in the NFF include additional revenue funding for PFI schools, schools with split sites, and schools which face costs relating to exceptional circumstances (such as rental costs for their premises).

Currently, premises funding is based on historic spending at local authority level, rather than up-to-date data on costs and needs. Relying on historic spending leads to anomalies within the patterns of funding allocated to different local areas, and would become progressively less appropriate as a funding methodology in a direct NFF, given our underlying principles of fairness and consistency in funding between local areas.

In the Government's response to the consultation, we recognised respondents' concerns about the complexity of PFI contracts and plan to work closely with the sector to develop an appropriate approach to PFI schools under a direct NFF, to be consulted on at a later date.

We also confirmed our intention to develop a formulaic approach to split sites as part of the direct NFF. Respondents were generally supportive of our proposal to implement a split sites formula in the direct NFF, and pointed to the need for clear eligibility criteria that took into account a range of costs, regardless of distance. This approach will make funding for schools with split sites simpler, fairer, and more consistent, taking into account the additional costs associated with having additional sites. We confirmed that we would consult on further

details of our proposal for a split sites formula with the intention of implementation in the 2024-25 NFF.

We also confirmed that we would continue to include an exceptional circumstances factor in the NFF, following feedback from respondents that there were exceptional premises costs faced by schools which needed to be met, although there needed to be greater clarity about what exceptional circumstances were.

Premises: Split sites

The split sites factor is intended to account for the extra costs associated with a school operating, and needing to duplicate services, across a number of separate sites. Extra costs may be incurred from requiring additional reception facilities, travel time for teachers, and travel costs for pupils.

The majority (60%) of local authorities who allocate split sites funding do so as a lump sum, with others allocating on a per-pupil basis or a points based system. The average amount of funding is around £58,000, although this ranges from £2,789 in Derbyshire to £213,690 in Torbay. In Solihull, the split site factor is £100,00.

Eligibility

We propose that sites should be counted as 'split' where they are separated by a public road or railway as a clear marker of separateness. This again aligns with the majority of existing local authority split sites formulae.

We propose that to qualify as 'split,' the sites must be used primarily for the education of 5-16-year-olds, and must share a single unique reference number (URN) – this ensures we would only fund shared premises once. We would exclude sites such as buildings which are owned and leased out full time by the school. We also want to apply the criterion that a site must have a building. This would exclude sites which only contain 'ancillary buildings,' such as storage sheds, as they are not used primarily for the education of 5-16-year-olds. The requirement for a building on the site would exclude playing fields from triggering eligibility for split sites funding.

Distance eligibility

To meet the distance eligibility criterion, the site would have to meet the basic criterion and meet a distance threshold of 500 metres (0.3 miles) by road. Note that this is the same distance used currently by Solihull. Just one school receives split site funding in Solihull – Valley Primary school.

Question 9

Do you agree we should allocate split site funding on the basis of both a schools' 'basic eligibility' and 'distance eligibility'?

Initial officer view: we agree that eligibility should be based on both basic and distance eligibility.

Question 10

Do you agree with our proposed criteria for split site 'basic eligibility'?

Initial officer view: Yes

Question 11

Do you agree with our proposed split site distance criterion of 500m?

Initial officer view: Yes

Allocation of funding

Split sites funding would be a “lump sum” payment, rather than on the basis of pupil numbers, or other site factors. This would be linked to the size of the existing schools NFF lump sum that all schools receive, reflecting the ‘core’ costs the funding is allocated for, but recognising that a second site does not attract the same expenses as a main site. We propose to set the maximum amount schools can receive for a split site at 60% of the NFF lump sum. In 2021-22, this reflected the average 2021-22 local authority maximum funding for a split site at around £70,000. This would be split as 20% of the NFF lump sum allocated under basic eligibility, and 40% of the NFF lump sum allocated under distance eligibility. The factor values for 2024-25 have not yet been set, but if we assume similar annual increases in the lump sum, the maximum funding available would be around £75,000, with £25,000 allocated through basic eligibility and an additional £50,000 allocated if the site meets the distance threshold.

Question 12

Do you agree with total available split sites funding being 60% of the NFF lump sum factor?

Initial officer view: we agree split site funding should be a % of the NFF lump sum, but we feel it should be more like 80% than 60%. When developing our local factor we researched extensively the additional costs and we are satisfied that 80% of the lump sum is a realistic figure.

Question 13

Do you agree that distance eligibility should be funded at twice the rate of basic eligibility?

Initial officer view: We are not sure why this is required – a school needs to meet both criteria for funding, so why not a single lump sum based on a % of the NFF lump sum?

Funding protection

Introducing a national formula for split sites will lead to a reduction in funding for schools in local authorities with very generous split sites funding, whereas other schools will attract more split sites funding than they currently do. We will protect schools from losing funding through the minimum funding guarantee (MFG) (and, in advance of the full introduction of the direct NFF, the funding floor), to avoid excessive year-on-year losses. We will not, however, protect a school’s split sites funding where they cease being a split site school, as they would no longer incur these costs.

Implementation and transition

We propose to introduce the new split sites factor in the NFF in 2024-25. Local authorities would then need to use the NFF split site factor in their local formulae with immediate effect in 2024-25. This is in line with our approach to transition to a direct NFF, whereby local authorities will be required to use all NFF factors from 2023-24 (see roadmap below for details). Local authority split site factors should have the same structure as our approach, using both a basic and distance eligibility with lump sum payments. This would mean that all schools which are eligible for split site funding receive it in 2024-25.

Data collection - Implementation

We need to collect additional data to formularise the split sites factor. Our proposals require a list of split site schools and their addresses.

Specifically, we would collect data covering:

- Which schools meet our split site eligibility criteria.

- The full addresses of any additional sites. We will take the main site address as the one recorded on Get Information About Schools.
- The Unique Property Reference Number (UPRN) for any additional sites, where known.

We will request the data from local authorities as part of the Authority Proforma Tool (APT). Once we have analysed consultation responses, we will issue advanced guidance on our requirements and how to supply any such data to allow preparatory work if desired. To formularise the split sites factor from 2024-25, we will ask for data in the 2023-24 APT. We will ask all Local Authorities to engage with their Academy and Voluntary Aided schools before returning the data. We also encourage split site schools to proactively engage their Local Authority between now and October 2022.

Question 14

Do you agree with our proposed approach to data collection on split sites?

Initial officer view: Yes

Question 15

Do you have any comments on our proposed approach to split sites funding?

Initial officer view: No

Premises: Exceptional circumstances

The exceptional circumstances factor is intended to account for additional premises costs that the majority of schools do not face. Currently, local authorities can apply to the Education and Skills Funding Agency (ESFA) to use an exceptional circumstances factor in their local formulae. Funding is allocated to local authorities based on the previous year's spend. In 2021-22, 71 local authorities used the exceptional circumstances factor in their local formulae, with £19.6 million allocated across 327 schools. This ranged between £2,958 and £600,000, and from 1% up to 30.5% of a school's budget.

No schools receive exceptional premises factor funding in Solihull.

First, we think that some costs that currently being funded through exceptional circumstances arrangements are better funded through formula factors. Therefore, we propose changes to the following categories:

- Building Schools for the Future (BSF) school: The BSF factors would be incorporated into a modified PFI factor.
- Amalgamating school: Local authorities can currently support schools with 85% of the combined lump sums of their predecessors as temporary support while cost structures adapt to the new arrangements. In our proposals, this would be automatically allocated through the lump sum factor. These schools may also become eligible for split site funding.
- Super-sparse school: Local authorities can also provide additional funding to very small, rural secondary schools, on top of existing sparsity funding to be viable. We propose to automatically incorporate this into the sparsity factor.

We would make the necessary modifications to these factors in time for the introduction of the direct NFF.

There are some exceptional circumstances which are included in local formulae by a minority of local authorities, which we do not believe should be included in the NFF. We propose no longer funding listed buildings through the exceptional circumstances factor. We also

propose to no longer fund any costs that are not related to school premises through the exceptional circumstances factor, as we want to use the NFF pupil-led factors to fund schools on a consistent assessment of the needs of their cohorts.

Examples of categories which are currently funded through exceptional circumstances that we propose to retain therefore include:

- Farm school: Schools with a farm attached and used for its educational provision.
- Rental agreements: Schools which rent additional premises in order to deliver their curriculum because they have inadequate facilities.
- Dual or joint use agreements: Schools which share the use of a facility in order to deliver their curriculum because they have inadequate facilities.

Changing the minimum threshold value of the exceptional circumstance

We propose that we raise the exceptional circumstances funding threshold to account for at least 2.5% of a school's budget, up from the current 1%. We want to significantly reduce the number of schools receiving exceptional circumstances funding so that we target funding only to schools where costs are exceptional and meaningful, and are not maintaining the significant differences in funding between local authorities which reflect historic decisions. We believe that this approach is the fairest way to ensure that schools receive funding to meet their costs, but in a way that is consistently applied.

Restricting funding to historic commitments

We propose to restrict funding to where there are historic commitments for exceptional circumstances which have already been made by local authorities under the above three categories. We believe that the significant, unavoidable, exceptional costs which schools face are already being met by their local authority.

This means that, to apply the new criteria outlined above, we would invite reapplications under a new national process, with local authorities applying on behalf of maintained schools, and academies' trusts applying on behalf of their constituent academies. All requests would need to be in respect of schools already in receipt of exceptional circumstances funding, and would be reviewed against our updated criteria, ensuring that we provide a level of consistency and transparency across existing claims moving forwards. This will allow us to target funding to schools where costs have been recognised as exceptional and meaningful by the local authority, although schools which no longer meet our criteria would be protected from significant turbulence through the minimum funding guarantee. To ensure that we are flexible to changing needs in future, we would accept new requests that meet our criteria where a school has clear, newly arising needs, which fall within our proposed criteria. We would expect this to apply very rarely.

Question 16

Do you agree with our proposed approach to the exceptional circumstances factor?

Initial officer view: Yes – Solihull does not use any exceptional circumstances, but we agree the proposed approach sounds appropriate.

Question 17

Do you have any comments on the proposed approach to exceptional circumstances?

Initial officer view: No

The minimum funding guarantee (MFG) under the direct NFF

Under the current funding arrangements, local authorities set a minimum funding guarantee (MFG) which protects schools from excessive year-on-year losses in per-pupil funding. The

NFF funding floor mirrors the MFG in the local formulae, and is important for ensuring the affordability of the MFG in the local formulae.

As we move to a direct NFF, the NFF floor and the MFG in the local formulae will merge into one single protection mechanism – which we will continue to refer to as the MFG. The MFG in the direct NFF will continue to play a crucial role for ensuring sufficient stability for schools funded above their “core” formula allocations, so that they do not see sudden drops in their per pupil funding levels.

The interaction between the NFF and the local formulae complicates the current operation of the floor and the MFG. We plan to use the opportunity provided by the move to a direct NFF to both simplify and improve how the MFG operates.

What matters for schools as we move to the direct NFF is what their funding will be compared to what they received in the previous year – not compared to what their notional NFF allocation was. To ensure that schools continue to be protected against year-on-year losses as intended under the direct NFF, we therefore plan to use the local formulae baselines for the MFG in the year we introduce the direct NFF. For clarity, this means that for academies, their actual GAG allocation will be used as the baseline.

Question 18

Do you agree that we should use local formulae baselines (actual GAG allocations, for academies) for the minimum funding guarantee (MFG) in the year that we transition to the direct NFF?

Initial officer view: Yes

Moving to a simplified pupil-led funding protection under the direct NFF

The NFF has both school-led and pupil-led factors. The school-led factors (the lump sum and sparsity funding) are determined by the school's characteristics, with one amount calculated per school through each factor. In contrast, the pupil-led factors (basic per pupil funding and funding for additional needs factors such as FSM (Free School Meals), FSM6 and low prior attainment), are allocated in respect of the number of pupils, and their characteristics, in a school.

The aim of the NFF's funding floor, and the MFG, is to protect schools from sudden losses in their pupil-led funding, per pupil.

- It is a per pupil protection which allows funding to go up and down with pupil numbers;
- It protects pupil-led funding only (not total funding per pupil) as school-led funding should not increase or decrease with pupil numbers.

However, in the way the floor and the MFG currently operate, there is a complication whereby year-on-year changes in school-led funding are also included in the protection. The reason for this is that school-led factor values can increase or decrease quite significantly in local formulae as they move towards the NFF factor values. Without this feature in the MFG, schools in local authorities which decrease their school-led factor values would be “under-protected” whereas schools in local authorities which increase their school-led factor values would be “over-protected.”

When we move to a direct NFF, this issue will disappear, since all schools will be funded directly by the NFF factor values: there will no longer be differences between the NFF school-led factor values, and local formula school-led factor values. We therefore plan to move to a fully pupil-led funding protection which does not take into account changes in school-led funding. Doing so would simplify the floor significantly, which will help improve the

transparency of the funding system, and make it easier for schools to understand how their funding levels are calculated.

A further reason for moving to a fully pupil-led protection is that, under the current system, year-on-year increases to the lump sum and the sparsity factor results in a slight decrease in schools' baselines (a worked example of how the floor currently operates is set out in Annex B). This decreases the funding received by schools on the MFG. The larger the funding increase in the lump sum and the sparsity factors, the lower the baseline – and the less funding schools receive through the MFG. While this effect is typically very small, it affects a larger number of schools. Moving to a fully pupil-led funding protection would remove this issue altogether.

This change would only come into effect once the direct NFF has taken effect. Up to, and including, the year we implement the direct NFF, decreases in school-led funding resulting from the move towards the direct NFF will be protected by the MFG. The same protections will also be applied when the split sites and exceptional circumstances funding are formalised.

This means that schools that lose split sites or exceptional circumstances funding as a result of the formalisation of these factors will be protected through the MFG.

Adjusting the floor for changes in year-groups

The NFF floor is calculated on an overall per pupil basis. This can lead to undesirable effects if a school is changing its year-group structure. For example, if a secondary school expands to become an all-through school, the NFF floor – as it currently operates – would protect the funding for their primary pupils at the same per-pupil funding rates as for their secondary pupils. This would not be fair to other schools which are funded at lower levels for their year 6 pupils.

In contrast, subject to a successful disapplication request, local authorities can adjust the level of the MFG to take into account such changes to year-group structures. Under the direct NFF, we plan to make adjustments to the baselines such that schools that change their year-group structures will not be unfairly “overprotected” compared to other schools.

Question 19

Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?

Initial officer view: yes

Adjusting the floor for changes in year-groups

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Question 19

Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?

Initial officer view: yes

Question 20

Do you have any comments on our proposals for the operation of the minimum funding guarantee under the direct NFF?

Initial officer view: No

The annual funding cycle

Key aspects of the annual funding cycle relate to when we announce the structure of the NFF and associated factor values; when and how we gather data to calculate funding allocations; and when we confirm final allocations to schools. Our aim is to provide early information to schools to support schools’ budget planning, while ensuring enough time to gather and quality assure data and calculate allocations accurately.

Under a direct NFF, local authorities will no longer prepare local funding formulae, but we propose to keep other features of the cycle unchanged. The table below sets out key features of the current funding cycle and how we propose that these would change under a direct NFF.

| Timing | Current arrangements | Proposed changes from the current system |
|--------------------|---|---|
| Spring (usually) | DfE usually consults on any planned significant changes to the NFF in the spring before the NFF is published. | No change proposed to the current DfE-led consultation processes. |
| July | NFF structure and factor values published for the subsequent funding year, together with notional allocations and local authority primary and secondary units of funding (PUFs and SUFs). | We propose to keep the timing of the NFF publication on the structure and factor values unchanged, although what we publish alongside the formula will change. (See below for details.) |
| Autumn | Local authorities consult with their schools forums on local funding formulae, de-delegation, and block-transfers. | Local authorities will still need to consult by autumn on de-delegation and transfers to high needs. |
| December | Local authorities’ Dedicated Schools Grant (DSG) allocations published. | DSG allocations will no longer be published for the schools NFF , but they will still be published for early years, high needs and the CSSB (Central School Services Block). |
| December – January | Local authorities submit the “Authority Proforma Tool” (APT) with the local funding formulae as well as information on the school estate and pupil data. | Local funding formulae will no longer be produced. We will still need to gather some information from local authorities, but to a slightly different timescale |

| | | |
|----------|--|--|
| | | from now. (See below for details). |
| February | Deadline for local authorities to confirm funding allocations for maintained schools | ESFA will issue the allocations under the direct NFF, and will try to get them out to all schools and academies as early as possible – and no later than current deadlines. |
| March | Deadline for mainstream academies to be informed of GAG allocations by ESFA | |

We are proposing to continue publishing the national funding formula in July each year. Under a direct NFF, the published formula will apply directly to schools, so schools will have earlier knowledge of the final formula which will apply to them. Unlike now, primary, and secondary units of funding (PUFs and SUFs) would not be published for local authorities, as they will no longer be needed. In order to help schools understand what the formula will mean for them in practice, we have two options:

1. Continuing to publish notional allocations as we do now, showing what each school's funding would look like the following year if their pupil numbers and pupil characteristics remained unchanged. And/or
2. Publishing a "calculator" tool which allows schools to plug in their own pupil numbers and pupil characteristics, to see what their funding would be.

The aim of the calculator tool would be to serve a similar function to what the draft APTs (Authority Proforma Tool) do now. It would be pre-populated with all the new factor values, so schools can see how their funding would change with pupil numbers and/ or pupil characteristics. If the tool is published before the start of term in September, schools could plug in their pupil data as soon as that becomes available (e.g. after submitting October census).

Other information not captured by either notional allocations and a "calculator" tool would be:

- Any de-delegation which would be determined at local level and which local authorities would deduct from the amount maintained schools are allocated from the NFF.
- Any transfer to the high needs budget, where the Department would be adjusting mainstream school funding allocated from the schools NFF – subject to the outcome of this consultation on that question.
- Any Exceptional Circumstances funding, which would be subject to the separate application process which local authorities and Academy Trusts would undertake. However, as we would not expect significant year-on-year changes in exceptional circumstances funding, this should only affect a very small minority of schools.
- Any growth funding which would be provided separately later in the year. When and how growth funding will be provided depends on the outcome of this consultation.
- This information will need to be provided to schools separately in order to support their budget planning.

Question 21

What do you think would be most useful for schools to plan their budgets before they receive confirmation of their final allocations: (1) notional allocations, or (2) a calculator tool?

Initial officer view: a calculator tool

Question 22

Do you have any comments on our proposals for the funding cycle in the direct NFF, including how we could provide early information to schools to help their budget planning?

Initial officer view: No

Timing and nature of data collected from local authorities

Exceptional circumstances

We propose that local authorities would submit requests for exceptional circumstances funding for local authority maintained schools only. Academy Trusts would be responsible for submitting such requests for their academies. Details of the information required will depend on the outcome of this consultation in respect of exceptional circumstances.

We propose that the deadline for these requests would be in October

Split sites

The “premises: split sites” section includes details of the split sites data collection process we plan to undertake in advance of formularising the factor in 2024-25. We expect information about split sites schools to remain broadly stable. Until we introduce the direct NFF, we propose that local authorities would submit information on changes to split sites for both local authority maintained schools and academies as part of the APT.

Details of the information required will depend on the outcome of this consultation regarding split sites.

Under the direct NFF, we propose that local authorities would submit requests for split site changes for local authority maintained schools only, whereas Academy Trusts would be responsible for submitting such requests for their academies.

We propose that the deadline for submitting information on changes to split sites would be in October.

Growth funding

The information required, and timings of it, will depend on the outcome of this consultation. Transfers to the high needs budget

Transfers to the high needs budget

Subject to the outcome of this consultation in respect of transfers from the schools NFF allocations to the high needs budget, we envisage that local authorities would need to propose any such transfers to the high needs block to the DfE in the autumn, to give sufficient time for the Secretary of State to take decisions, and for ESFA to calculate the adjustments ahead of the publication of funding allocations.

Planned school reorganisations and changes in pupil numbers

As local authorities will continue to be responsible for delivering the sufficiency duty, local authorities will need to inform ESFA of planned school reorganisations – similar to the information they currently supply through the APT. This includes information on planned changes to the school estate (compared to the October census of the previous year), such as mergers or closures. It also includes planned changes to the size of existing schools, including school expansions to meet basic need (either permanent or in the form of bulge classes) and changes in year-group intakes/ phases.

Local authorities will also need to inform ESFA of expected pupil number changes related to school reorganisations, as well as forecast pupil numbers for new and growing schools where funding does not fully rely on data collected from the October census.

For academies, trusts will continue to be responsible for supplying information on forecast pupil numbers in respect of academies funded on estimates, and local authorities will need to provide information on forecast pupil number changes which relate to structural changes or basic need. This is in line with the current arrangements.

We currently collect information on planned school reorganisations and pupil number changes in the APT. In order to calculate allocations and issue them in a timely manner, we will need this data earlier than under the current system. There are two options for how we could achieve this:

- We could issue a request earlier than we currently do without the use of a pre-populated form. This means that local authorities would need to input data on, for example, planned pupil number changes without access to a form which includes the pupil-numbers recorded in the October census.
- We could issue the request in December as we currently do, using a form pre-populated with data from the October census. Local authorities would then need to return this form with a relatively short turnaround – by the end of the first full week in January at the latest. We would expect this should be manageable for local authorities since this pre-populated form would be significantly smaller in scope than the current APT, and it will only seek information on school reorganisations and changes in pupil numbers which is readily available to local authorities.

Question 23

Do you have any comments on the two options presented for data collections in regards to school reorganisations and pupil numbers? When would this information be available to local authorities to submit to DfE?

Initial officer view: prefer a DfE template pre-populated with October censuses, issued, and returned in December

De-delegation

ESFA uses information on de-delegation to make an adjustment to the general annual grant (GAG) funding academies receive for mid-year converters. While this information is currently collected through the APT, we recognise that local authorities may wish to wait with confirming the de-delegation budgets until after the NFF allocations have been announced. This leaves us with two options under the direct NFF:

1. We undertake a separate data collection in March to cover the amounts schools will pay for de-delegated services; or
2. We do not collect information on de-delegation as a matter of course from local authorities. Instead, we only collect information when needed for mid-year converters.

If we run a separate collection in March, we could continue to publish information on de-delegation, which would be beneficial for transparency purposes. Depending on the number of converters, it could also be simpler to do one single collection (option 1) than several bespoke collections for all mid-year converters (option 2).

Question 24

Regarding de-delegation, would you prefer the Department to undertake one single data collection in March covering all local authorities, or several smaller bespoke data collections for mid-year converters?

Initial officer view: Do not have a strong view either way.

Question 25

Do you have any other comments on our proposals regarding the timing and nature of data collections to be carried out under a direct NFF?

Initial officer view: No