



Schools Forum

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Venue: Virtual via Microsoft
(MS) Teams

Paper

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Public

Implementing the Direct National Funding Formula – Government Consultation Response

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Summary

The Department for Education (DfE) held a consultation on 'Implementing the Direct National Funding Formula (NFF)' between 7 June 2022 and 9 September 2022, with the consultation response published 26 April 2023. This consultation sought views on the details of how a direct NFF would work in practice.

Once the direct national funding formula is fully implemented, the DfE will determine funding allocations for schools directly, without adjustment through local authorities' funding formulae.

This report informs Schools Forum of the outcome of the Implementing the Direct National Funding Formula Consultation.

The full consultation response document can be found at: [Implementing the Direct National Funding Formula Government consultation response \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/implementing-the-direct-national-funding-formula)

Recommendation

This report is for information only

REPORT

Background

1. The consultation was around several elements of the move to a direct NFF;
 - Continuing to have some flexibility within the funding system to move funding to the high needs block (HNB)
 - The determination of indicative notional SEND budgets for mainstream schools

- How the DfE should fund schools experiencing significant growth or falling rolls under the NFF
- Allocation of split site and exceptional circumstances funding, to move away from historic data and allocate funding on school led elements through the NFF
- How minimum funding guarantee (MFG) will operate in the direct NFF
- The timescales for the collection of data to calculate allocations and confirm these allocations with schools and trusts to support their budget planning.

Government response

2. Interaction between the direct NFF and funding for high needs.

Q1. 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?

Continued flexibility to transfer funding to high needs budgets, with a corresponding adjustment to mainstream schools' funding allocations, through an application process to the Secretary of State.

Our proposal is that the funding transfer process would follow very similar timescales to the current "block movement" process. That is, local authorities would consult on a proposed transfer over the autumn, following the publication of the NFF factor values in July. Applications would then be submitted to the Secretary of State in the autumn term with decisions made early in the new year.

Q2. Do you agree that the direct NFF should include an indicative SEND budget, set nationally rather than locally?

Having considered the consultation responses, we continue to think it would be helpful to identify for each school an indicative budget as a guide to the resources that might be needed by a school in supporting its pupils with SEND, and to reinforce the message that schools' core budgets are expected to provide for support to these pupils.

It could only ever act as an indication of what might be needed, because head teachers, Special Educational Needs Coordinators and other professionals working in and with the school are best placed to decide what support each child needs, and a budget calculation at national level based on proxy measures of need could never accurately predict the precise level of resources required.

An indicative SEND budget would, however, provide some assurance that the level of SEND in the school's pupil population was reflected in their funding allocation.

As set out in the recent SEND and Alternative Provision Improvement Plan, the Department will be developing new National Standards for SEND and alternative provision. We will engage further with the sector to consider the design of the indicative SEND budget in the context of the National Standards as they are developed.

In the meantime, it is important that mainstream schools are resourced appropriately to allow them to make suitable provision for those of their pupils with SEND, taking into account the current cost threshold of £6,000 per pupil. In August 2022 we published guidance that sought to clarify what the current notional SEN budget is for, and how local authorities should review the calculation of that budget through local funding formula factors. We will look at whether to strengthen the guidance we issue for 2024-25 so that there is more consistency in the calculations adopted by local authorities.

3. Growth and Falling Rolls Funding

Q3. Do you have any comments on the proposals to place further requirements on how local authorities can operate their growth and falling rolls funding?

We understand that some local authorities will have committed growth funding over a number of future years and so will implement only minimum requirements for 2024-25 rather than fully determined national standards.

These requirements will apply in all circumstances where a school has agreed with the local authority to host an additional class to meet basic need. Local authorities will not be required to provide funding where the growth is as a result of parental choice or academies have admitted above PAN by their own choice.

In addition, we will place minimum requirements on how much funding should be provided. We will continue to engage with local authorities and other stakeholders on the particular design of these 20 new requirements – including the minimum funding rates – in advance of publishing final guidance in the Schools Operational Guide in July 2023.

We will allow local authorities to retain any underspent growth funding within their DSG.

A number of respondents noted that their local growth criteria are more generous than the proposed requirements. The new requirements will form a minimum expectation for local authorities, and we anticipate that some local authorities will choose to allocate funding in circumstances beyond the national requirements or at a higher rate.

We will change how growth funding is recorded in the Authority Proforma Tool (APT) that local authorities return to the Department to increase transparency around the use of growth funding. We will include a requirement for local authorities to use a consistent formulation of their growth and falling rolls criteria. This will allow the Department to collect and publish summary statistics on growth funding.

Q4. 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?

We intend to remove the Ofsted restriction for 2024-25, and to require local authorities to use SCAP data in taking decisions and only provide funding where SCAP data shows that school places will be required in the subsequent three to five years.

Q5. Do you have any comments on how we propose to allocate growth and falling rolls funding to local authorities?

We can confirm that from 2024-25 we will revise the current growth allocation methodology to allocate funding on the basis of both growth and falling rolls.

We will measure whether small areas within a local authority (Medium Super Output Areas, or MSOAs) have either seen growth or (significant) declines in pupil numbers. Those MSOAs that have seen pupil growth will have funding allocations calculated at the growth funding rate. In addition, MSOAs that have seen significant declines will be allocated at a separate falling rolls funding rate. There will not be any “netting off” of funding allocations: that is, if a local authority has MSOAs that have experienced growth as well as MSOAs that have experienced falling rolls, its full funding allocation will include both the element relating to pupil growth, and the element relating to falling pupil numbers.

In advance of the funding allocations incorporating data on falling rolls, we will work with stakeholders to define what constitutes a “significant” decline in pupil numbers for the purposes of this calculation.

We appreciate that the reforms outlined above (with regard to consultation question three) may lead to demand increasing on growth and falling rolls funding from 2024-25. In line with the gradual approach, we have committed to taking as we transition to the direct NFF, we will not re-baseline the allocation for 2024-25. We will explore re-baselining the amount provided through the growth and falling rolls allocation in the future once we have analysed data collected through the Authority Proforma Tools (APT) collected for 2024-25.

The changes we will make to the APT this year will allow us to understand better how local authorities allocate both growth and falling rolls funding. We will confirm growth funding factors for 2024-25 to the usual timescale – publishing these factors in July 2023.

Q6. 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?

We can confirm that from 2024-25 we will expand the use of growth and falling rolls funding to allow local authorities to fund the revenue costs associated with repurposing or reducing school places.

Such funding could support local authorities to repurpose surplus space to create SEND Units or Resourced Bases in mainstream schools, activity which we know many local authorities already undertake.

We will provide further guidance in the Schools Operational Guide and make the relevant changes to the Regulations.

Q7. 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?

We can confirm that we will retain some local flexibility in the allocation of growth funding to schools, rather than moving to a fully national, standardised system. As outlined in our response to question three there will be additional requirements on local authorities’ use of this funding. These requirements could

be revised, and strengthened to bring about greater consistency, following the initial changes made for 2024-25.

Q8. Do you have any comments on the proposed approach to popular growth?

We recognise the widespread feedback around the need for consistency with regard to popular growth funding and as we move towards the direct NFF we will ensure that there is equivalence in the funding accessible for all schools.

We will work further with stakeholders to determine the limited circumstances in which schools should be able to access funding adjustments based on higher pupil numbers as a result of popularity in parental choices. We see this as a limited part of the funding system and note that very few academies are currently receiving funding adjustments as a result of popular growth.

4. Premises: Split Sites

Q9. Do you agree we should allocate split sites funding on the basis of both a school's 'basic eligibility' and 'distance eligibility'?

We can confirm that the Government plans to allocate split sites funding nationally on the basis of a formula factor made up of a 'basic eligibility' element and a 'distance eligibility' element from 2024-25. This will replace the current local authority led approach.

A national formula will allow the Department to ensure funding is allocated consistently and fairly across the country, and that all split site schools receive funding towards the additional costs they face from operating across multiple, separate sites.

Introducing this new approach for split sites funding is an important part of developing the NFF in advance of the final transition to the direct NFF.

Q10. Do you agree with our proposed criteria for split sites 'basic eligibility'?

The consultation proposed that the Department introduce basic eligibility criteria for split sites funding that would require additional sites:

- To be separated from the school's main site by a public road or railway.
- To be used primarily for the education of 5 to 16-year-olds.
- To share a unique reference number (URN).
- To have a building on a site that is maintained by the school.

We can confirm that the Government plans to allocate funding to schools who meet the basic split sites eligibility criteria. These criteria were included in guidance sent out to local authorities in November 2022 and published on gov.uk in December 2022.

The guidance addresses some of the concerns flagged by respondents around ensuring that local authorities can raise exceptional cases with the Department.

We have also clarified that by a site being used "primarily for the education of 5 to 16-year-olds", we mean that the site is used by 5 to 16-year-old pupils that attend the school during school hours for the majority of those hours. This will help to

ensure that we are only funding schools whose additional sites do carry genuine additional educational costs.

As stated in the consultation, we are excluding playing fields from being eligible for split sites funding. We know that playing fields are not widely funded through local authority formulae.

Q11. Do you agree with our proposed split site distance criterion of 500 metres?

We maintain that 500 metres, in line with the distance threshold used by the majority of local authorities, is the right threshold to bring consistency to the system whilst not causing undue turbulence to schools.

We acknowledge that a hard “cut off” would disadvantage schools who were just below the threshold, so we will include a distance taper as part of the formula, starting at 100 metres.

Q12. Do you agree with total available split sites funding being 60% of the NFF lump sum factor?

We think that around 60% of the 2024- 25 NFF lump sum is an appropriate amount given that an additional site should cost less to run than the school’s main site, and funding should be seen as a contribution to overall costs.

We will keep the precise level of funding under review. We plan to publish the split sites factor value for 2024-25 alongside the July 2023 NFF announcement.

Q13. Do you agree that distance eligibility should be funded at twice the rate of basic eligibility?

We have considered the concern that the majority of costs relate to the duplication of services and occur regardless of distance. In line with the feedback received we plan to increase the weighting given to the basic eligibility element – allocating two-thirds of the available funding through the basic element and one-third of the available funding through the distance element.

Q14. Do you agree with our proposed approach to data collection on split sites?

We can confirm that local authorities will be required to return data to the Department on all split site schools in their area (including academies and voluntary aided schools) as part of the APT, until we transition to the direct NFF in full.

We first requested this data in winter 2022, enabling us to plan for a split sites factor from 2024-25. We will confirm how data will be collected once we transition to a direct NFF in due course, to align with wider developments on the funding cycle in the direct NFF.

We will continue to ensure the data gathering process is as straightforward as possible and does not create an additional burden for local authorities. We also proactively engaged with schools to ensure that they were aware of the changes and encouraged them to reach out to their local authorities to ensure that their split site circumstances were accurately recorded in the data collection.

Alongside this consultation response, we have published details of split site schools that meet the Department’s basic and distance eligibility criteria. These details can be found here: [Schools block national funding formula: split sites funding - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/schools-block-national-funding-formula-split-sites-funding)

Q15. Do you have any comments on our proposed approach to split sites funding?

A national split sites factor will ensure that split site schools are funded on a fair and consistent basis, in line with the principles of greater fairness and consistency in funding which underpin the transition towards the direct NFF.

We can confirm that schools with split sites which lose funding, or are no longer eligible, as a result of the “formularisation” of the split sites factor will see their funding protected through the minimum funding guarantee (MFG).

We believe that a lump sum approach is simple and transparent, and ensures that smaller schools, who are more reliant on elements of funding not driven by pupil numbers, are not unfairly disadvantaged.

Before taking any final decisions on the precise levels of funding, the Department will analyse the impact of the proposals further to ensure that funding is fair and does not disproportionately impact certain types of schools, or schools in particular areas.

5. Exceptional Circumstances

Q16. Do you agree with our proposed approach to exceptional circumstances?

The consultation proposed that the Department make changes to the exceptional circumstances factor in the NFF. These changes included:

- Standardising what is funded through the factor by moving to a system where only a set of discrete categories of costs can attract additional support. Some costs currently being funded through exceptional circumstances arrangements will be funded through other existing formula factors.
- Restricting funding to historic commitments that have already been made by local authorities under the restricted list.
- Raising the funding threshold to account for at least 2.5% of a school’s budget, up from the current 1%.

Q17. Do you have any comments on the proposed approach to exceptional circumstances?

We can confirm that the Government will continue to progress plans to reform the exceptional circumstances factor. We will move away from a locally led approach to a national application system, in line with our wider policy objectives of ensuring greater fairness and consistency in schools funding.

We plan to implement changes to the factor in time for the introduction of the direct NFF.

To improve consistency, and in line with feedback from our Fair school funding for all consultation that there needed to be greater clarity around what exceptional circumstances are, we plan to restrict the circumstances that are eligible for funding through the factor to a small number of categories. For some “exceptional” circumstances that we think are better suited to be incorporated into other factors in the NFF, we will continue to look at their use and how we bring

them into the NFF either prior to, or at the same time as, we implement a direct NFF.

The threshold will remain at the rate of 1% for now. We will, of course, ensure that schools who would lose out on funding as a result of the reform to the exceptional circumstances factor will see their funding protected through the minimum funding guarantee.

6. The Minimum funding Guarantee (MFG) under a direct NFF

Q18. 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?

We can confirm that the Government will use local formulae baselines and actual GAG allocations for academies in the year that we transition to the direct NFF. This will ensure that schools continue to be protected against year-on-year losses as intended by the MFG. Using APT instead of GAG baselines for academies would not achieve this objective.

Q19. Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?

We can confirm that the Government will move to a simplified pupil-led funding protection under the direct NFF. This will 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.

In addition we will also introduce some form of mitigation for sparse schools to prevent them from sudden losses in sparsity funding resulting from decreases in their sparsity distance calculation.

Q20. Do you have any comments on our proposals for the operation of the minimum funding guarantee under the direct NFF?

In addition to the proposals discussed in questions 18 and 19 above, the consultation also proposed that, under the direct NFF, we adjust the baselines such that schools that change their year group structures will not be unfairly “overprotected” compared to other schools. The consultation then asked for any comments on all of the proposals on the operation of the MFG.

In light of the positive responses to the specific proposal regarding schools with changing year group structures, we can confirm that we will proceed with that change.

Regarding the wider comments, we agree with the importance of analysing the impact at individual school level before the change is implemented to ensure that there are no unintended consequences. We will undertake robust modelling before the changes take effect. We also agree that, for the proposal to operate as intended, any significant changes to school-led funding needs to be completed before we simplify the calculation of the MFG. If any significant changes to

school-led funding occurred after the simplification, further adjustments would need to be made to the MFG to take account of those changes.

With regard to the specific concerns raised around sparsity funding, our analysis indicates that it would be rare for schools to experience significant year-on-year decreases in their sparsity funding as a result of changing sparsity distances, but that it could occur. Before the changes to the MFG are introduced, we will therefore consider options for changing the operation of the sparsity factor to mitigate the financial impact on such schools.

Before we move to the direct NFF, we will set out clearly how we will transition from the current system to a pure pupil-led per pupil protection under the direct NFF, and how the new system will operate in practice.

Future funding rates will depend on a number of factors, including the outcome of future spending reviews. In every year, the MFG levels are set with the aim of striking a balance between fairness and stability.

7. The Funding Cycle

Q21. What do you think would be most useful for schools to plan their budgets before they receive confirmation of their final allocations: (i) notional allocations, or (ii) a calculator tool?

Given the strong support for a calculator tool, we will aim to develop a product that schools can use to estimate future funding. We will explore including prepopulated data from the previous year as this will provide some form of notional allocation. Some local authorities commented that they already provide such a tool for their local schools. The Department will aim to replicate best practice that exists in the sector as we develop a national tool for this purpose

Q22. 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?

The Government recognises the need to provide early information to schools and the sector to support budget planning. We will continue to give early information regarding the design of the subsequent year's formula in July each year.

We will also explore what information, be it general levels of funding change, policy changes within the national funding formula or some formula values, can be provided in advance.

Q23. Do you have any comments on the two options presented for data collections with regard to school reorganisations and pupil numbers? When would this information be available to local authorities to submit to DfE?

The consultation discussed the timing and nature of data collected from local authorities under the direct NFF. It put forward two options for collecting information on planned school reorganisations and pupil number changes:

1. Issuing a request earlier in the autumn than we currently do, without a prepopulated form, giving local authorities longer to respond.

2. Requesting the data in December as we currently do, using a prepopulated form with data from the October census, but with a shorter turnaround time

In light of the majority of respondents favouring option two, we can confirm that we will adopt that approach. We will work closely with local authorities and other stakeholders on the details as this is developed, to ensure the data requests are as simple and clear as possible.

We understand that option two will involve a tight turnaround over the holiday period and will do what we can to make sure local authorities are well prepared in advance for what the request will be – including by sending out some form of draft template before the prepopulated data is available. This should minimise the amount of work required once the prepopulated data becomes available.

Q24. 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?

We can confirm that we will issue one single data collection in March when we introduce the direct NFF, in line with the preference of the majority of respondents. This will keep the timeline similar to the current system, limiting the amount of change in the first instance.

Q25. 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?

We agree with the wider comments regarding the importance of minimising burdens, including by keeping data collections as simple as possible, and providing advance notice to upcoming changes. Over the coming months and years, we will be working to refine our proposals and refine the details around how the data collections and other operational processes will work under the direct NFF.

We will engage closely with local 54 authorities and other stakeholders when doing so to ensure the processes are as streamlined as possible. We will provide further detail and information as that work progresses. As part of that continued work, we will be sure to consider the information local authorities need for their own internal processes, as well as the timing and processes around de-delegation.

We will also consider whether it will be possible to move the deadline for collecting information on split sites and exceptional circumstances to November.

There are no plans to change the actual payment processes for maintained schools. DfE will pay local authorities, who in turn will pass the funding on to maintained schools. As such, local authorities will continue to deduct the funding for de-delegation before they pass on the funding to maintained schools.

8. Next Steps

The 2024-25 National Funding Formula for schools and high needs will be announced in July, in line with the usual timetable. This will also confirm requirements on local authorities to bring their local funding formulae closer to the NFF in 2024-25, following the initial transitional steps in 2023-24.

Shropshire have followed the NFF for the last 5 years, therefore it is expected we will see minimal impact on the requirements on local authorities to bring their local funding formulae closer to the NFF for 2024-25.

It is not expected that the split sites funding reforms will have much of an impact, but this will need to be worked through and checked if the new criteria changes who may be eligible for this factor.

The Growth funding reforms is an area where it is particularly important we explore what these changes mean for Shropshire and the funding we receive through this factor as historically it has help us transfer the 0.5% to the High Needs Block or as per 2023-24 helped us afford the NFF.