

## AGENDA ITEM 7

### REPORT TO SCHOOLS FORUM

27<sup>th</sup> June 2023

#### IMPLEMENTING THE DIRECT NATIONAL FUNDING FORMULA (NFF) – CONSULTATION RESPONSE SUMMARY

1. The Department for Education (DfE) held a consultation between 7 June 2022 and 9 September 2022, with the consultation response published 26 April 2023.
2. 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 special educational needs and disability (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.
3. A link to the full consultation response is below and a summary of DfE responses is provided in **appendix 1**.

[Implementing the Direct National Funding Formula Government consultation response \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/consultation-on-implementation-of-the-direct-national-funding-formula)

#### RECOMMENDATION

4. Schools Forum notes the report.

#### Interaction between High Needs and Schools Funding

5. The consultation sought views on continued flexibility to transfer funding from the schools block to the high needs block once the direct NFF is implemented. Following an 82% favourable response the Government confirm local authorities will be allowed to requests transfers to the high needs block and will select their proposed funding adjustment from a short

menu of options. For example, this could be all schools or a particular sector.

6. The consultation also sought views on should the direct NFF include an indicative SEND budget set nationally. Again, there was a favourable response to this proposal (70%). The Government will identify for each school an indicative budget as a guide to the resources that may be needed by a school in supporting its pupils with SEN.

### **Growth and Falling Rolls Fund**

7. The consultation proposed requirements on how local authorities can operate their growth and falling rolls funding. The majority of responses favoured the development of national criteria or minimum standards. The Government is committed to change but will introduce gradual change to reflect many LAs will have agreed a multi-year growth fund allocation with schools.
8. The next question sought responses on whether the restriction on only providing falling rolls funding to schools judged Good or Outstanding by Ofsted should be removed. There was an 86% favourable response. The Government will remove the mandatory Ofsted criteria in 2024/25 and local authorities will be required to use SCAP data in taking decisions and only provide funding where the data shows that school places will be required in the subsequent three to five years.
9. The consultation sought views on how growth and falling rolls funding should be allocated to local authorities. There was less support for the proposals with only 33% generally supportive. The Government will revise the current growth allocation methodology to allocate funding for both growth and falling rolls in 2024/25.
10. The consultation also sought views on expanding the use of growth and falling rolls funding to support local authorities in repurposing and removing spaces. The consultations responses supported this with 78% of respondents in favour. The Government will expand the use of growth and falling rolls funding to allow local authorities to fund the revenue costs with repurposing or reducing school places in 2024/25. Such funding could support repurposing surplus places to create SEND units or resource bases in mainstream schools.
11. The consultation sought views on a local flexible approach over the national standardised system. The majority of respondents (82%) supported this approach. The Government will retain some flexibility in the allocation of growth funding rather than moving to a fully standardised system.
12. The consultation also sought views on popular growth which is currently allowed for academies but not for maintained schools. There was a significant favourable response (88%) that maintained schools should also

be able to access popular growth funding. The Government recognises the need for consistency and will ensure funding is accessible for all schools.

## **Split Sites**

13. The consultation put forward proposals to introduce a national formula for split site funding. Views were sought on funding split sites on both a school's 'basic eligibility' and 'distance eligibility'. There was a majority favourable response (77%). The Government has decided to allocate split site funding on this basis from 2024/25 rather than further consultation as indicated.
14. The consultation sought views on the criteria for 'basic eligibility'. The majority of respondents (75%) agreed with the criteria. The Government will allocate funding to schools in 2024/25 that meet the basic split sites eligibility criteria.
15. The consultation also sought views on the criteria for the 'distance eligibility'. There was a split response with only 38% respondents agreeing that 500 metres distance criteria is about right. The Government will use 500 metres as the distance criteria.
16. The consultation sought views as to the maximum split site funding for a school being 60% of the NFF lump sum value. Again, the response was split with the highest response (38%) agreeing that the funding is about right. The Government thinks that 60% of the 2024/25 lump sum is right but will keep this under review.
17. The consultation sought views as to whether the distance eligibility should be funded at twice the rate of basic eligibility. Again, the response was evenly split across the options with 33% of responders saying it should be the other way round with the basic eligibility receiving more funding. The Government has listened to the feedback and will allocate two-thirds of the available funding through the basic eligibility and one-third through the distance eligibility.
18. The consultation sought views on the proposal to collect data on split sites. The majority of respondents (69%) agreed it should be collected through the Authority Proforma Tool (APT). The Government will collect the data annually through the APT until the direct NFF is implemented.
19. The consultation sought comments on the proposed approach to split site funding. The most frequent point raised was protection for schools from changes to split site funding. The Government confirmed that schools that lose funding or are no longer eligible for funding will be protected by the minimum funding guarantee. Once the direct NFF is implemented schools will not be protected from losses if they cease to be a split site school.

## **Exceptional Circumstances**

20. The consultation sought views on the proposed approach to exceptional circumstance in terms of standardising what is funded through exceptional circumstances, restrict funding to historic agreements already made and to increase the funding threshold from 1% to 2.5%. The response was split with the highest response agreeing the proposals (41%). The Government will continue to progress plans to reform exceptional circumstances. They will restrict the circumstances that are eligible for funding to a small number of categories. The threshold will remain at 1% for the time-being.

## **The Minimum Funding Guarantee (MFG) under the Direct NFF**

21. The consultation sought views on using local formulae baselines for maintained schools and actual GAG allocations for academies for MFG in the year of transition to the Direct NFF. There was a majority favourable (83%) response. The Government will continue with the proposal as outlined in the consultation.

22. The consultation sought views on using a simplified pupil-led funding protection for MFG under the direct NFF. There was a majority (84%) favourable response. The Government will move to a simplified pupil-led funding protection.

## **The Funding Cycle**

23. The consultation sought views on what will be most useful to schools to plan their budgets before they receive their final allocations. The majority of respondents (65%) supported a calculator tool rather than notional allocations. The Government will aim to develop a product that schools can use to estimate their funding.

24. The consultation sought views on data collection with regards to school reorganisation, pupil numbers and de-delegation. The most favourable responses were a prepopulated data collection in December for school reorganisation (38%) and one single data collection for de-delegation (64%). The Government will adopt a December collection for school reorganisation and a single data collection in March for de-delegation.

## **Changes for 2024/25**

- Continued move to NFF through minimum and maximum values
- Place further requirements on how local authorities can operate their growth and falling rolls fund
- Introduce a national split site factor

## **Next Steps**

- The 2024/25 NFF for schools and high needs will be announced in July. This will also confirm the requirements on local authorities to bring their local funding formulae closer to NFF.
- The DfE plan to engage with the sector on funding for PFI schools and the determination of indicative SEND budgets.

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## Appendix 1

### Consultation questions and a summary of DfE responses

#### 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?

#### Response

The DfE will allow local authorities to request funding transfers to the HNB via a short menu of options to adjust funding to mainstream schools. The menu of options has not yet been published.

#### Question 2

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

#### Response

The DfE stated that an indicative SEND budget would be useful for schools, but that this could not replace what resources are actually needed. There will be further engagement to consider the design of the National Standards for SEND in the context of the indicative SEND budget. Further guidance will be published to strengthen the calculation of indicative SEND budgets for 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?

#### Response

There will be a gradual transition to allow local authorities and schools time to adjust to the new requirements. Local authorities will not be required to provide funding where the growth is as a result of parental choice or academies admitting above their PAN by their own choice. The DfE will continue to engage on the new requirements before publishing final guidance in July 2023.

#### 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?

#### Response

The restrictions will be removed from 2024-25 and will rely on school capacity

return data to provide funding where it shows that school places will be required in the subsequent 3 to 5 years.

#### Question 5

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

#### Response

The DfE confirms that from 2024-25 they will revise the current growth allocation methodology to allocate funding on the basis of both growth and falling rolls on medium Super Output Areas. Areas with that have either significant growth or falling rolls will be allocated funding, and there will be no netting off of funding. Re-baselining will take place following the data collected in the 2024-25 authority proforma tool (APT) and factors will be published July 2023.

#### 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?

#### Response

The DfE considered the widespread support for the use of growth and falling rolls funding will allow local authorities to fund revenue costs associated with repurposing or reducing school places.

#### 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?

#### Response

Considering the widespread support, some local flexibility will be retained in the allocation of growth funding to schools.

#### Question 8

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

#### Response

Due to widespread support for the consistency of popular growth funding being available to all schools, the DfE will ensure that there is equivalence in funding accessible for all schools. The DfE will work with stakeholders to determine the limited circumstances in which schools should be able to access this funding.

### Question 9

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

### Response

There will be a new split sites factor that will be on a formula basis made up of a basic eligibility element and a distance element from 2024-25.

### Question 10

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

### Response

Funding will be allocated on the below criteria for split sites basic eligibility:-

- 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.

### Question 11

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

### Response

The DfE state that 500 meters is the right threshold, and there will be a distance taper starting at 100 meters.

### Question 12

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

### Response

Around 60% of the 2024-25 NFF lump sum is an appropriate amount of funding given that an additional site should cost less to run than the schools main site.

### Question 13

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

### Response

Two thirds of the available funding will be allocated for basic entitlement and one third of the funding through the distance element.



#### Question 14

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

#### Response

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.

#### Question 15

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

#### Response

A national split sites factor will ensure that split site schools are funded on a consistent basis.

#### Question 16

Do you agree with our proposed approach to exceptional circumstances?

#### Question 17

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

#### Response questions 16 and 17

Some exceptional circumstances funding will be better suited to be incorporated into other NNF factors, and further work will be undertaken to bring them into the NFF. They are as follows:-

- School building contracts via a reformed PFI factor
- Amalgamated schools will receive 100% joint lump sums in the year they amalgamated and 85% in the following year. The use of flexibility will be reviewed for the following year.
- The DfE will continue to work with the sector on funding for very small rural secondary schools and look to bring in some form of protection mechanism.
- Minimum per pupil levels for all through schools with uneven year groups

Other areas funded via exceptional circumstances will be kept under review before finalising a discrete list of eligible categories, and flexibility will be built into the system to allow for new exceptional circumstances to be funded.

#### 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?

Response

The DfE will use local formulae baselines – and actual GAG allocations for academies – in the year of transition to the direct NFF.

Question 19

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

Response

The DfE will move to a simplified pupil-led funding protection under the direct NFF, together with some mitigation for sparse schools to prevent sudden losses in sparsity funding.

Question 20

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

Response

The DfE will go forward with the proposals to adjust for changing year group structures to prevent over protection of some schools. Impact of any changes on individual schools will be analysed to prevent unintended outcomes. Significant changes to school led funding will need to be implemented before any simplification of the MFG.

Question 21

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?

Response

The DfE will aim to develop a flexible calculator tool that can be used to estimate funding.

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?

## Response

The DfE will continue to provide information on the design of the NFF in July each year and explore what other information can be provided in advance.

## Question 23

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?

## Response

Data will be requested in December using a prepopulated form with October census data. However, this will require a tight turnaround period over the holidays. To assist in this process a draft template will be provided before the pre-populated data is available to minimise the amount of work required once the populated data is available.

## 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?

## Response

The DfE will have one single data collection in March when the direct NFF is introduced, however, once the process has been implemented it will be reviewed over time.

## 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?

## Response

The DfE agreed with some wider comments to minimise burdens and provide advance notice of upcoming changes and will continue to work with stakeholders to ensure that processes are as streamlined as possible.