

TO: SCHOOLS FORUM
DATE: 16 SEPTEMBER 2021

**DfE FUNDING CONSULTATION:
FAIR SCHOOL FUNDING FOR ALL
Executive Director: People**

1 PURPOSE OF REPORT

- 1.1 To provide an update to the Schools Forum in respect of the next stage of national school funding reform being proposed by the Department for Education (DfE) and to consider what response, if any should be made.

2 EXECUTIVE SUMMARY

- 2.1 The DfE has issued proposals for the next stage of school funding reforms. It builds on the change process that commenced in April 2018, with a focus now on removing the remaining flexibilities in the Education Funding Framework that local areas can exercise, to be replaced by a standardised national approach.
- 2.2 To minimise disruption following the coronavirus pandemic, there will be no changes in 2022-23, meaning school budgets for next year will be calculated and subject to the same rules as are in place for the current year.
- 2.3 The consultation indicates a gradual move to requiring all LAs to mirror the school National Funding Formula (NFF) in terms of both the factors used and their funding values which could still be work in progress after 2025-26. This proposal coincides with the agreed budget strategy for Bracknell Forest, meaning no immediate to medium term impact should be expected from the primary element of the consultation.
- 2.4 Existing funding protection measures are expected to remain, thereby affording assurances to schools in their budget planning.
- 2.5 The DfE also makes clear the intention to centralise nationally the approach to funding eligible schools for a number of support budgets currently managed by LAs, such as the Growth Fund. The future of central school services, such as de-delegation, trading with schools and LA retained statutory duties is also proposed to be reviewed.
- 2.6 A second consultation will follow once results from this first one have been evaluated. This will also reflect on a number of other, linked, more specific and detailed consultations that will set out how relevant changes proposed by the DfE can be implemented and effectively managed. It also confirms that changes to SEND are likely, the details of which will follow once the government's SEND Review is published.
- 2.7 In the long term, the introduction of a hard NFF will change the role of schools forums in some important ways, but not remove the need for a local forum to facilitate the engagement of schools and other providers in decisions and consultation on local matters. DfE plan to conduct a wider review of the role of schools forums, including those relating to SEND.

- 2.8 At this stage, with BF already complying with the central change proposed in the consultation of mirroring the NFF, no significant issues are apparent. Once details emerge in the second stage consultations, more work will be required to understand any implications.

3 RECOMMENDATIONS

- 3.1 **To NOTE the content and changes proposed to School Funding through the DfE Consultation *Fair School Funding For All* and AGREE what response, if any should be made.**

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the Schools Forum is aware of the changes to the Education Funding Framework proposed by the DfE and is in a position to make a response.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Not applicable.

6 SUPPORTING INFORMATION

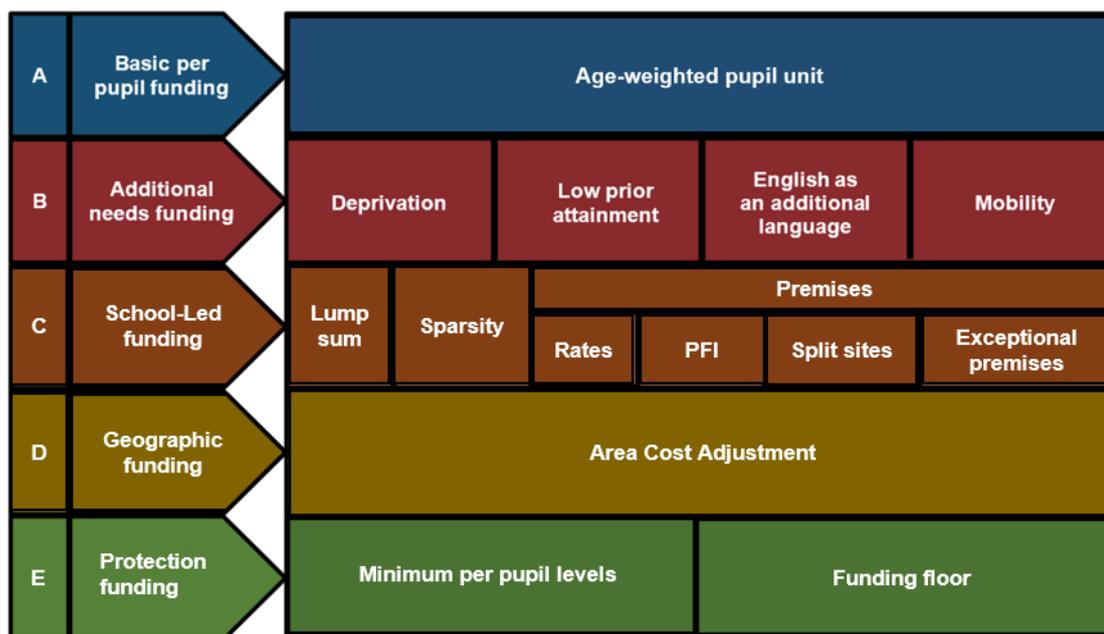
Introduction

- 6.1 The introduction of the current funding framework, including the structure of the Schools Budget commenced in April 2018. On 8 July, the DfE published the next phase of planned reforms through the [Fair school funding for all: completing our reforms to the National Funding Formula - Department for Education - Citizen Space](#).
- 6.2 The consultation is seeking views on the approach to completing the reforms to the NFF and how to most effectively transition away from local formulae to all schools' funding allocations being determined directly by the NFF.
- 6.3 It is the first stage of change, with a second consultation and more detailed proposals to follow. This initial consultation closes on 30 September.

Overview

- 6.4 The schools NFF is a single, national formula that allocates the core funding for all mainstream schools, both maintained and academies, for pupils aged 5 to 16. Early years, high needs (including special schools) and post-16 provision each have a separate national funding formula, reflecting the specific needs of those parts of the education system, and they are not the subject of this consultation.
- 6.5 The DfE uses the NFF to calculate individual school budgets drawing on the characteristics and needs of each school and its pupils. There are 2 funding protection mechanisms: schools receive at least a guaranteed minimum per pupil level of income each year plus a funding floor to ensure that all schools also receive an annual increase in pupil-led funding. The component parts of the NFF (not to scale) are set out below.

Figure 1 – Factors of the NFF



- 6.6 Since its introduction, the NFF has been a ‘soft’ formula. This means LAs determine individual schools’ final funding allocations through a local formula, within parameters set by the DfE. LAs have discretion about the amount of funding put towards each factor and some flexibility over which factors to use in the local formulae - therefore an individual school’s funding can vary from the NFF allocation.
- 6.7 The DfE has always intended to move to a funding system in which all individual schools’ funding allocations are set directly by the NFF without substantive further local adjustment. This would then become a ‘hard’ formula.
- 6.8 Whilst many LAs have moved closer to the NFF, with nearly half now mirroring the NFF funding factors almost exactly, there continue to be significant differences in the way in which some LAs allocate funding compared to the NFF. The consultation document highlights the extreme range of budgets a small sample of 6 schools would receive depending on which LA they were in.
- 6.9 In anticipation of this requirement, and to avoid any significant funding turbulence at the point of any mandatory change, it has been the long-standing agreed budget strategy of BF to closely mirror the NFF. Indeed, the 2021-22 BF Funding Formula exactly matched the NFF.
- 6.10 This consultation sets out proposals for how to move towards a ‘hard’ NFF. In order to avoid any unexpected disruption, there is no fixed target date by which the hard NFF will be fully in place.
- 6.11 This consultation includes proposals on how (and how quickly) LA formulae could move towards a hard NFF, as well as proposals on the eventual completion of these reforms to the NFF. During the transition, schools will continue to be protected against losses. The national funding floor and local minimum funding guarantee (MFG) protections will remain in place, so that schools will not lose funding in cash per-pupil terms as a result of moving towards a hard NFF, and all schools will continue to receive funding increases.

- 6.12 The key areas of school funding out of scope of this consultation are:
1. funding arrangements for high needs pupils, special schools and alternative provision
 2. Early Years provisions
 3. Post-16 provisions
 4. Education grants, such the pupil premium, universal infant free school meals etc
 5. The factors in the NFF, the data sources or the values assigned

Consultation content and questions

- 6.13 The consultation (62 pages) seeks views on the approach to moving to a direct, “hard” NFF and is broken down into a number of sections, with 14 questions.

3. Completing the NFF reforms

Section 3.1 The scope of the directly applied NFF

- 6.14 This section proposes that all the pupil-led funding factors, those reflecting additional needs and school-led funding factors i.e. Block A, B and C in Figure 1 above, should be included in the NFF, without further local adjustment.

The distribution of funding for some school-led factors currently relies on local knowledge e.g. split site factors, Public Finance Initiative contracts, “exceptional circumstances”. There is a recognition that new approaches to distribute this funding appropriately between schools will be required.

Question 1: Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further local adjustment through local formulae?

3.2 Developing the schools NFF to support the directly applied NFF

- 6.15 This sets out initial proposals from the DfE on moving school-led factors currently funded on an historic cost base to current costs and needs. This aspect of the consultation impacts on BF to the extent that to reflect additional costs of operating across 2 sites, a split site factor is paid to Warfield . Moving forward the eligibility and funding allocation would be determined on a national model, not the local BF methodology.

The DfE are seeking views on the proposed national model approach to school-led factors and will consult on specific details at a later stage.

Question 2: Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?

3.3 Growth and falling rolls funding

- 6.16 The DfE recognise that a lagged funding system, without any approach to reflect growth, would be difficult for schools with significant rising rolls to manage. The consultation comments that this need for flexibility extends to new and expanding

schools, and those with falling rolls. As the current arrangements have led to the adoption of a wide range of different local criteria to allocate growth funding, the DfE intend to standardise this into a national approach.

- 6.17 For significant rising rolls, the proposal is that funding would be targeted to only those schools facing significant growth, where possible it would be paid in the initial NFF allocation with a standardised, national amount. There would be an adjustment process to validate that anticipated growth levels were achieved, to be processed annually in arrears. A similar approach would be applied to falling rolls (not used in BF).
- 6.18 For new schools, the DfE will seek to equalise the different approaches currently in place for DfE funded academy builds and LA funded developments, such as those in BF. If implemented, this would remove any funding responsibility from LAs for diseconomy costs at new academy schools resulting in a financial benefit for BF.
- 6.19 The Forum will be aware that Growth Funding – but not falling rolls funding – is provided in BF where schools experience significant in-year increases in pupil numbers. There are trigger points established depending on school size with additional funding allocated in-year when increases in pupil numbers exceed the thresholds. There is also the funding policy for new schools that allocates start-up funding enhancements. These arrangements would change if current DfE thinking is implemented.

Question 3: Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

Question 4: Do you have any comments on our proposed approach to growth and falling rolls funding?

3.4 Next steps for the transition to the directly applied NFF for schools

- 6.20 Since 2018-19, there has been a general movement of LA formulae towards the NFF, and an increasing number of LAs are now 'mirroring' the NFF in their local funding formulae. However, some LAs' formulae remain significantly different from the NFF. The consultation proposes to gradually move LA formulae closer to the NFF, in advance of moving to a fully hard NFF. Given the complexity of the task to move to a hard NFF, and the importance of this for school budgets, a measured approach is proposed, requiring a limited initial movement of LA formulae closer to the NFF.
- 6.21 Change would start from 2023-24, with all LAs obliged to use each of the NFF factors in its local formulae, and only those factors. The exception to this will be any NFF factors that are significantly reformed in 2023-24 where transitional arrangements would be put in place. The other important aspect in ensuring a smooth transition to the hard NFF will be to move the cash values assigned to each factor in local formulae closer to the NFF values. The proposal is that in 2023-24, each LA would be required to bring each of its local formula factors at least 10% closer to the NFF factor value, compared to 2022-23 e.g. if the current LA factor was £100 below the NFF factor value in 2022-23, it can be no more than £90 less than the NFF factor value in 2023-24.
- 6.22 DfE will monitor the impact of this proposed initial step in 2023-24 before deciding the next steps to take to further harden the formula in subsequent years. The intention is to move towards a hard NFF through gradually increasing the pace at which local formulae are tightened in subsequent years. After an initial 10% movement closer to the NFF in 2023-24, and subject to the impact of this movement, the intention is to move at least 15% closer to the NFF in 2024-25 and at least 20% closer in 2025-26.

- 6.23 With the agreed BF funding strategy to mirror the NFF, and achieving it in 2021-22, there is no immediate impact from this proposal, although there is one subtlety to be aware of as follows.
- 6.24 There would be no requirement on LAs to move factor values nearer to the NFF if they were already very close to the NFF. Some divergence from NFF values is to be expected in LA formulae, as LAs use different (and more recent) pupil data to calculate school funding allocations than are used in the NFF. DfE would therefore set a threshold, such that if LAs are very close to the NFF, they should be classed as 'mirroring' the NFF and no further movement towards the NFF would be required. Currently, LAs which have local factor values within 1% of the respective NFF values are classed as 'mirroring' the NFF. Views are requested on an appropriate definition of 'mirroring' the NFF during the transition to a hard NFF.

For the 2 financial years that BF has aimed to mirror the NFF, funding has been at 99.8% and 100% of NFF rates. A 1% tolerance is not therefore expected to present any significant problems in achieving DfE proposed requirements.

Question 5: Do you agree that, in 2023-24, each LA should be required to use each of the NFF factors (with the exception of any significantly reformed factors) in its local formulae?

Question 6: Do you agree that all LA formulae, except those that already 'mirroring' the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the hard NFF for schools?

Question 7: Do you agree that LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23? If you do not agree, can you please explain why?

Question 8: As we would not require LAs to move closer to the NFF if their local formulae were already very close to the NFF, do you have any comments on the appropriate threshold level?

- 6.25 In the second stage of consultation on the hard NFF, DfE will seek feedback on whether, as a result of requiring LA formulae to move closer to the NFF from 2023-24, LAs should be allowed greater flexibilities over the level of MFG, in order to manage potential affordability pressures – or whether this will not be necessary, given LAs' flexibility to cap and scale gains.

Question 9: Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24?

Question 10: Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

4. Completing our funding reforms within a school-led system

4.1 MATs' pooling of their funding

- 6.26 This section confirms the DfE view that pooling is a welcome provision for multi-academy trusts but is not appropriate for extending to other education sectors as MATs have unique structures with unified governance structure sitting across their schools as well as a role in turning around inadequate schools.

4.2 Central school services

- 6.27 DfE consider these to fit into three broad categories:
1. Local authorities' ongoing responsibilities for all schools – both maintained and academies (for example relating to admissions, or monitoring school attendance).
 2. De-delegated central functions for schools that local authorities (for maintained schools) and MATs (for academies) are responsible for. These functions are generally funded through local authorities or MATs top-slicing school budgets. Functions that can be funded this way by LAs are set out in regulations.
 3. Optional traded services for all schools paid out of individual school's delegated budget share that are offered to schools to buy or not.
- 6.28 Moving towards a hard NFF, the role that LAs currently have in the school funding landscape will change, leaving less flexibility to determine how the remaining DSG allocated to them is used. DfE intends to review central school services with the aim of bringing more consistency and reflecting changing roles to support a more school-based system. A second consultation will review which services best sit within each of the three categories mentioned above and whether there is scope to define clearer a list of services to be funded centrally, alongside a greater move towards de-delegated and traded services.
- 6.29 Following this review, there may be a decrease in services remaining with the LA that are centrally funded with more services de-delegated or traded. Under such a scenario DfE would consider whether the local authorities' funding for those should become part of MHCLG's Local Government Finance Settlement (LGFS) rather than a reduced DSG.

Question 11: are there any comments you wish to make on the proposals we have made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS?

- 6.30 The DSG includes a historic commitments element, relating to continuing expenditure by LAs on commitments entered into before 2013, on activities which since that date have been deemed not to be appropriate for local authorities to fund directly from the DSG.
- 6.31 Therefore from 2020-21, DfE have started to reduce the funding for historic commitments by 20% on the previous year's allocation and have continued the reduction at the same rate subsequently.
- 6.32 DfE now proposes that the remaining funding for historic commitments is fully removed by the time the hard NFF is introduced. The exception to this being the proposal to replacing funding for unavoidable legacy payments (those for termination of

employment costs and prudential borrowing) that some LAs will still be tied into, with a separate legacy grant.

Initial 2022-23 budget preparations are presented to the Forum on a separate agenda item, and this sets out the financial impact on BF from this existing approach with the 20% funding reduction estimated to amount to £0.052m in 2022-23. £0.406m was initially allocated by the DfE to BF for these historic services, with £0.260m expected in 2022-23. The council is currently examining ways to manage this outside of the Schools Budget which will cause difficulties and most likely necessitate changes to services.

Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs? We will also invite further evidence on this at a later stage.

4.3 Supporting effective SEND provision

- 6.33 This consultation is being published ahead of the government's SEND Review. The SEND Review is considering improvements to make sure that the SEND system is consistent, high quality, and integrated across education, health and care, and to make it financially sustainable for the future. As such, the recommendations of the SEND Review will have important implications for how support for pupils with SEND is delivered and funded, including in mainstream schools.
- 6.34 Therefore, further consultation on the specific recommendations coming out of the SEND Review, once published, will be required.
- 6.35 This will include a review of the SEND proxies used in the NFF to make sure that they continue to reflect the relative prevalence of additional needs, and therefore costs. It will also consider whether a new mechanism, in place of the current DSG block transfers from schools to the High Needs Block should be introduced. Future consultations will also consider any changes to how mainstream schools receive high needs funding, and to the future of notional SEN budgets.

4.4 Local and national decision-making

- 6.36 In the long term, the introduction of a hard NFF will change the role of schools forums in some important ways, but not remove the need for a local forum to facilitate the engagement of schools and other providers in decisions and consultation on local matters.
- 6.37 DfE plan to conduct a wider review of the role of schools forums, including those relating to SEND. This wider review will consider the rules around the membership and structure of schools forums, to consider whether these remain appropriate in light of the direct changes as a result of the move to a hard NFF, and any new responsibilities that schools forums take on.
- 6.38 The table at Annex 1 summarises which of schools forums' responsibilities and powers will no longer apply following the introduction of a hard NFF, and which will be maintained (as well as highlighting areas where current responsibilities may change as a result of future policy developments – particularly related to SEND).

4.5 A consistent funding year

- 6.39 Maintained schools and academies are currently funded on different cycles: the April to March financial year for maintained schools, and the September to August academic year for academies. DfE want to explore the pros and cons of setting funding allocations for both academy and maintained schools, on a consistent academic year basis. The consultation is therefore being used to understand the appetite for a change in funding year for maintained schools, from a financial year to an academic year.

Moving to an academic year funding cycle for schools will add complications to the LA statutory accounting processes that cover the April to March cycle and would not be supported by BFC.

Question 13: How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

Question 14: Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis that you feel we should be aware of?

BFC response to the consultation

- 6.40 At this stage, with BF already complying with the central change proposed in the consultation of mirroring the NFF, no significant issues are apparent. Once details emerge in the second stage consultations, more work will be required to understand any implications.
- 6.41 The council is considering what response, if any to make and will provide a verbal update to the Schools Forum meeting.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal provisions are addressed within the main body of the report. There are no legal issues arising that requires specific comments.

Executive Director: Resources

- 7.2 No significant financial implications are anticipated at this stage of the consultation. More information will emerge with the subsequent, technical documents, which may then indicate financial implications for schools and the council.

Equalities Impact Assessment

- 7.3 The DfE has included an equalities impact assessment in the consultation.

Climate Change Implications

- 7.3 Not applicable.

Strategic Risk Management Issues

- 7.4 None anticipated at this stage.

8 CONSULTATION

8.1 Not applicable.

Background Papers

[Fair school funding for all: completing our reforms to the National Funding Formula - Department for Education - Citizen Space](#)

Contact for further information

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Doc. Ref: [https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/\(105\) 160921/DfE Funding consultation - Fair school funding for all.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools%20Forum/(105)%20160921/DfE%20Funding%20consultation%20-%20Fair%20school%20funding%20for%20all.docx)

Proposed changes to schools forum responsibilities

Function	Current schools forum role (as set out in regulations)	Proposal: remove or retain schools forum role under a hard NFF?
Formula changes, including redistributions	Must be consulted	Remove powers as these relate to the funding formulae for mainstream schools. Retain these powers as they relate to early years and high needs funding.
Movement of up to 0.5% from schools block to other blocks	Decides	Remove
Minimum funding guarantee	Gives a view	Remove – hard NFF will set a single, national funding floor level, replacing local MFGs
Central spend on and the criteria for allocating funding for: <ul style="list-style-type: none"> • Significant pre-16 pupil growth • Falling rolls funding 	Decides	Remove – we propose that we allocate ‘growth’ funding centrally, replacing local decisions
De-delegation for mainstream schools for example administration of FSM, supply cover staff costs, school improvement (LA intervention), joining RPA	Maintained primary and secondary schools to decide on proposals relating to their phase.	Retain
Central spend on early years block provision		Retain

Function	Current schools forum role (as set out in regulations)	Proposal: remove or retain schools forum role under a hard NFF?
Central spend on: <ul style="list-style-type: none"> • statutory responsibilities that LAs hold for all schools • remission of boarding fees at maintained schools and academies • places in independent schools for non-SEN pupils • admissions • servicing of schools forums 	Decides	Retain – if the Central School Services Block within the DSG continues under hard NFF (that is if funding is not transferred to the LGFS)
Central spend on: <ul style="list-style-type: none"> • high needs block provision • central licences negotiated by the Secretary of State 	None, but good practice to inform forum	Retain – but we will review how the LA role on central spending on high needs block provision will apply following SEND Review proposals
Financial issues relating to: <ul style="list-style-type: none"> • arrangements for pupils with SEN, in particular the places to be commissioned by the LA and schools, and arrangements for paying top-up funding • arrangements for use of PRUs and AP, and arrangements for paying top-up funding • arrangements for early years provision • administration arrangements for allocation of central government grants 	Gives a view	Retain in respect of responsibilities relating to central government grants and early years. Some responsibilities relating to SEN, PRUs and AP likely to still apply – but the details of these responsibilities will depend on policy decisions following the SEND Review.

Function	Current schools forum role (as set out in regulations)	Proposal: remove or retain schools forum role under a hard NFF?
<ul style="list-style-type: none"> • Central spend on historic commitments. For example prudential borrowing, termination of employment costs, capital expenditure funded from revenue 	Decides on each line	Retain - but a reduced role as we propose (that central funding for historic commitments is gradually removed in advance of introduction of a hard NFF, with a small legacy grant for those LAs with historic commitments that cannot be unwound by the time of the hard NFF implementation.
<ul style="list-style-type: none"> • Contracts (where the LA is proposing to enter a contract to be funded from the schools budget) 	Gives a view	Remove – these arrangements have now been replaced by traded services.