

Agenda

Herefordshire schools forum

Date: **Friday 24 September 2021**

Time: **9.30 am**

Place: **online meeting**

Notes: Please note the time, date and venue of the meeting.

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Agenda for the Meeting of the Herefordshire schools forum

Membership

Chairman	Julie Cohn	Academy Special School Representative
Vice-Chairman	Kathy Weston	Local Authority Maintained Primary School
	David Bennett	Academies
	Christine Bryan	Academies
	Pat Burbidge	Archdiocese of Cardiff
	Alex Davies	Academies
	Nicki Emmett	Academies
	Nicki Gilbert	LA Special Schools
	Georgie Griffin	Secondary Governors
	Edward Gwillim	16-19 Providers
	Joe Hedges	Primary Governors
	Martin Henton	LA Maintained Secondary Schools
	Ali Jackson	Early Years Representative
	Sue Jenkins	Local Authority Maintained Primary School
	Paul Jennings	Academies
	Steve Kendrick	Local Authority Maintained Primary School (with Nursery)
	Tim Knapp	Academies
	Tracey Kneale	Local Authority Maintained Primary School
	Chris Lewandowski	Trade Unions
	Sian Lines	Diocese of Hereford
	Rose Lloyd	Early Years
	Norman Moon	Local Authority Maintained Primary Schools
	Paul Deneen	Trade Unions

Agenda

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.	
3. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
4. MINUTES To approve and sign the minutes of the meeting held on 19 March 2021.	5 - 8
5. NATIONAL FUNDING FORMULA UPDATE 2022/23 To seek the views of the forum on local and national school funding issues, including the recommendations of the budget working group (BWG) on the following matters: <ul style="list-style-type: none">• Herefordshire schools budget 2022/23 including schools consultation paper• Fair funding for all - government consultation paper 7 July 2021• High needs budget 2022/23	9 - 94
6. LOCAL MANAGEMENT OF SCHOOLS - SCHEME AMENDMENTS The Department for Education has requested changes to the council's local scheme for managing schools. Schools Forum is asked to approve the changes.	95 - 100
7. ANNUAL REVIEW OF SCHOOLS FORUM MEMBERSHIP To receive a report on the annual review of membership of Herefordshire Schools Forum and Budget Working Group and to approve action as necessary to maintain proportionality.	101 - 106
8. DATES OF FUTURE MEETINGS AND WORK PROGRAMME To confirm dates for meetings of the forum in the 2021-22 academic year and the work programme for those meetings.	



Minutes of the meeting of Herefordshire schools forum held at online meeting on Friday 19 March 2021 at 9.30 am

Present: Mrs J Cohn (Academy Special School Representative) (Chairperson)
Mrs K Weston (Local Authority Maintained Primary School) (Vice-chairperson)

Mr D Bennett	Academies
Ms C Bryan	Academies
Mr P Burbidge	Archdiocese of Cardiff
Mr A Davies	Academies
Mr P Deneen	Trade Unions
Ms N Emmett	Academies
Ms N Gilbert	LA Special Schools
Mrs G Griffin	Secondary Governors
Mr J Hedges	Primary Governors
Mr P Jennings	Academies
Ms T Kneale	Local Authority Maintained Primary School
Mr C Lewandowski	Trade Unions
Sian Lines	Diocese of Hereford
Mrs R Lloyd	Early Years
Mr N Moon	Local Authority Maintained Primary Schools

In attendance: Councillors Carole Gandy, Felicity Norman and Diana Toynbee

Officers: Strategic Finance Manager, Head of Additional Needs, Childrens Wellbeing and Assistant Director Education Development and Skills

18. APOLOGIES FOR ABSENCE

Apologies were received from the following forum members: Ed Gwillim, Martin Henton, Sue Jenkins, Tim Knapp.

19. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

20. DECLARATIONS OF INTEREST

There were no declarations of interest.

21. MINUTES

Resolved: that the minutes of the meeting held on 15 January 2021 be approved as a correct record.

22. HIGH NEEDS BUDGET 2021/22

The strategic finance manager summarised the proposals that had been included in the consultation with schools and the final proposals as set out in the report.

The head of additional needs explained that the projections for Beacon College were for more than 40 places to be filled when it opened and so the money allocated to underwrite the first 20 places was not expected to be needed and would provide some contingency in the budget overall.

Forum members discussed the proposals for the pupil referral unit. The head of additional needs explained that in order to ensure the required outcomes for pupils they needed to spend more time on site and less in off-site provision. The number of places at the PRU would shrink to 50 to reflect the available accommodation. The service was now focussed on the council's statutory responsibility for permanently excluded pupils, with schools purchasing additional services. However the pandemic had interrupted the launch of the revised service and action was required on staffing levels to address the projected resulting overspend.

Concerns were expressed by one forum member that the outcome for children should remain the focus and it was suggested that a review take place to report back to Schools Forum into how many children were denied a place at the PRU because it was full and how many because the costs of a place were too high. It was also queried what arrangements were in place for those who lived further away from Hereford where the PRU was based.

In response forum members heard that:

- the changes proposed were intended to protect the PRU and that the staffing restructure would address curriculum needs as well as the projected overspend;
- pupils received transport to the provision so that those further away from Hereford could access the service;
- calculations showed that 50 places was the likely requirement for permanent exclusions at any one time but this would be kept under review;
- schools remained responsible for outcomes of pupils they elected to place with the service;
- it was recognised that the pandemic had challenged the new model before it had time to get off the ground but officers believed it would work in the longer term;
- there was a large cohort in year 11 at the PRU at the current time and numbers would be much reduced in September, making this a good time to enact changes;
- the remit of the schools forum was primarily schools finance so some of the concerns raised would be outside the scope of the forum but further discussions would take place and anything relevant brought back to the forum at a later date.

The strategic finance manager also update the members of the forum on a range of consultations currently being undertaken by the Department for Education. Forum members noted that:

- the proposed changes to the sparsity factor were welcomed as beneficial to schools in Herefordshire;
- the consultation on the high needs block seemed premature in light of the SEND review, the outcome of which was expected shortly;
- the simplification of the payment of business rates for schools would reduce workload locally;
- Herefordshire would join other f40 group members to make a collective response as this had more weight.

The strategic finance manager shared the results of a survey of local authorities carried out by the f40 group on the position with the high needs deficits. Forum members noted that Herefordshire was one of only a few authorities who still had a surplus in their dedicated schools grant and that some councils had very substantial deficits. A recent article had focussed on the £1m overspend reported by Herefordshire for 2019/20 but

had not reflected the overall position. The county also compared favourably against its statistical neighbours. Forum members thanked officers for their work in keeping the budget under control.

The head of additional needs concluded with an update on work to implement the revised high needs matrix. Following a lack of responses to the consultation on the revised matrix specific efforts had been made to engage with parent carer voice and school SENCOs. The few responses received were generally positive. Although some concerns had been expressed it was felt that these could be addressed through communications and training. There had been extensive discussions with stakeholders as part of the process and it was hoped that the lack of response reflected general satisfaction with the new matrix.

It was resolved that:

- 1. That a balanced high needs budget for 2021/22 be recommended to the Cabinet Member for approval as set out in the report;**
- 2. the school financial contribution to the SEN threshold costs within the SEN protection scheme be limited to £150 x the number on roll as at the October 2020 census for the financial year 2021/22;**
- 3. The implementation timetable for the new high needs matrix be approved as set out in the report;**
- 4. The new tariff values be applied to post-16 contracts for the new academic year with effect from 1st August 2021;**
- 5. The new tariff values be approved as set out in the table in the report;**
- 6. As presented to the Budget Working Group on 5 March, the funding originally identified to provide for the Minimum Funding Guarantee for special schools (£100k) and to smooth the introduction of the new tariff funding proposals (£52k) is better allocated as follows:**
 - a. To avoid the minimum funding guarantee for special schools by adding 3% on the tariffs D-F as set out in recommendation 5 at a cost of £80k;**
 - b. That additional funding of £11k be allocated for PRU top-ups to ensure that the PRU is fully funded for top-up D2;**
 - c. That an additional £108 is added to tariff C4 and tariff D1;**
 - d. That the remaining £50k of funding be added to the out county special school.**

23. UPDATE ON SOLID ROOTS PROGRAMME

The strategic finance manager introduced the item by explaining that the funding for the solid roots programme was derived from surplus funds from the 2 year old NEF. The funds had been allocated on a three part programme focussed on early years in relation to:

- Early speech and language difficulties;
- Maths, literacy, learning and development; and
- Parenting, attachment and infant mental health.

At the end of the project there was likely to be a small surplus and it was recommended that discussions take place with the budget working group on how best to utilise the remaining funds.

The public health specialist explained the background to the projects and summarised the benefits to date. Forum members noted that the projects had been designed to leave a legacy for example by training local trainers who could then continue to roll out schemes once the original project had come to an end. Other training schemes which had been successfully developed and launched would be maintained through existing services going forward.

Forum members heard that the pandemic had impacted the roll out of some of the programme, while other elements had adapted using online platforms to roll out training packages. Part of the programme had been extended by 6 months at no additional cost so that the full delivery could be achieved. The assessment of the impact of the programme would be more difficult as some national data reporting had been put on hold. However there had been a good response from all the settings, groups and agencies involved and officers would be able to provide some evaluation towards the end of 2021 when all the contracts had come to an end. A further report would be brought to the forum at that point.

It was resolved that:

- a) Schools forum have reviewed the progress on delivery of projects under the Solid Roots Programme; and**
- b) The Budget Working Group be asked to consider proposals for allocation of any surplus funding that may be available at the end of the current contracts and make appropriate recommendations.**

24. ANY OTHER BUSINESS

The clerk updated forum members on changes to national regulations that allowed for future meetings of the forum to be held wholly or partly remotely. This made permanent the temporary arrangements that had been put in place at the start of the pandemic. The operational and good practice guidance published by the department for education would shortly be updated and the new arrangements would need to be incorporated into the constitution of the forum in due course.

Forum members welcomed this development and commented on the amount of travel time saved by holding remote meetings and the improved attendance.

It was agreed that the next meeting on 9 July would be held via remote means and arrangements for subsequent meetings confirmed at that point.

The meeting ended at 11.00 am

Chairperson



Title of report: National Funding Formula Update 2022/23

Meeting: Herefordshire schools forum

Meeting date: Friday 24 September 2021

Report by: Strategic Finance Manager

Classification

Open

This is not an executive decision

Wards affected

(All Wards);

Purpose

To seek the views of the forum on local and national school funding issues, including the recommendations of the budget working group (BWG) on the following matters:

- Herefordshire schools budget 2022/23 including schools consultation paper
- Fair funding for all - government consultation paper 7 July 2021
- High needs budget 2022/23

Recommendation(s)

That:

- a) **the initial budget proposals for 2022/23 for schools and high needs be approved for consultation with schools during the autumn term;**
- b) **the Budget Working Group's proposed response to the DfE consultation paper be approved for submission by the due date of 30 September**

Alternative options

1. Alternative options will be fully considered by the BWG prior to the BWG formulating final budget recommendations for consideration by Schools Forum in January 2022. At this stage only a preliminary view has been sought in order to determine how the budget proposals can be developed further. The high needs budget will require further detailed

work following the expected DfE funding announcement in mid-December 2021 and recommendations will be agreed by School Forum in March 2022 prior to a formal decision by the Cabinet member for Children's and Families.

Key considerations

2. In July the DfE announced provisional funding allocations for 2022-23 through the schools, high needs and central school services national funding formulae (NFF). The allocations distribute the final year of the three-year school funding settlement that the Secretary of State for Education announced to Parliament on 3 September 2019. Core school funding increased by £2.6bn in 2020-21, and is increasing by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2019-20.
3. These allocations are part of the normal annual funding cycle and are separate to the other major interventions made to support education recovery in response to the COVID-19 pandemic – over £3bn in total funding support for recovery that will be provided on top of the Dedicated Schools Grant allocations for local authorities and schools.
4. In summary, funding through the schools NFF is increasing by 3.2% overall in 2022-23, and by 2.8% per pupil. The NFF will distribute this funding based on schools' and pupils' needs and characteristics. The main features in 2022-23 are:
 - The core factors in the NFF (such as basic per-pupil funding, and funding for additional needs such as deprivation) will increase by 3%.
 - The funding floor will ensure that every school is allocated at least 2% more pupil-led funding per pupil compared to its 2021-22 NFF allocation.
 - The minimum per pupil funding levels will increase by 2%, compared to 2021-22. This will mean that, next year, every primary school will receive at least £4,265 per pupil, and every secondary school at least £5,525.
 - Support for small and remote schools (through the “sparsity” factor) will receive a further increase. In 2022-23 the additional funding that such schools can attract is rising to up to £55,000 for primary schools, and up to £80,000 for secondary schools – in both cases, a £10,000 increase from 2021-22. DfE are also moving to using road distances instead of straight line distances when measuring a school's remoteness. This will significantly increase the number of schools attracting this funding. As a result, the funding allocated through the sparsity factor is increasing from £42 million in 2021-22 to £95 million in 2022-23.
 - High needs funding is increasing by £780m, or 9.6%, in 2022-23 – following the over £1.5bn increase over the last two years. This brings the total high needs budget to £8.9bn, an increase of over a third since 2019-20. The high needs NFF will ensure that every local authority receives at least an 8% increase per head of population, with some authorities seeing gains of up to 11%. This vital extra resource will continue to help local authorities manage their cost pressures in this area, while the government remains focused on completing the cross-departmental review of the SEND system to ensure

that it supports children and young people with SEND as efficiently and effectively as possible.

- Central school services funding funds local authorities for the ongoing responsibilities they continue to have for all schools. The total funding for ongoing responsibilities is £284 million in 2022-23. In line with the process introduced for 2020-21 to withdraw funding over time based on the historic commitments local authorities entered into before 2013-14, funding for these historic commitments will decrease by 20%.
- These provisional NFF allocations will be updated, based on the latest pupil data, to produce final allocations in December that local authorities will receive through the Dedicated Schools Grant.
- Local authorities will continue to use that funding to determine final allocations for all local mainstream schools. In parallel with the changes being implemented for 2022-23, the Government is in the process of consulting on the completion of the reforms to the schools NFF in the longer term – whereby funding allocations for individual schools are determined by one single national formula, rather than 150 separate, different, local authority formulae.

DRAFT SCHOOL BUDGET CONSULTATION PAPER

5. The draft consultation paper sets out the proposed schools budget strategy for 2022/23 as follows:
 - Fully fund schools at the National Funding Formula values
 - Transfer funding to high needs block to continue funding the SEN protection scheme
 - Within the high needs block, fund increases in independent schools, add an inflation rise to top-up tariffs particularly for special schools, get a good fix on Beacon College costs
 - Use any surplus in the high needs block to top-up DSG reserves
6. The draft schools consultation paper is attached as Appendix 1 and provides greater detail of the funding support necessary from schools to continue the SEN protection scheme. The response form is attached as Appendix 2.
7. The DfE's paper "Fair school funding for all: completing our reforms to the National Funding Formula - Government consultation" is attached as appendix 3.

HIGH NEEDS BLOCK STRATEGY 2022/23

8. Herefordshire continues to be one of few councils nationally that has not accumulated a high needs deficit and has been provisionally allocated an increase of approx £2m in high needs funding for 2022/23. Initial proposals are to set a balanced budget and to use this extra funding for additional high needs cost pressures of £0.75m in independent school

placements, inflationary increase for top-up tariffs and increases in special school places. Further work on the high needs budget will be undertaken during the autumn term with the Budget Working Group.

9. Initial expenditure forecasts for 2021/22 indicate that expenditure on high needs is likely to be £144k over budget for 2021/22 although it is too early to be certain as further pupil placements for independent schools and complex needs are always possible.
10. It is intended to use the additional £2m funding mainly to support the new Beacon College, which will require further work to confirm the necessary funding, restructuring support for the PRU (split site allowance £38k and TLR protection £35k) full year costs of the nurture groups (£100k plus £20k support from the behaviour team) and inflation on tariffs A-F and some growth in post-16 places, MFG for special schools (provisionally £100k), growth in places and top-ups in special schools, resource units and potentially hospital places.
11. These are very much initial proposals, and are subject to the final DSG settlement in December 2021 and dependent upon containing expenditure within the remainder of the financial year. However they do provide a base for the high needs budget for 2022/23 as follows

• No growth is proposed for complex needs places	£0m
• Growth in out-county independent school places	£0.75m
• Growth in special school and unit places	£0.2m
• Increases in tariffs A-C (2%) D-F(5%)	£0.585m
• Full year cost of nurture groups	£0.1m
• Additional PRU split site working costs and TLR protection	£0.1m
• Additional hospital places and top-up funding	£0.05m
• Additional post-16 places	£0.1m
• Growth in SEN protection scheme	£0.05m
• Beacon College – places and top-up funding - tbc	£0.25m
• Reinstate DSG reserves	£0.2m
• Total additional high needs expenditure 2021/22	£2.385m
• Expected increase in high needs block funding	£1.95m
• SEN Protection cost met by transfer from schools block	£0.435m

12. The SEN protection scheme was expanded to include secondary schools in 2020/21 and was supported by a transfer of £0.3m from the schools block in 2021/22. The cost of the scheme continues to grow, as estimated spend in 2021/22 is £440k so a budget increase of at least £50k will be needed for 2022/23. The scheme is hugely supported by schools and it is anticipated that a funding transfer to the high needs block of approx. £0.435m will be necessary to fund the SEN protection scheme.
13. Further detailed work will be undertaken on the high needs budget during the autumn term, particularly the 2022/23 cost implications for the Beacon College, and an updated budget

plan will be shared with the Budget Working Group at either the December or January meeting. The final high needs budget plan will be agreed with the Budget Working Group and Schools Forum in March 2022.

DfE's CONSULTATION PAPER "Fair school funding for all: completing our reforms to the National Funding Formula"

14. This DfE consultation is seeking views on the approach to moving to a direct, "hard" NFF and how DfE can most effectively transition towards this completed NFF in the years ahead. This is the first stage of the consultation on a hard NFF: DfE plans to publish a second stage consultation with more detailed proposals, following feedback to this first consultation.
15. The consultation sets out the DfE's proposals and seeks respondents' views on the proposed scope for the hard NFF and the next steps for transitioning towards it as follows;
 - Section 3.1 sets out proposals for **the scope of the direct NFF**. In order to deliver on its fundamental aims, DfE propose that the aim should be that all NFF funding factors – pupil-led and school-led – are included in the hard formula and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further adjustments by Local Authorities.
 - Section 3.2 sets out proposals for **developing the schools NFF to support the direct NFF**. This particularly focuses on proposals for how to improve premises factors within the NFF in advance of the introduction of the hard formula, so that allocations are based on a consistent, objective assessment of current need, rather than the previous years' local spending decisions.
 - Section 3.3 sets out the **approach to funding for schools experiencing significant growth in pupil numbers**, such that these funding arrangements reflect the overall principles of a hard NFF – i.e. simple, transparent and fair.
 - Section 3.4 sets out the proposals for ensuring a **smooth transition for schools to the direct NFF**. DfE recognise that moving to the NFF will be a significant transition for schools in some areas, which is why DfE propose a careful and measured approach to its introduction, testing the impact at each stage. From 2023-24 DfE will begin to tighten those rules, so that schools' allocations through local formulae move closer to the NFF distribution, ensuring a smooth transition towards a hard formula and delivering a more consistent funding system.
 - Section 4 considers the important implications and interactions with wider aspects of the funding system. The funding system must respond to the respective roles that schools, academy trusts, and Local Authorities play in education. This will mean supporting a greater strategic role for trusts - recognising, in particular, their status as the key vehicles for school improvement – while supporting Local Authorities to deliver their remaining responsibilities and services, and ensuring a greater voice for schools in receipt of these services where appropriate.

- Section 4.1 sets out the continued importance of **multi-academy trusts' (MATs) ability to pool their funding** within the move to a hard NFF.
- Section 4.2 sets out proposals for reforming the approach to **funding for central school services** delivered by Local Authorities. It is crucial that the system for funding mainstream schools, and the move to a hard NFF, **supports effective special educational needs and disabilities (SEND) provision.**
- Section 4.3 sets out the **overarching implications that the move to a hard formula has for SEND provision** in mainstream schools and how moving to a hard NFF can help to deliver a strong and sustainable overall SEND system that supports pupils with SEND in mainstream schools. DfE will consult further on this crucial element of the overall funding system for schools in more detail following the publication of the SEND Review outcomes.
- Section 4.4 recognises the need to continue **local and national consultation in decision making**, though - as we transition to a hard formula - this will necessarily change. Section 4.4 sets out our proposals for how the role of schools forums will change as we move to a hard NFF and how national consultation will take place.
- Section 4.5, poses an open question on the potential value of **moving to a consistent funding year** across maintained schools and academies. Currently maintained schools are funded on a financial year basis and academies on an academic year basis, and we are keen to understand the appetite for a change in funding year for maintained schools, to an academic year basis, as part of the shift to a hard formula.

16. Schools Forum members are invited to comment and amend the proposed response to the DfE's consultation – attached as appendix 4.

Community impact

17. Increasingly school and high needs funding is directed by government and the council can only allocate funding given by government. School governing bodies retain the responsibility to spend the school budget on meeting pupil needs. Schools, colleges and post-16 providers and potentially parents will need to be consulted on any changes to the high needs services.

Environmental Impact

18. This is a consultation with Schools Forum on school and high needs funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the Council's Environmental Policy

Equality duty

19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

20. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. In relation to school finance it is the responsibility of individual governing bodies to commit expenditure according to individual pupil need. Changes in high needs provision will require consultation with users and further advice from legal services will be sought should this be necessary. However the decisions of the school forum should have regard to this duty and the potential implications of any decisions made.

Resource implications

21. The schools budget is fully funded by Dedicated Schools Grant (DSG). At this stage the financial assessment is indicative only pending the final DSG announcement by government in mid-December 2021.

Legal implications

22. The Schools Forum is a decision making and consultative body in relation to matters concerning schools' budgets as defined in the School and Early Years Finance Regulations (2018) and the School Forums (England) Regulations 2010

23. The School and Early Years Finance (England) Regulations 2018 determine those matters on which the council must or may consult Schools Forum and those in respect of which the Schools Forum can make decisions. These Regulations make provision for the financial arrangements of councils in relations to the funding of schools.

24. This report complies with the legal requirements in this regard.

Risk management

25. As the budget proposals are only indicative at this stage, the full risk analysis has not yet been undertaken.

Consultees

26. No consultation has yet been undertaken with schools, early years providers or service Users. Consultation with schools on the schools budget will follow after School Forum's views have been included in the consultation paper.
27. The BWG was consulted 10 September 2021 regarding the schools budget consultation and reviewed the content of the draft consultation paper for schools and the accompanying response form and, subject to the inclusion of a note on the impact of the revised sparsity factor, no further changes were identified.
28. BWG agreed to consider the budget proposals further after the budget consultation with schools had been completed and the DfE had announced final DSG allocations. BWG agreed that the Schools Forum should consider the draft consultation paper at their next meeting on 24 September, before distribution to schools

Appendices

- Appendix 1 – Herefordshire school budget consultation
- Appendix 2 – Herefordshire school budget consultation response form
- Appendix 3 – Fair school funding for all: completing our reforms to the National Funding Formula - Government consultation July 2021
- Appendix 4 – Proposed response to DfE Fair funding consultation

Background papers

None identified

Please include a glossary of terms, abbreviations and acronyms used in this report.

BWG Budget Working Group (of Schools Forum)
CAMHS Children and Adolescent Mental Health Service
DSG Dedicated Schools Grant
DfE Department for Education
EHCP Education Health Care Plan
ESFA Education and Skills Funding Agency
PRU Pupil Referral Unit
H3 Home and Hospital Teaching Team (Hub, Home, Hospital)
SEN Special Education Needs
SEND Special Education Needs and Disability

NATIONAL SCHOOL FUNDING FORMULA 2022/23

CONSULTATION FOR HEREFORDSHIRE SCHOOLS

DRAFT FOR SCHOOLS FORUM 24th SEPTEMBER 2021

1.0 SUMMARY

- 1.1 This consultation paper sets out the expected financial position for Herefordshire school budgets for 2022/23 and proposes to continue to implement the national funding values as set by government.
- 1.2 The government funding announcement announced in July 2021 sets out the key items as follows;
- school funding through the National Funding Formula (NFF) is increasing by 3.2% overall in 2022-23. The NFF will distribute this funding based on schools' and pupils' needs, and characteristics
 - the key factors in the NFF will increase by 3%.
 - the minimum increase for all schools is at least 2% as set by the minimum funding guarantee
 - the minimum per pupil funding levels will increase to £4,265 for primary schools and £5,525 for secondary schools sparsity funding for small and remote schools will increase in 2022-23, with primary schools attracting up to £55,000 and secondary schools £80,000. Eligibility for sparsity funding will be calculated by road distance and a new sparsity distance threshold taper will apply. This means that schools whose sparsity distance is between 1.6 and 2 miles (for primary schools) or 2.4 and 3 miles (for secondary schools) will now attract some additional funding through the sparsity factor.
 - The NFF has adopted the three year English as an Additional Language factor and so Herefordshire will also include the EAL3 factor in 2022/23 rather than the previous the EAL 1 year factor to ensure compliance with NFF.
- 1.3 Herefordshire's approach to school funding for 2022/23 will be as follows;
- Fully fund schools at the National Funding Formula values
 - Transfer funding to high needs block to continue funding the SEN protection scheme
 - Within the high needs block, fund increases in independent schools, add an inflation rise to top-up tariffs particularly for special schools, get a good fix on Beacon College costs
 - Use any surplus in the high needs block to top-up DSG reserves
- 1.4 Herefordshire continues to be one of few council's nationally that has not accumulated a high needs deficit and has been provisionally allocated an increase of approx. £2m in high needs funding for 2022/23. Initial proposals are to set a balanced budget and to use this extra funding for additional high needs cost pressures of £0.75m in independent school placements, inflationary increase for top-up tariffs and increases in special school places.

Further work on the high needs budget will be undertaken during the autumn term with the Budget Working Group.

- 1.5 National growth funding, is expected at approx. £600k and has been reserved for allocation to support basic need growth in the Golden Valley, the extra costs of using road distance for sparsity and to help implement the transition to the three year EAL funding set out in the NFF. The DfE have stated their future intention to formalise growth payments to schools on a national basis and so the current surpluses from the growth fund may not be available to support transfers to the high needs budget. The final allocation will be reviewed by the Budget Working Group to ensure the proposals are affordable but based around;
- £0.18m to fund basic need secondary school growth in the Golden Valley planning area (10 places at Fairfield and 30 places at Kingstone as agreed in 2021/22);
 - The remainder will be used to fund the cost of introducing the EAL three year factor for 2022/23.
 - Sparsity payments based on road distance will cost an additional £0.33m.
- 1.6 Once again it is emphasised that strong financial planning will continue to be necessary by all schools to maintain financial viability during the coming years.
- 1.7 It is important that all schools respond to the budget consultation so that Schools Forum is fully informed of schools' views.

2.0 SCHOOLS BLOCK STRATEGY 2022/23

- 2.1 Estimated allocations for the schools block based on an estimated 22,252 pupils (primary 13,185 and secondary 9,067) as follows:

Estimated DSG schools funding allocation	£116,007,000
Estimated growth funding	£600,000
Total Schools Block funding	£116,607,000
National Funding Formula 2022/23	£115,889,000
Reserved for expected increase in FSM costs	£101,000
Available for allocation outside of NFF:	£617,000
to: high needs support for schools:	£435,000
to: secondary growth funding for Golden Valley	£182,000

- 2.2 Final Dedicated Schools Grant allocations will not be available until mid-December final school budgets will be calculated for discussion with the BWG in January 2022.

3.0 HIGH NEEDS BLOCK STRATEGY 2022/23

- 3.1 Provisional Dedicated Schools Grant (DSG) allocations for 2022/23 have been published by government and indicate an increase in Herefordshire's high needs allocation of £1.96m i.e. a gross allocation of £22.079m compared with a final allocation of £20.119m in 2021/22. In year adjustments for FE college placements make comparisons difficult.

3.2 Pressure for increased placements in independent schools are expected to continue to increase in 2022/23. An initial increase of up to £0.75m may be necessary depending on placements approved in the autumn and spring terms.

3.3 Beacon College, when operational will require appropriate funding and further work will be necessary this term to confirm, restructuring support for the PRU (split site allowance £38k and TLR protection £35k) full year costs of the nurture groups (£100k) and inflation on tariffs D-F and some growth in post-16 places, MFG for special schools (provisionally £100k), growth in hospital places £20k and £10k top-ups and growth in special school and unit places 8 at £200k (place and top-ups).

3.4 Initial proposals, subject to confirmed available funding from DfE, for the high needs budget for 2022/23 are:

• No growth is proposed for complex needs places	£0m
• growth in out-county independent school places	£0.75m
• Growth in special school and unit places	£0.2m
• Increases in tariffs A-C (2%) D-F(5%)	£0.583m
• Full year cost of nurture groups	£0.12m
• Additional PRU split site working costs and TLR protection	£0.1m
• Additional hospital places and top-up funding	£0.05
• Additional post-16 places	£0.1m
• Growth in SEN protection scheme	£0.05
• Beacon College – places and top-up funding - tbc	£0.25m
• Re-instate DSG reserves	£0.2m
• Total additional high needs expenditure 2021/22	£2.385m
• Expected increase in high needs block funding	£1.95m
• SEN Protection cost met by transfer from schools block	£0.435m

3.5 The SEN protection scheme was expanded to include secondary schools in 2020/21 and was supported by a transfer of £0.3m from the schools block in 2021/22. The cost of the scheme continues to grow and a budget increase of £50k is proposed for 2022/23. The scheme is hugely supported by schools and it is anticipated that a funding transfer to the high needs block of approx. £0.435m will be necessary to fund the SEN protection scheme.

3.6 Further detailed work will be undertaken on the high needs budget during the autumn term, particularly the 2022/23 cost implications for the Beacon College, and an updated budget plan will be shared with the Budget Working Group in December 2021. The final high needs budget plan will be agreed with the Budget Working Group and Schools Forum in March 2022.

4.0 EARLY YEARS BLOCK

4.1 No information has been published by DfE for the early years block for 2022/23. Any inflationary increase for early years settings will be dependent on the final DSG settlement when published in December 2022.

5.0 CENTRAL SCHOOL SERVICES BLOCK

5.1 The central block is expected to increase slightly from £755k to £785k. Small inflationary increases are proposed. In addition to the statutory retained duties formerly funded by Education Services Grant (£380k), funding allocations will be Schools Forum administration costs (£19k), school admission costs (£129k), national licence costs (£150k), SACRE (£6k), SEN Casework (£26k) and a transfer to high needs (£75k).

6.0 NATIONAL FUNDING FORMULA – HEREFORDSHIRE PROPOSALS

6.1 Overall the National Funding Formula will increase by 3.2% for the 2022/23 financial year. As in previous years, school budgets can only be fully finalised in December.

6.2 Herefordshire's school funding proposals for 2022/23 are to adopt the national funding formula values in full including moving to the English as an Additional Language Year 3 factor as proposed by the DfE as follows:

- a) Basic Entitlement per pupil (2021/22 factor values for comparison):
 - i. Primary KS1/2 - £3,217 (£3,123)
 - ii. Secondary KS3 - £4,536 (£4,404)
 - iii. Secondary KS4 - £5,112 (£4,963)
- b) Low prior attainment (low cost, high incidence special education needs)
 - i. Primary funding per pupil £1,130 (£1,095)
 - ii. Secondary funding per pupil £1,710 (£1,660)
- c) Free School Meals per pupil
 - i. Primary £470 (£460)
 - ii. Secondary £470 (£460)
- d) Deprivation per Ever-6 Free Meal pupil
 - i. Primary £590 (£575)
 - ii. Secondary £865 (£840)
- e) Socio-economic deprivation Income Deprivation Affecting Children Index (IDACI) - updated values published by government in September 2019
 - Band A (2.5% LSOAs) primary £640 (£620) secondary £890 (£865)
 - Band B (5%) primary £490 (£475) secondary £700 (£680)
 - Band C (5%) primary £460 (£445) secondary £650 (£630)
 - Band D (5%) primary £420 (£410) secondary £595 (£580)
 - Band E (10%) primary £270 (£260) secondary £425 (£415)
 - Band F (10%) primary £220 (£215) secondary £320 (£310)
 - Band G (62.5%) primary £0 secondary £0
- f) English as Additional Language (EAL3) for all eligible pupils within last three years

- i. Primary £565 (£550)
 - ii. Secondary £1,530 (£1,485)

- g) Lump sums – Primary and Secondary £121,300 (£117,800)

- g) Sparsity
 - i. Tapered lump sum of £55,000 (£45,000) for qualifying primary schools with an average year group size of 21.4
 - ii. Tapered lump sum of £80,000 (£70,000) for qualifying secondary schools with an average year group size of 120 pupil

- h) Business Rates – no change, funded at cost with a presumed 3% RPI increase.

- i) Looked After Children – £0 as funding has been transferred to the pupil premium grant

- j) Mobility – Primary per pupil £925 (£900) Secondary per pupil £1,330 (£1,290) above a threshold of 6% pupil turnover

- k) Exceptional premises factor – increased by 3% inflation to £9,332 (£9,060) to meet rent costs for Eastnor Primary School

- l) PFI factor – increased by 3% to £308,138 (£299,163) to comply with PFI contract which uses the RPI(X) as at February 2022

- m) Minimum per pupil funding level – April 2022
 - (i) Secondary £5,525 per pupil (£5,415)
 - (ii) Primary £4,265 per pupil (£4,180)

 - (iii) The Minimum funding guarantee (MFG) can be set between 0.5% and 2%. Subject to affordability, Herefordshire will set the MFG at 2% to ensure all schools receive a minimum 2% funding increase per pupil.

6.3 De-delegation and Education Management proposals for locally maintained schools by inflation as follows;

- computer licences for the school budgeting software to increase to £415 from £405;
- Free school meals eligibility checking, primary to increase to £1.29 per pupil (from £1.25) and secondary to increase to £0.97 per pupil (from £0.94)
- Support for underperforming ethnic minority groups and bilingual learners to provide EAL services for initial assessments, YR observations and follow-up advisory and monitoring visits funded by de-delegation costs as follows;
 - Increase per pupil amount to £1.15 from £1.12
 - increase per Ever6 FSM pupil to £6.80 from £6.60
 - change to EAL 3 year factor at £36 per pupil from EAL 1 year factor at £107 per pupil

- A small reduction to Trade union facilities agreement to £2.60 per primary pupil as the current budget underspends marginally.
- Education Management to increase to £12.25 from £12 for local authority maintained schools.

6.4 A new proposal from April 2022 for the de-delegation of Behaviour support services as follows;

A growing proportion of the SEN pupil population have behavioural, social and emotional difficulties. It is now identified as the largest single type of need in Herefordshire schools. The services offered enable schools to manage these difficulties with greater understanding and confidence. The service will be part funded by de-delegation to ensure that this essential service remains viable as it is valued by many of our schools.

- option A £4 per primary pupil to provide income of £37,500 and a matched contribution from the high needs block of £37,500
- option B £5.25 per primary pupil to provide some expansion of the service to meet increasing demand growth income of £50,000 and a matched contribution from the high needs block of £50,000. This option would give 25% more working days than option A to maintained schools

Without a contribution from de-delegation the service will have to be curtailed from September 2022 as the current fully traded model is no longer viable.

6.5 Through de-delegation the service will provide the following range of services free at the point of use for local authority maintained schools:

1. One day Consultation

Observation of child, Discussion with relevant school staff e.g. teacher and SENCo, Discussion with parent (in person or via telephone), 1-1 session with child, Written report, Review meeting 4-6 weeks later– either online using Teams or 1 hour in-person

2. Individual Intervention

Direct individual work with pupils will be offered as an afternoon slot. This will be broadened to include a meeting with relevant staff to share strategies and create action plans for the pupil. Slots will be agreed one at a time, rather than automatically being offered as a 6-week-block/programme.

3. Intervention Workshops

The Intervention Workshops will be delivered to groups of children based on need in a host school that has a suitable room by area (across North, South, East and West Herefordshire). Teaching assistants (TA's) in that area will be invited to join a local workshop for 1 hour a week with the target child from their school for 6 weeks. In larger/ high need schools several places can be taken by the host school. Having the TA's join the intervention alongside the children allows strategies and programmes to be embedded and generalised in schools, whilst also increasing the knowledge and skills of these staff.

The following are a range of interventions that will be offered (this is not an exhaustive list, merely one that would form the basis of intervention work);

- *Walk Tall – Year 5 and 6 and a modified programme for transition at KS1-KS2*
- *Anger Management, KS2 and High School*
- *Kind Hands – Early Years*
- *Cool Connections with CBT building self-esteem, resilience and wellbeing for teens (High School)*

6.6 Access to consultation and intervention will be based on pupil need. The service will negotiate access with schools, based on a written criteria and the seriousness of presenting issues. However, the service will also try to spread access as evenly as possible across schools. Option B will give additional capacity for the team to deliver.

6.7 Maintained schools will need to purchase any additional training they require. Academy schools will continue to purchase all services they require.

7.0 TIMESCALES

7.1 The budget process and expected timeline is:

- Consultation commences w/c 4th October after Schools Forum on 24th September and closes 12 noon Friday 12th November 2021
- Schools Forum meets on 14th January 2022 to consider the recommended funding values to be submitted to the Education Funding Agency by 21st January 2022.
- Budgets issued to locally maintained schools by 28th February 2022
- Education Funding Agency to issue budgets to academies for academic year 2021/22.

8.0 CONSULTATION RESPONSES BY 12th November 2021

8.1 A separate consultation form is attached and must be returned to School.funding@herefordshire.gov.uk by 12 noon on 12th November 2021 in order that your views can be considered by the Budget Working Group on 3rd December 2021 and Schools Forum at their meeting on 14th January 2022.

8.2 Please respond to this consultation as all views are important and do contribute towards the budget decision which aims to achieve the best possible schools budget for Herefordshire within the funding allocated by government.

9.0 FURTHER INFORMATION

9.1 If you have any questions regarding the detailed content of this consultation paper or the draft allocation for your school (distributed separately), please contact either Malcolm Green, Schools Finance Manager (malcolm.green@herefordshire.gov.uk) or any member of the Budget Working Group as follows;

Primary

Mr S Kendrick, Ashfield Park
Mrs K Weston, Our Lady's
Mrs H Webb, Colwall
Mr M Maund, Almeley

Secondary

Mr P Jennings, Lady Hawkins (Chairman)
Mr D Bennett, Kingstone
Mrs C Bryan, John Kyrle
Mrs N Emmett, Fairfield
Mr S Robertson, Aylestone

9.2 Others contributing to the development of these budget proposals included Mrs S Williams, Barrs Court representing special schools and Mrs R Lloyd, representing early years.

NATIONAL SCHOOL FUNDING FORMULA 2022/23

CONSULTATION RESPONSE FORM



The budget response form must be returned by:
12 noon on 12th November 2021 to:
School.funding@herefordshire.gov.uk

Q1: Reduce school balances claw-back percentage	Yes	No
<p>Herefordshire's approach to school funding for 2022/23 will be as follows;</p> <ul style="list-style-type: none"> • Fully fund schools at the National Funding Formula values <input type="checkbox"/> • Transfer funding to high needs block to continue funding the SEN protection scheme <input type="checkbox"/> • Within the high needs block, fund increases in independent schools, add an inflation rise to top-up tariffs particularly for special schools, get a good fix on Beacon College costs <input type="checkbox"/> • Use any surplus in the high needs block to top-up DSG reserves <input type="checkbox"/> 		
<i>Additional Comments</i>		

Q3: HIGH NEEDS BLOCK 2022/23	Yes	No																												
<p>It is estimated that Herefordshire will receive an additional £2.0m grant for high needs.</p> <p>Pressure for increased placements in independent schools are expected to continue to increase in 2022/23. An initial increase of up to £0.75m may be necessary depending on placements approved in the autumn and spring terms.</p> <p>Beacon College, when operational will require appropriate funding, restructuring support for the PRU (split site allowance £38k and TLR protection £35k) full year costs of the nurture groups (£100k plus £20k support from the behaviour team) and inflation on tariffs D-F and some growth in post-16 places, MFG for special schools (provisionally £100k), growth in hospital places £20k and £10k top-ups and growth in special school and unit places 8 at £200k (place and top-ups).</p> <p>Initial proposals, subject to confirmed available funding from DfE, for the high needs budget for 2022/23 are:</p> <table border="0" data-bbox="87 772 1021 1388"> <tr> <td>No growth is proposed for complex needs places</td> <td>£0m</td> </tr> <tr> <td>growth in out-county independent school places</td> <td>£0.75m</td> </tr> <tr> <td>Growth in special school and unit places</td> <td>£0.2m</td> </tr> <tr> <td>Increases in tariffs A-C (2%) D-F(5%)</td> <td>£0.583m</td> </tr> <tr> <td>Full year cost of nurture groups</td> <td>£0.12m</td> </tr> <tr> <td>Additional PRU split site working costs and TLR protection</td> <td>£0.1m</td> </tr> <tr> <td>Additional hospital places and top-up funding</td> <td>£0.05</td> </tr> <tr> <td>Additional post-16 places</td> <td>£0.1m</td> </tr> <tr> <td>Growth in SEN protection scheme</td> <td>£0.05</td> </tr> <tr> <td>Beacon College – places and top-up funding - tbc</td> <td>£0.25m</td> </tr> <tr> <td>Re-instate DSG reserves</td> <td>£0.2m</td> </tr> <tr> <td>Total additional high needs expenditure 2022/23</td> <td>£2.387m</td> </tr> <tr> <td>Expected increase in high needs block funding</td> <td>£1.95m</td> </tr> <tr> <td>SEN Protection cost met by transfer from schools block</td> <td>£0.435m</td> </tr> </table> <p>Do you support the initial high needs budget as set out above?</p>	No growth is proposed for complex needs places	£0m	growth in out-county independent school places	£0.75m	Growth in special school and unit places	£0.2m	Increases in tariffs A-C (2%) D-F(5%)	£0.583m	Full year cost of nurture groups	£0.12m	Additional PRU split site working costs and TLR protection	£0.1m	Additional hospital places and top-up funding	£0.05	Additional post-16 places	£0.1m	Growth in SEN protection scheme	£0.05	Beacon College – places and top-up funding - tbc	£0.25m	Re-instate DSG reserves	£0.2m	Total additional high needs expenditure 2022/23	£2.387m	Expected increase in high needs block funding	£1.95m	SEN Protection cost met by transfer from schools block	£0.435m	<input type="checkbox"/>	<input type="checkbox"/>
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Department
for Education

Fair school funding for all: completing our reforms to the National Funding Formula

Government consultation

Launch date 8 July 2021

Respond by 30 September 2021

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Foreword by the Minister of State for School Standards



The government is committed to levelling up opportunity across the country and education lies at the heart of that mission. Our reforms are supporting teachers and school leaders to drive up academic standards throughout the country.

To deliver these improvements, we recognise that it is crucial that we support every school and multi-academy trust with the right resources, so that they can achieve the best outcomes for all their pupils. We have delivered the biggest increase in education funding in a decade with total additional funding of £2.6 billion in 2020-21, £4.8 billion in 2021-22 and £7.1 billion in 2022-23, compared to 2019-20: in total, over £14 billion across the three years.

We know it is also critical that this investment is distributed fairly between all areas of the country and all schools to help level up opportunity. We have already taken significant steps to make the school funding system fairer. The introduction of the schools National Funding Formula (NFF) in 2018-19, following extensive consultation, means that funding is now being distributed more fairly across the country. This was a major step forward from the postcode lottery of the previous funding system, in which historic funding levels, rather than current needs, drove distribution.

As we set out at the time of its introduction, our long-term goal for the NFF is that every school's final funding allocation is determined by the same, national formula, and is no longer subject to further adjustment from one of 150 local authority formulae. Removing the role of local authority formulae in determining schools' funding allocations and instead setting these directly through a national formula will complete our programme of reforms to the funding system. It will mean the funding system is fair for every school, with funding matched to a consistent assessment of need. It will make the funding system simpler and more transparent for all involved, with a single formula responsible for determining all schools' funding allocations. It will also help to underpin our ambition for all schools to be part of a strong multi-academy trust – final allocations set directly by a single national formula will mean all schools within a multi academy trust will be funded on a consistent basis, regardless of which local authority they happen to be located in, providing trusts with the predictability needed to make the best use of resources and drive up academic standards.

We appreciate that moving away from local formulae, to all schools' funding allocations being determined directly by the NFF, is a significant change for the school system. We

are determined to complete these reforms, and secure the benefits that they will bring; but we want to move carefully towards this end goal over the coming years, working with the sector to ensure that the transition is a smooth one. As part of this careful approach, we will maintain the protections within the funding system (such as the minimum funding guarantee) to minimise disruption for schools and ensure that no school sees a reduction in its per-pupil funding.

This consultation is seeking your feedback on our proposals on what precisely the direct NFF should look like, and how we can progressively move the system towards it. We look forward to your responses.

A handwritten signature in black ink, reading "Nick Gibb". The signature is written in a cursive style with a large initial 'N' and 'G'.

Rt Hon Nick Gibb MP
Minister of State for School Standards

1. Introduction

The government is committed to levelling up academic standards across the country. To help deliver this we are currently providing the biggest increase to school funding in a decade, with additional investment of £2.6 billion in 2020-21, £4.8 billion in 2021-22 and £7.1 billion in 2022-23, compared to 2019-20: a total of over £14 billion over the three years. In 2022-23, our core schools budget, which provides for mainstream schools' running costs, additional support for high needs pupils, and the pupil premium, will total £52.2 billion.

In order to make sure that our continuing investment in education delivers for everyone, we need to distribute it through a funding system that is fair for all pupils and all schools, no matter where they are in the country.

The schools National Funding Formula (NFF) is a single, national formula that allocates the core funding for all mainstream schools, both maintained and academies, in England, 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.

The introduction in 2018-19 of the NFF for mainstream schools was a crucial step towards a fairer funding system and replacing the postcode lottery of the past. The schools NFF saw the Department for Education moving to calculate schools' funding allocations based on the characteristics and needs of each school and its pupils – rather than the accidents of history or location that had typified the funding system that it replaced. This new formula was the result of extensive consultation with the school sector, both on the underlying principles and then the design of the formula itself.

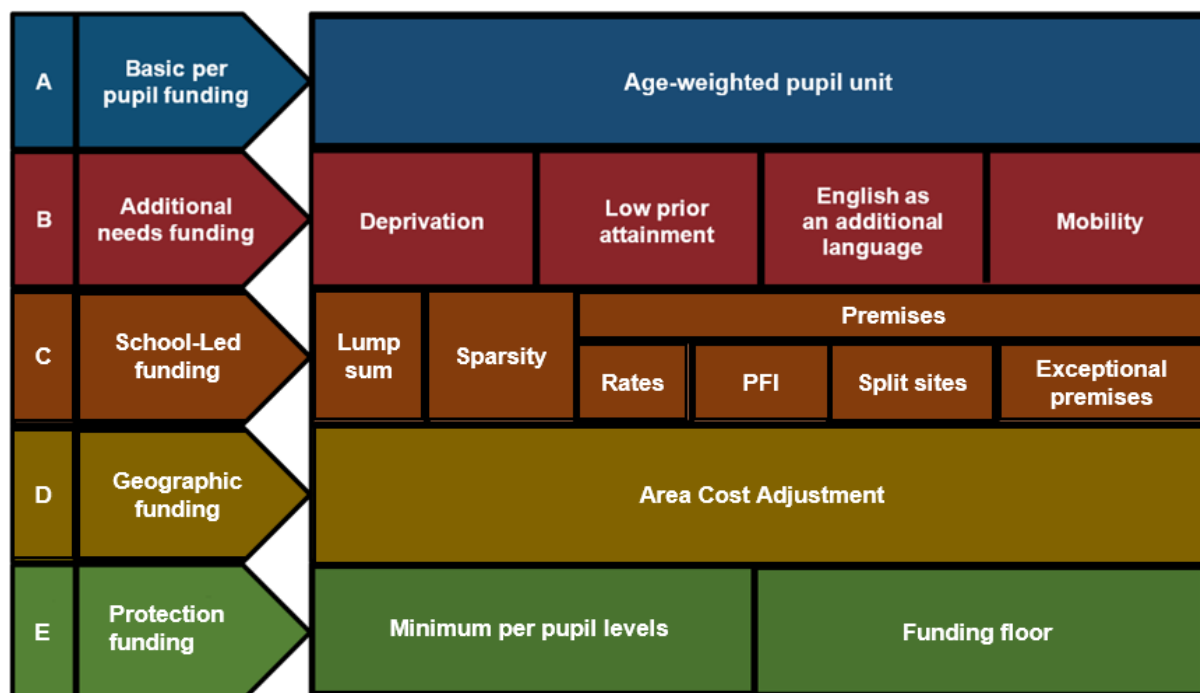
The introduction of the NFF means that funding is now being allocated between different local areas fairly, and by reference to need, rather than historic spending levels. As we set out at the time, the previous funding system meant that local areas with a higher proportion of pupils with additional needs could receive less funding than those with lower proportions. Funding had not adjusted to reflect changing pupil needs – for example, changes in deprivation levels – between authorities¹. The NFF means funding is now automatically directed by reference to which schools have higher numbers of pupils with additional needs, to help ensure that those schools can be supported to meet the needs of all their pupils. It has also meant that schools whose circumstances lead them to face higher costs, due for example to being more remote or due to additional costs associated with the nature of their premises, can have a higher

¹ [Schools and high needs funding reform: The case for change and consultation summary](#)

level of funding directed towards them. At the same time the minimum per pupil levels have ensured that all schools, regardless of their situation, receive at least a guaranteed minimum level of income, while the funding floor has meant that all schools have attracted per pupil increases in their pupil-led funding in recent years.

Figure 1 below sets out a summary of the different funding factors in the current schools NFF and annex A sets out more detail on each of the factors within the current NFF and their weighting within the formula.

Figure 1 – Current NFF Funding Factors²



Since its introduction the NFF has been a 'soft' formula. This means that the department, through the NFF, calculates funding allocations in relation to each individual mainstream school, based on its particular characteristics. These individual school-level allocations are then aggregated for each local authority (LA). The LA, from its aggregated total, then determines individual schools' final funding allocations through a local formula, which it is responsible for setting. While the department has set some parameters within which local formulae must operate, LAs have had discretion about the amount of funding put towards each factor and some flexibility over which factors to use in their local formulae - therefore an individual school's funding can, and often does, vary from that which the NFF itself allocates.

² This illustrates the factors that will be taken into account when calculating schools block Dedicated Schools Grant funding allocations through the NFF. It is not to scale. Funding for premises factors are currently allocated to local authorities on the basis of historic spend.

Maintaining these local arrangements has been an important way to maintain stability in the system, as we have moved to a national funding approach. And we have seen significant progress of authorities choosing to move their local formulae towards the national formula since its introduction. Local funding formulae in 2021-22 show that a majority of local authorities have moved towards the NFF since its introduction in 2018-19. After allowing for the area cost adjustment (ACA), it shows that, of 150³ local authorities in England, 105 have moved all of the factor values in their local formulae closer to the NFF over the past 3 years⁴. Of these, 73 local authorities are now mirroring the NFF funding factors almost exactly⁵.

As set out in the initial consultation, our intention since the introduction of the NFF has always been to move in time to a funding system in which all individual schools' funding allocations are set directly by the national formula without substantive further local adjustment. As in our initial consultation, we refer to this direct NFF as a 'hard' NFF, for brevity, in this consultation. Whilst, as noted above, many LAs have moved closer to the NFF since its introduction, there continue to be significant differences in the way in which some LAs allocate funding compared to the NFF. For example, in 2021-22 funding allocations, the amount of additional funding a secondary pupil with English as an additional language (EAL) attracts to their school ranges from £200 in the East Riding of Yorkshire to just over £3,200 in Westminster. The figure in the NFF is £1,485. The amount of additional funding for a primary pupil with low prior attainment varies from £330 in Hertfordshire to just over £2,400 in Newham, compared to £1,095 in the NFF. The amount of lump sum funding a secondary school attracts ranges from just over £75,000 to £175,000 depending on the LA the school is located in. The NFF provides £117,800.

These significant differences in how different local formulae determine a school's final funding allocation mean that schools can receive very different funding allocations depending on where they are in the country. To illustrate this, we analysed 6 different schools – ranging from a small primary school with low deprivation to a large secondary school with high deprivation - to consider what their 2021-22 funding allocation would be under each local formula in the country⁶. To take account of geographic impacts on funding, we have adjusted our analysis to remove the impact of the area cost adjustment and below we show the maximum funding allocation for each type of school

³ The comparison excludes both City of London and Isles of Scilly, these are not included in the NFF calculations, as each contains only a single state-funded school.

⁴ Excluding the mobility factor, which was formularised in the NFF in 2020-21. The equivalent figure of LAs was 99 in 2020-21.

⁵ 'Mirroring the NFF' means each of an LA's local formula factor values are within 1% of the NFF's, excluding mobility, and sparsity for those LAs without schools that attract sparsity funding.

⁶ This analysis relates to pupil-led (basic per pupil and additional needs), lump sum and sparsity funding only. It does not include other premises funding.

both within and outside of London. As the table below illustrates, individual schools could receive dramatically different funding allocations under different local formulae. For example, our small primary school with low deprivation would receive £101,000 more under the North East Lincolnshire local formula than under the Medway local formula. Our large, deprived secondary school would receive £1.25 million more in Hackney than in Kent – a difference of 22%. Even relative to the mean funding allocation from LA formulae, under the Kent LA formula our example school would receive £371,000 (6%) less. Such disparities mean that schools do not all operate on a level playing field. and we are not fully delivering the fairer funding system the schools NFF is designed to achieve.

Table 1 – Range of possible allocations for schools under different local formulae⁷

School⁸	Lowest LA funding	Mean average LA funding	Highest LA funding (London and Non-London)⁹
Small primary school with low deprivation	£260,000 (Medway)	£322,000	£361,000 (Newham) £361,000 (North East Lincolnshire)
Medium primary school with moderate deprivation	£1,718,000 (Essex)	£1,835,000	£2,167,000 (Hackney) £1,940,000 (Sandwell)
Large primary school with high deprivation	£2,676,000 (Essex)	£2,920,000	£3,357,000 (Hackney) £3,109,000 (Brighton and Hove)
Small secondary school with low deprivation	£2,754,000 (West Sussex)	£2,920,000	£3,443,000 (Hackney) £3,155,000 (Manchester)
Medium secondary school with moderate deprivation	£3,302,000 (West Sussex)	£3,512,000	£4,155,000 (Hackney) £3,715,000 (East Riding of Yorkshire)
Large secondary school with high deprivation	£5,768,000 (Kent)	£6,139,000	£7,020,000 (Hackney) £6,355,000 (Slough)

⁷ The funding figures in the table are adjusted to remove the impact of the area cost adjustment (ACA). The City of London has been excluded.

⁸ This analysis is based on real schools but they have been anonymised for the purposes of this consultation.

⁹ The 'funding floor' in the NFF provides additional funding in respect of some schools, over what the other elements of the formula provide, in order to ensure that all schools can receive year-on-year increases to their per-pupil funding. Some LAs reflect this additional funding by setting values in their local formula which are higher than the corresponding values in the NFF. Moving to a hard NFF will therefore mean reductions in how much funding schools in such LAs receive through the pupil-led and school-led element of the formula, but these schools' overall funding will be protected by the operation of the NFF's funding protections, to ensure that no school sees a reduction in per-pupil funding.

Moving to a hard NFF, in which all mainstream schools will have their funding allocated according to a single national formula rather than individual local formulae as in the current system, will mean our funding system will better fulfil the following principles:

- **Fair** – each mainstream school should be funded on the same basis, wherever it is in the country, and every child given the same opportunities, based on a consistent assessment of their needs.

Moving to a hard NFF will mean that it will no longer be the case that two schools with fundamentally similar intakes and circumstances can be allocated significantly different funding simply due to being located in different LAs. It will ensure a level playing field between schools, resourced on a consistent basis to meet the needs of their pupils.

- **Simple and Transparent** – one national formula is simpler to understand and engage with than 150 different local formulae. A single national formula will mean that the funding an individual school receives and the basis on which it was calculated will be transparent to all in the system.

A hard NFF means that all with a stake in education – including parents – can more easily understand what funding is being allocated to an individual school and how that reflects the school's pupils and context.

- **Efficient and Predictable** – A single national formula through which funding is matched to relative need, means that resources can be distributed across the system as efficiently as possible. It will also support head teachers, governing bodies and academy trusts to compare their income, spending and outcomes with other schools and identify ways to improve. A single national funding approach will create greater predictability in funding, supporting the system to make best use of resources.

This is particularly important for academy trusts. Currently, schools within the same trust, but located in different LAs, can be funded on different bases. Under a hard NFF academy trusts will have the certainty that all the schools within their trust will have funding allocated on a consistent basis – supporting them to make the best and most efficient use of resources.

This consultation sets out proposals for how we move towards a hard NFF, and embed these principles in the funding system. It does so by setting out both proposals for what a fully delivered hard NFF should look like and for the next steps to be taken to ensure a smooth transition towards this.

While a hard NFF is our clear, long-term goal for delivering a fair funding system, we recognise that it is also a significant change and one that requires careful implementation and transition to avoid any unexpected disruption. This is particularly

important as the school system focuses on supporting recovery from the impact of the pandemic. Consequently, we do not propose, at this point, to set a fixed target date by which the hard NFF will be fully in place. Instead, as outlined further in this consultation, we will take a measured approach to the transition to a hard NFF – moving LAs’ local formulae progressively closer towards the NFF, achieving greater fairness and consistency in funding, but also providing the opportunity to consider the impact of each step before making the next move. 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.

As indicated by the data above, some schools will benefit from larger increases in funding as we move towards a hard formula, relative to what they would receive if LA formulae did not move closer to the NFF. Importantly, we will also protect schools against losses as a result of this gradual movement towards the hard NFF. 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 fair funding increases.

Some elements of school funding remain out of scope of the present consultation. This consultation is about how mainstream schools are funded, in respect of pupils from Reception to Year 11. We will consult separately, at a later stage, on changes to the funding arrangements for high needs, special schools and alternative provision, in the light of the proposals in the SEND Review. The hard NFF would allocate the vast majority of the funding that mainstream schools receive for pupils aged 5 to 16 – but not all of their funding. This consultation does not consider the future of funding that is not determined by the NFF, such as the pupil premium (additional funding for disadvantaged pupils) and the recent grants to support schools’ recovery provision as a result of the pandemic.

Finally, in this consultation we do not cover the choice of factors, or the values assigned to those factors within the national funding formula. We fully recognise the importance of ensuring that the NFF continues to properly reflect schools’ relative needs, in light of emerging evidence about the pressures that schools face, and any changes in the expectations on schools. We will therefore continue to review the NFF factors, and the values assigned to them, on an annual basis; the cash values assigned to the factors are, in particular, likely to change between now and the introduction of a hard NFF (and afterwards) in the light of the outcomes of future Spending Reviews. This consultation, on the other hand, focuses on the key implications of moving from a ‘soft’ to a hard NFF – rather than a specific design of the formula itself (in terms of the values assigned to each formula factor).

Who this is for

- Local authorities
- Schools and academy trusts
- Any other interested person or organisation

Issue date

The consultation was issued on 8 July 2021.

Enquiries

If your enquiry is related to the policy content of the consultation you can email the team on:

NFF.CONULTATION@education.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: Consultations.Coordinator@education.gov.uk or by telephone: 0370 000 2288 or via [Contact the Department for Education \(DfE\)](#).

Additional copies

Additional copies are available electronically and can be downloaded from the DfE [Consultation Hub](#).

The response

The results of the consultation and the department's response will be published on gov.uk in autumn 2021.

Respond online

To help us analyse the responses please use the online system wherever possible. Visit the [Consultation Hub](#) to submit your response.

Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a Word document version of the form and email it or post it.

By email

NFF.CONULTATION@education.gov.uk

By post

Funding Policy Unit
Department for Education
Sanctuary Buildings
20 Great Smith Street
London
SW1P 3BT

Deadline

The consultation closes on 30 September 2021.

2. About this consultation

This consultation is seeking views on the approach to moving to a direct, “hard” NFF and how we most effectively transition towards this completed NFF in the years ahead. This is the first stage of our consultation on a hard NFF: we plan to publish a second stage consultation with more detailed proposals, following feedback to this first consultation.

The next section of this consultation sets out our proposals and seeks respondents’ views on our proposed scope for the hard NFF and the next steps for transitioning towards it.

In section 3.1 we set out our proposal for **the scope of the direct NFF**. In order to deliver on its fundamental aims, we propose that the aim should be that all NFF funding factors – pupil-led and school-led – are included in the hard formula and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further adjustments by LAs.

We want, with the sector, to work through how specific aspects of the current funding system would need to change and be developed to allow us to move effectively to a hard NFF. In section 3.2 we set out our proposals for **developing the schools NFF to support the direct NFF**. This particularly focuses on our proposals for how we could improve premises factors within the NFF in advance of the introduction of the hard formula, so that allocations are based on a consistent, objective assessment of current need, rather than the previous years’ local spending decisions. In moving to a hard NFF we will also need to reform our **approach to funding for schools experiencing significant growth in pupil numbers**, such that these funding arrangements reflect the overall principles of a hard NFF – simple, transparent and fair. Section 3.3 outlines our proposals for reforms to growth funding to support the move to a hard NFF.

In section 3.4 we set out our proposals for ensuring a **smooth transition for schools to the direct NFF**. We recognise that moving to the NFF will be a significant transition for schools in some areas, which is why we will take a careful and measured approach to its introduction, testing the impact at each stage. As announced in July 2020, in recognition of the disruption caused by the COVID-19 pandemic, we are not changing the rules governing LAs’ flexibility over schools funding in 2021-22, and we will adopt the same approach in 2022-23. From 2023-24 we propose to begin to tighten those rules, so that schools’ allocations through local formulae move closer to the NFF distribution, ensuring a smooth transition towards a hard formula and delivering a more consistent funding system.

The move towards a hard NFF has important implications and interactions with wider aspects of the funding system. Section 4 of the consultation seeks views on proposals

in relation to these wider aspects, in order to support the transition towards a hard NFF and ensure we are fully realising its benefits in supporting a school-led system.

As we move to a hard formula with the department funding schools more directly, the funding system must respond to the respective roles that schools, academy trusts, and LAs play in education. This will mean supporting a greater strategic role for trusts - recognising, in particular, their status as the key vehicles for school improvement - while supporting LAs to deliver their remaining responsibilities and services, and ensuring a greater voice for schools in receipt of these services where appropriate. Section 4.1 sets out the continued importance of **multi-academy trusts' (MATs) ability to pool their funding** as we move to a hard NFF. Section 4.2 sets out proposals for how we can reform the approach to **funding for central school services** delivered by LAs.

It is crucial that the system for funding mainstream schools, and the move to a hard NFF, **supports effective special educational needs and disabilities (SEND) provision**. At section 4.3 we set out the overarching implications that the move to a hard formula has for SEND provision in mainstream schools and how moving to a hard NFF can help to deliver a strong and sustainable overall SEND system that supports pupils with SEND in mainstream schools. We will consult further on this crucial element of the overall funding system for schools in more detail following the publication of the SEND Review outcomes.

As we move to a hard NFF we recognise the need to continue **local and national consultation in decision making**, though - as we transition to a hard formula - this will necessarily change. Section 4.4 sets out our proposals for how the role of schools forums will change as we move to a hard NFF and how national consultation will take place.

Finally at section 4.5, we set out an open question on the potential value of **moving to a consistent funding year** across maintained schools and academies. Currently maintained schools are funded on a financial year basis and academies on an academic year basis, and we are keen to understand the appetite for a change in funding year for maintained schools, to an academic year basis, as part of the shift to a hard formula.

3. Completing the NFF reforms

In this section we set out proposals for what the scope of a hard formula should be – the elements of mainstream school funding that should be allocated through the national formula, without further local adjustment by the LA - in order to realise the benefits of the NFF fully. We then set out our proposals for how we will move towards completing the NFF reforms and the next steps we propose for transitioning smoothly towards a hard NFF.

3.1 The scope of the directly applied NFF

The introduction of the NFF in 2018-19 represented the biggest improvement to the school funding system in decades. It was a major step towards fairer funding for schools and between different areas of the country, and towards a system in which funding is allocated on the basis of schools' and pupils' needs and characteristics rather than accidents of location and history.

The move towards a hard NFF – in which all individual schools' funding allocations are set by the national formula, rather than 150 different local formulae - is crucial to achieving an equitable funding system and ensuring all schools receive resources consistently to support them to deliver the best outcomes for their pupils.

As set out in the introduction to this consultation, by moving towards a hard NFF we aim to further embed the following principles, in the funding system:

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

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

The large majority of the current NFF is distributed at the national level on the basis of the pupils within a school – in 2021-22, 75% through a basic per-pupil entitlement and 17% through factors to reflect pupils' additional needs (indicated by measures of deprivation, low prior attainment, English as an additional language and pupil mobility).

This latter group of factors mostly act as proxies¹⁰ for the extra costs that schools are likely to face in delivering the education of pupils with additional needs, including, in particular, SEND.

Currently, some LAs use different factors in their local formulae to reflect additional needs in schools' allocations or allocate significantly different funding to these factors than the national formula does. Annex A provides further detail on the ways in which LAs' local formulae can currently vary from the NFF. Such local variation ultimately means that the NFF currently does not fully deliver funding on a consistent basis for all individual schools. Moreover, it means the link at school level between the pupils it educates and the funding it receives is not fully transparent. Ultimately, funding is dependent on a combination of the NFF, determining the total funding available for schools in each local area, and one of 150 local formulae determining its distribution to individual schools - rather than the result of a consistent, national approach. It also means that funding is not as well matched to relative pupil needs or as predictable as it could be, meaning the efficiency gains of a national funding formula are not fully realised.

We believe our aim should be that the hard NFF includes all of these pupil-led funding factors including those reflecting additional needs, to ensure equitable funding for all schools to deliver the best education possible for their pupils.

Apart from funding based on the number and needs of pupils within the school, remaining funding is allocated within the NFF on the basis of the characteristics of the school itself. These are: a lump sum, which recognises that schools face fixed costs regardless of pupil numbers; sparsity funding, which recognises the challenges of being a small and remote school; and premises funding, which recognises where there are unusual revenue costs associated with an individual school's site (for example PFI or a split site). The NFF also allows for growth funding to reflect the costs of increased pupil numbers. Our proposals for this are addressed in section 3.3.

In line with the discussion above of pupil-led factors, we believe that the best way to achieve the principles of the hard NFF will be for these school-led factors to be included within a school's allocation under the hard formula. This would mean that schools' costs were funded in a consistent way, no matter where they are in the country, to reflect their circumstances.

Schools' key budgeting decisions take a holistic approach to how they will spend their total funding allocations – schools will consider the total funding available to them, and the full set of priorities that they need to address, in determining the best way to allocate

¹⁰ Funding for the provision of free schools meals is provided by a direct measure of the number of pupils eligible for free meals.

their resources. Schools rightly have considerable autonomy in making those decisions. It is, therefore, appropriate that our aim should be that the hard NFF takes a similarly holistic approach, incorporating both school-led and pupil-led funding elements into the same fair and consistent formula. To include one element of core funding within the hard NFF, but not another, would not align well with the clarity and consistency that best supports schools' budget planning.

The distribution of funding for some school-led factors currently relies on local knowledge and we recognise that we need to build new approaches to distribute this funding appropriately between schools under a hard formula. In the following sections of this consultation we set out proposals for how we can move towards having a national approach for determining growth funding. We also set out in outline our plans to reform how premises funding is allocated, which we will consult on separately, in more detail, in future.

The NFF also includes a funding floor, which has ensured that all schools attract a per-pupil increase in their pupil-led funding. We plan that a floor protection will be retained once we move to the hard NFF. This will mean that all schools will be protected from per-pupil losses. This will continue the protection currently afforded to schools by the minimum funding guarantee but with a single, national rate of protection for all schools once we move to a fully hard NFF.

Schools' funding allocations also include an area cost adjustment (ACA) designed to ensure that their funding allocations reflect local labour market costs and we plan to continue with an ACA as part of a hard NFF.

Our overall proposal therefore, subject to the further development of premises and growth funding factors, is **to include all NFF funding factors – pupil-led and school-led – in the hard formula, such that all funding distributed by the NFF will be allocated to schools on the basis of the hard formula, without further local adjustment through local formulae.**

This will mean we are able to fully realise its benefits once delivered. It will mean that once we fully transition to a hard NFF every school will know that the funding they have been allocated is on the basis of a consistent formula - it is a fair reflection of their relative circumstances and pupil intake and needs, supporting them to deliver on the educational standards expected of them. It will also be transparent to schools why they have been allocated a particular amount, rather than needing to engage with the interactions between both a national and a local allocation approach.

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

As set out in the previous section, our aim is that the hard NFF should allocate the whole of what a school would consider their core funding – which would bring together both pupil-led and school-led elements of funding. In order to move towards this goal we want to improve the fairness and consistency in how the NFF currently allocates funding (that is, before the introduction of a hard formula). An important part of this will be through the department continuing to review the formula factors within the NFF, and particularly the cash values associated with each factor – these are reviewed on an annual basis, before the publication of the following year's NFF.

Going further, we plan to consider those elements of schools' NFF funding that are currently based on historic spending at LA 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 hard NFF, given our underlying principles of fairness and consistency in funding between local areas.

The factors that are currently based on historic spending are elements of school-led 'premises' funding: and specifically, additional funding for PFI schools, for schools with split sites, and for schools which face costs relating to 'exceptional circumstances' (such as rental costs for their premises).

In advance of the hard NFF, we will consider these premises factors and whether allocations can better reflect the actual costs that schools face. As part of this, we will also need to consider how any changes and improvements to these elements of the NFF would also be compatible with a hard formula. We will consult separately on detailed proposals on how we could do this in due course – but we would welcome feedback to inform this thinking at an early stage. These are complex areas of the schools NFF that will require careful consideration with stakeholders – any changes would be introduced from 2023-24 at the earliest (or, as noted below, 2024-25 in the case of PFI).

Premises: PFI

Currently, LAs can use a PFI factor in their local funding formulae to support schools that have unavoidable extra premises costs because they are a PFI school, and to cover situations where the PFI 'affordability gap' is delegated to the school, and paid back to the local authority (the 'affordability gap' is the difference between the cost to the LA of PFI unitary charge payments, and the income that an LA receives as contributions to this cost, such as from the DfE's PFI Revenue Support Grant).

LAs apply their own methodology for the PFI factor for schools in their area, and we fund LAs based on actual spend on their PFI factor in the previous year, uplifted by

RPIX (a measure of inflation commonly used in PFI contracts). In practice, this reliance on data on historic spending has meant that there is a range of LA approaches to PFI, from LAs having PFI schools but not a PFI factor, to LAs having a PFI factor that makes up a significant proportion of their total schools block, and we have no objective means of checking these approaches for consistency.

In advance of the introduction of the hard NFF, we are exploring how we might reform the funding of the PFI costs that schools face, to ensure that the funding that goes to LAs (and is then passed on to schools) is an accurate reflection of these costs.

We are exploring a more bottom-up funding model, whereby we look at the additional costs that each PFI school incur, as a result of their PFI contracts, and then use this as a basis for our calculation of a PFI factor allocation in the NFF – rather than using updated historic spend. This ‘bottom up’ approach would need to consider the overall additional costs that PFI schools can face (including contributions to the unitary charge, the affordability gap, and any other additional premises costs). In order to conduct this review, we anticipate gathering information from LAs on areas including, but not limited to, contracts, PFI reserves and the affordability gap. We have begun engagement with a selection of local authorities to gather more information on how PFI costs are funded in their local formulae, which will inform a separate consultation on the PFI factor in the NFF. This is a particularly complex area, and we do not anticipate changing out approach to funding PFI before 2024-25.

Premises: Exceptional Circumstances

Currently, LAs can apply to ESFA to use an exceptional circumstances factor in their local formulae – for example for costs relating to rents, or joint-use facilities, which the great majority of schools do not face. The value should be no more than 1% of the school’s budget and apply to fewer than 5% of schools in the area, and we fund based on the previous year’s actual spend. 71 LAs use an exceptional circumstances factor in their 2021-22 formulae. In moving to a hard NFF, we will need to consider how and whether funding for exceptional circumstances should continue be provided to schools, in the absence of LA funding formulae. We plan to consult on this specific issue in due course. In this work we will want to consider which costs that are funded through local ‘exceptional circumstances’ factor could be met through a formulaic calculation in the NFF, and which are better dealt with through a national application-based system.

Premises: Split Sites

This is an optional factor in the NFF for schools with unavoidable extra costs due to having buildings on different sites. LAs must base allocations on objective criteria of a split site and set a clear formula (such as a lump sum payment to all schools which meet the criteria of having a split site, or a per-pupil allocation for these schools). The Department funds LAs based on the previous year’s actual spend. As we move to a

hard NFF, we are considering how we can fund schools on the basis of a formulaic assessment of their additional costs, rather than simply rolling forward the historic spending level. We are exploring an approach whereby we collect data on split site schools, assess the degree to which this status generates additional costs for schools, and construct a formulaic factor, based on this data, accordingly. We will consult on proposals separately.

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

Our principles for the overall hard NFF – fairness, efficiency and predictability, simplicity and transparency – extend to growth and falling rolls funding. We want, under a hard NFF, to allocate this funding on a fair and consistent basis across all eligible schools. Growth funding and falling rolls funding are key elements of the NFF because schools' budgets are set under a lagged funding system.

The lagged funding system

Schools' core allocations in any given year are based on the number of pupils that they had on roll at the previous autumn census – this is known as the lagged funding system. This means that maintained schools could educate a different number of pupils from the number that they are funded for, across seven months of the financial year (September to March), and academies for twelve months (September to August).¹¹

A lagged system provides certainty over the amount of funding that schools will receive in advance of the start of the financial year, once pupil numbers are confirmed in the autumn census. We have considered whether we should make changes to the lagged system as we move to a hard NFF, for instance basing a school's funding in a given year on the exact number on roll in that year, but we believe that this would be unhelpful for the majority of schools and that the certainty that lagged funding brings is, in general, the best basis for funding to aid financial planning.

Maintaining a lagged funding system, with growth funding, within the NFF is particularly beneficial for schools experiencing significant growth in pupil numbers because growth funding can then be factored into schools' allocations ahead of the coming financial year, based on forecast growth. Therefore, budgets increase at the same point at which

¹¹ A maintained school's financial year is between April and March, an academy's is between September and August. Section 4.5 discusses the possibility of aligning all schools' funding year with the September to August academic year.

additional costs resulting from pupil growth, mainly staff salaries, would begin to occur.

The lagged system is also particularly beneficial for schools that experience decreases to their number of pupils because it gives lead-in time for such schools to decide how to amend their spending in response to having fewer pupils. This benefit is likely to become more widely felt given primary pupil numbers are forecast to decrease each year to at least 2027, before this smaller pupil population moves through to secondary schools.¹²

Growth funding and falling rolls funding in the current 'soft' NFF

We recognise that a lagged funding system, without any approach to reflect growth, would be difficult for some schools. 'Growth funding' - additional revenue funding, beyond core allocations – is therefore provided to schools who will face significant increases in the number of pupils that they will educate in-year. This is necessary to help such schools meet the additional costs that they incur as a result of growth in pupil numbers, before these additional pupils lead to schools receiving greater core allocations in the following year under the lagged system.

At present, funding is allocated to local authorities through the NFF's growth factor¹³, which local authorities are expected to distribute to schools that are growing to meet basic need. Basic need is additional demand for school places due to population growth or net migration.

The current arrangements have led to the adoption of a wide range of different local criteria to allocate growth funding and a variety of different amounts being paid out by different local authorities. This can mean that schools facing similar levels of pupil growth can be allocated very different levels of funding depending on where they are located. It also means that funding allocated to local authorities through the NFF's growth factor is not necessarily passed on in full for this purpose. Moving to a hard NFF allows a new, consistent and fair approach to growth funding.

In addition to funding for basic need, 'new and growing' schools are also allocated funding to reflect their expected pupil numbers in the coming year's autumn census. 'New and growing' schools are those that have opened in the previous seven years (primaries) or five years (secondaries), and are still adding year groups. These schools are academies, due to the presumption that all new schools will have academy status. At present, academy trusts provide the ESFA with an estimate of their pupil numbers for the coming year, which is then used to calculate their funding allocation, outside the main NFF and local funding formulae system. Our proposals below consider how this

¹² [National pupil projections: July 2018 \(2019 update\)](#)

¹³ [National funding formula tables for schools and high needs: 2021 to 2022](#)

funding would work as we move towards a hard NFF.

'Falling rolls' funding also provides specific schools with additional revenue funding. LAs can make this available for schools with short-term falls in pupil numbers, which are expected to be reversed in the near future, in order to ensure that capacity which will evidently be required in the near future is not put at risk. Falling rolls funding is not provided where decreases to pupil numbers are not significant, or increased demand for school places in future cannot be evidenced. This is only available to schools judged to be Good or Outstanding at their most recent Ofsted inspection. As with growth funding, LAs currently have a large degree of discretion in how they allocate falling rolls funding to schools, and some LAs do not provide this funding at all. Again, the hard NFF provides an opportunity to make the allocation of falling rolls funding consistent and fair across all eligible schools.

We propose that, when a hard NFF is implemented, funding for growth, new and growing schools, and falling rolls will still be allocated, as these will all continue to be important parts of the lagged funding system. However, the method through which this funding is allocated should change – moving to a new, national approach. Below, we set out our specific proposals for growth funding, falling rolls, new and growing schools, and funding for start-up costs in brand new schools, and for schools experiencing 'popular growth'.

Proposed changes to growth funding, and new and growing schools

For growth funding to meet basic need, and for new and growing schools, we propose the following:

- Collecting forecast pupil numbers in maintained schools and academies that are growing to meet basic need (from local authorities) and collecting forecast growth for new and growing schools (from academy trusts).
 - Collecting data on growth to meet basic need from local authorities is important because it is local authorities who have a legal duty to ensure a sufficient number of school places. Furthermore, this makes for an efficient approach as local authorities record such data already, enabling swift data collections which mitigates against any risk of late allocations.
 - Collecting data on new and growing schools from academy trusts mirrors what is currently in place, which we do not see reason to change.
- Using national, standardised criteria to determine which schools are eligible for funding. The main criterion would involve the size of the forecast growth, to ensure that additional funding is only allocated where growth is significant. Where growth is not significant, we would expect schools to manage within the funding allocations on the basis of lagged data until the following year in which

budgets will increase, to reflect the higher pupil numbers.

- Factoring this funding into schools' core, NFF allocations, where growth is significant enough to meet the national criteria.
- Standardising the amount that eligible schools receive. We would look to spend broadly the same proportion of the total Schools Block on growth as at present, adjusted to reflect the level of growth that is forecast when the hard NFF is introduced, and in subsequent years.

Funding would be subject to an adjustment process, similar to that currently used for new and growing schools, which will be designed to prevent additional funding being allocated where higher pupil numbers do not appear as forecast. We would use the in-year autumn census to check the amount of growth that actually materialised in schools and adjust or recoup overpayments in the following year, if necessary. We would not expect to make adjustments in cases where pupil numbers fell slightly short of forecasts. We will seek to design an adjustment process that recognises the inherent uncertainty in forecasts, and that schools may face similar levels of additional cost where an extra class was required but fewer pupils than forecast actually materialised, but one that ultimately helps to ensure that funding is directed where there is greatest need.

We recognise that it will not be possible for local authorities to provide us with forecast growth before the NFF is calculated in every instance, because there may be uncertainty over which schools will admit more pupils or the growth, or size of growth, is yet to be confirmed. We would therefore have one additional data collection point beyond the publication of the NFF each year, for local authorities to be able to provide us with information on growing schools that it was not possible to confirm until then. We would make adjustments to schools' core NFF allocations that have already been published in these cases.

Proposed changes to falling rolls funding

For falling rolls funding, to protect capacity where it will evidently be needed in the near future, we propose:

- Requesting that local authorities inform us which schools are forecast to see a significant decrease to their number on roll in the coming year and provide us with data to demonstrate that their spare capacity is likely to be needed within the next three years. As this funding does not apply to new and growing schools, all information on falling rolls would be requested from local authorities.
- Only provide this funding where schools had already experienced at least one year's decrease to their number on roll, in addition to the forecast decrease in the coming year. Schools should otherwise adjust budgets using the planning time

afforded by the lagged system.

- Continuing to provide this funding only to schools with a Good or Outstanding grade at their most recent Ofsted inspection.
- Similarly to growth funding, standardising the amount that schools eligible for falling rolls funding receive, and factor this funding into schools' core NFF allocations.

Funding start-up costs of new schools

We recognise that it is not always possible or appropriate for local authorities to meet increased demand within existing schools. In such situations, and where a new central route free school is not planned to open, a local authority may choose to open a new school through the 'presumption' route (that is where the local authority is the proposer of the new free school). At present, such schools receive a Project Development Grant (PDG) of £25,000 and any additional start-up funding is determined by local authorities' growth criteria. Similarly for basic need revenue growth funding in existing schools, this has led to inconsistencies across the country in amounts new schools opened through this route receive, as well as inconsistencies in the amount these schools receive with schools opened through the central free school programme.

The hard NFF offers an opportunity to achieve consistency of revenue funding between schools opened through the presumption route and between schools opened through different routes. Our review of existing local criteria for growth funding will encompass start-up costs for new schools and we will consult on detailed proposals in the second stage of this consultation. In advance of this, we will discuss further with LAs that have had schools open through the 'presumption' route.

Popular growth funding

Not all growth in schools is to meet basic need. Growth can also occur where a school becomes more popular with parents and children locally. Just as with schools experiencing basic need growth, we provide schools experiencing significant growth in pupil numbers due to increased popularity with additional funding to reflect their increased costs.

At present, this funding is available for academies with significant forecast growth in pupil numbers. The process for allocating this funding operates in the same way as funding for 'new and growing schools', that is 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.

Similar to basic need growth, we aim, as we move to the hard NFF, to move to a more transparent and consistent approach for allocating popular growth funding. We do not think we can mirror the proposed approach for basic need revenue growth funding under a hard NFF, where growth funding is automatically provided based on forecasts ahead of the coming year, because it is inherently more difficult to accurately forecast which schools will see such an increase in popularity.

Instead, for popular growth funding we propose:

- Making funding available for schools which have seen an increase in popularity, after being recently sponsored by a multi-academy trust which has improved the school's performance. This funding would, therefore, remain targeted at academies, rather than all schools – to reflect the unique role that academy trusts have in turning around previously under-performing schools.
- Using the in-year autumn census to check which academies that meet the criteria above have experienced significant in-year growth. We do not propose collecting forecast increases to pupil numbers for popular growth funding because it is much more difficult to forecast than basic need growth.
- Making the amount of funding consistent with basic need growth funding allocations.

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

LAs currently set their own funding formulae for schools, under the 'soft' NFF. The department sets some restrictions around how LAs design their formulae, but there is a significant degree of flexibility at a local level (these are set out in the description of the current NFF at annex A). For example, LAs must use some NFF factors in their local formulae (such as basic per-pupil funding, and at least one of the deprivation factors), while other NFF factors (such as low prior attainment, and mobility) are optional. LAs may also use a 'looked after children' factor in their local formulae – but this is not in the NFF. This is the only non-NFF factor that LAs can use in their local formulae. LAs have considerable flexibility over the values (in cash terms) assigned to the factors in their formulae (with some limits – for example, in 2021-22 the lump sum that LAs set can be no more than £175,000, and the basic per-pupil entitlement must be at least £2000 for

primary, and £3000 for Key Stage 3 and Key Stage 4). Only the minimum per pupil levels are compulsory for each local authority to use, at given values.

Since 2018-19, we have seen 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. We propose to gradually move LA formulae closer to the NFF, in advance of moving to a fully hard NFF. This will mean greater consistency and fairness in funding between local areas. It will also smooth the transition to a hard NFF for schools, by avoiding a cliff edge between the current soft NFF and a hard NFF. Funding floor protections will mean that schools do not face excessive year-on-year changes in cash per-pupil terms upon the introduction of a hard NFF - but a large spike in schools on funding floor protections in a single year would make the NFF allocations less responsive to differences in relative need. Moving LA formulae closer to the NFF in advance of the hard formula will mitigate against this.

In bringing LA formulae closer to the NFF, we think it important initially to take a gradual approach – so that we can consider the impact of changes before decisions are made regarding subsequent movement towards the hard formula. Given the complexity of the task to move to a hard NFF, and the importance of this for school budgets, it is right that we take a careful, measured approach. In light of this, we propose requiring a limited initial movement of LA formulae closer to the NFF in 2023-24, while continuing to protect schools against cash-terms losses per pupil. We will then take stock, and consider the impact of this movement, before taking the next step. We are confident that we should move to a fully hard NFF, to realise the benefits that we have set out in this consultation; but the path to a hard NFF, and the pace at which we move along it, should be informed by ongoing feedback as we proceed.

Our proposals will mean no new restrictions on LA formulae for 2022-23. We recognise that LAs will start updating their local formulae for 2022-23 in the summer and early autumn of 2021, and we are mindful of what the impact would be were we to introduce new restrictions on LA formulae mid-way through this planning process.

From 2023-24, we propose that further requirements on LA formulae are introduced, as a first step to bring them closer to the NFF. From 2023-24, we propose that all LAs should be obliged to use each of the NFF factors in its local formulae, and only those factors (which would mean that LAs would no longer be able to use a 'looked after children' factor in their formulae). The exception to this will be any NFF factors that are significantly reformed in 2023-24 – as set out in section 3.2 we aim to develop a new formulaic approach to premises factors. To smooth the transition to these newly 'formularised' factors, they would not be compulsory in the first year that they are introduced – but we would look to bring them in line with other compulsory factors later in the process of moving to a hard NFF.

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. We recognise that LAs are starting from different points – some have factor values very close to the NFF, while others have set factor values much further from the NFF values. To accommodate these differences, we propose that each LA will be required to move their local factors closer to the NFF in a first step that is equal, for all LAs, in percentage terms. This means the required changes will be different in absolute terms, and depend on how far the local formulae is from the 2022-23 NFF. Those furthest from the NFF values will be required to make the largest absolute changes. LAs would be free to move to their formulae to the NFF faster than we require, if they so chose – our proposals would simply set a minimum degree of movement towards the NFF in 2023-24.

Proposals

We propose that, in 2023-24, we would require each LA to bring each of its local formula factors at least 10% closer to the NFF factor value, compared to how far the factor was from the NFF value in 2022-23. As above, any premises factors which are allocated according to a newly formulaic basis, as opposed to historic spending, in the NFF in 2023-24 would be exempt from these requirements. We would also set requirements such that LAs could not ‘over-shoot’ the NFF value (for example, an LA which had a local formulae value below the NFF value could increase its local factor value to get closer to the NFF – but not *higher* than the NFF value).

We think that an initial 10% movement strikes the right balance of being a careful step which will avoid widespread turbulence in schools budgets, while being significant enough that it allows us to test the impact of moving to a hard NFF, and take an informed decision on how quickly we should move to a hard NFF thereafter. A movement of 10% towards NFF values is no faster than the current pace of change we observe from LAs voluntarily moving towards the NFF in their local formulae.

Some schools will gain as a result of local funding formulae moving closer to the NFF – while others will be protected from cash-terms losses in their per-pupil funding by the Minimum Funding Guarantees (MFGs) within local formulae. These protections will remain in place as we move towards a hard NFF. Our analysis has found that if, for example, local funding formulae had moved 10% closer to the NFF in 2020-21, then the increase in the number of schools on MFG protections would have been extremely small – a 0.04% increase, compared to the actual number of schools on MFGs in 2020-21.

We will monitor the impact of our proposed initial step in 2023-24 before deciding the next steps to take to further harden the formula in subsequent years. Our ambition is to build momentum 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, we aim to move at least 15% closer to the NFF in 2024-25 and at least 20% closer in 2025-26.

We could take a bolder initial step towards a hard formula by requiring LAs to move their factor values even closer to the NFF in 2023-24. A faster pace of change – such as an initial 25% movement – would allow us to more quickly understand the effect of a hard formula on school budgets and would help schools to realise the benefits of more consistent and fair funding sooner. This faster pace of change would, however, inevitably mean a greater degree of turbulence for school budgets in the transitional years. An illustration of the effects of our lead proposal of 10% movement, and an alternative option of 25% movement, on LA factor values is shown as part of the factor value tightening analysis published alongside this consultation. We welcome feedback on the degree of this initial movement towards the NFF, and what value would best strike the balance between an approach that reduces turbulence in schools' budgets while properly testing the impact of, and building momentum towards, a fully hard formula.

The following three examples illustrate how our proposal of an initial 10% movement would work in practice. LAs would be required to bring their local formulae factor value 10% closer to the NFF, compared to the difference between the local factor value and the NFF value in 2022-23. For a given factor that the NFF funds £500 per pupil:¹⁴

¹⁴ The NFF factor values have area-cost adjustments applied. So, the required movement towards the NFF would be a movement to the NFF value *as adjusted by the ACA*. However, for simplicity, in the illustrations below we assume an ACA of 1.000 in all examples – that is, each LA is moving towards the same NFF factor value, with no differences in ACA.

Table 2 – Example impacts of 10% movement in factor values towards NFF

Example	Difference between the local factor value and NFF factor value in 2022-23	Maximum difference from the NFF value in 2023-24
LA1 – local factor value £900 in 2022-23	£400	£360 (Local factor value should be at most £860, and - to prevent 'overshooting' - not less than the NFF value of £500)
LA2 – local factor value £400 in 2022-23	£100	£90 (Local factor value should be at least £410, and – to prevent 'overshooting' - not more than the NFF value of £500)
LA3 – does not use NFF factor in 2022-23 formula	£500	£450 (Local factor value of at least £50 and – to prevent overshooting – not more than the NFF value of £500)

In our proposal, the same rate of movement towards the NFF would be required of each LA, and of each formula factor. We propose this approach as being the simplest, especially given the divergent ways in which we see LA formulae differing from the NFF – some LAs, for example, give more funding to pupil-led factors than in the NFF, while others more heavily weight school-led funding factors such as the lump sum. In the absence of general patterns, a simple common approach to all factors is our starting point. In taking forward this proposal, we would aim to make the process of meeting these requirements as straightforward for LAs as possible. So, we would provide each

LA with a table to specify the range that its local formulae factors must be within for 2023-24 (and each subsequent transitional year).

Linking the required movement to the distance that the local value was from the NFF in 2022-23 means that we can accommodate changes to the NFF values between 2022-23 and future years. Importantly, this means that would not be requiring LAs to move to the NFF as it currently is – but rather to move closer to the NFF as it develops in the years preceding the hard NFF. For example:

- Assuming a factor has a value of £600 in the NFF in 2022-23, and an LA has set a local factor value of £500 (a £100 difference)
- The LA would be required to set a value for 2023-24 that was within £90 of the NFF value (10% of the £100 difference)
- If the NFF value increased to £620, then that LA would be required to set a factor value of at least £530 (no more than £90 below than NFF value).

We would not require 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 allocations – this difference is necessary to allow DfE to give early indication to LAs and schools of funding levels, in the summer before the allocations themselves, which supports LAs' and schools' budget planning. We 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, we class LAs which have local factor values within 1% of the respective NFF values as 'mirroring' the NFF. We welcome views on an appropriate definition of 'mirroring' the NFF during the transition to a hard NFF, such that these LAs should not be required to move even closer to the NFF in advance of the move to a fully hard NFF.

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?

As LAs move their local formulae closer to the NFF, in some areas more schools will be funded by the local funding protections of MFGs. MFGs prevent schools from excessive year-on-year changes in cash per-pupil terms as a result of the transition towards the NFF. However, this will also result in pressures on some LAs' budgets – because some schools will stand to gain funding as a result of local formulae moving closer to the NFF, while other schools (which local funding formulae have funded more generously than the NFF) will be protected. In 2021-22, LAs must set an MFG that is no higher than the level of the NFF funding floor, and no lower than 1.5 percentage points below the floor (that is between 0.5% and 2%). LAs are also able to cap and scale schools' year-on-year gains in order to address affordability pressures in their local formula. In the second stage of our consultation on the hard NFF, we will seek feedback on whether, as a result of requiring LA formulae to move closer to the NFF from 2023-24, we should also allow LAs 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. As above, our aim is that the protections should continue to ensure that no school will see a cash-terms loss in per-pupil funding, as a result of the move towards a hard NFF.

LAs are currently given additional flexibilities, above the usual discretion over whether to use a factor and what cash value to assign it, in the precise formulation of the English as an Additional Language (EAL) and sparsity factors in their local formulae. For pupils with EAL, LAs have flexibility relating to the number of years in which an EAL pupil has been in the school system, in order to attract this funding. We propose that under our approach to bring LA formulae closer to the NFF, this flexibility should be removed from 2023-24 – so that all LAs would need to use the NFF's 'EAL3' measure, in which pupils attract this funding if they are recorded on the census as having entered state education in England during the last three years, and their first language is not English

The 'sparsity' factor includes a number of flexibilities which LAs can currently use. LAs can apply a different 'tapering' to the sparsity factor, which determines how much remote schools are allocated (determined by how small and remote they are). LAs can also set different thresholds for how small and how remote schools must be to be eligible for sparsity funding. As we have introduced a new methodology for calculating sparsity distances in the NFF from 2022-23, we plan to retain these flexibilities in 2023-24, in order to minimise the disruption for LAs.

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

The move towards a hard NFF set out above has important implications for and interactions with wider aspects of the funding system and how it supports a school-led system. In this section of the consultation we set out these implications and interactions and make proposals in relation to these aspects to support the transition towards a hard NFF and ensure we can fully realise its benefits.

4.1 MATs' pooling of their funding

In 2013, MATs were granted the ability to pool General Annual Grant (GAG) funding. Pooling of GAG is defined¹⁵ as 'the freedom to amalgamate a proportion of GAG funding for (all of a MAT's) academies to form one central fund'. This allows a Trust to pool some of the funding provided for all of the pupils for which it is responsible and distribute it between its constituent academies.

In considering whether the move towards a hard NFF should change MATs' freedom to pool GAG, we considered the substantial benefits that this flexibility brings to the school system. Academy trusts are the primary driver of the department's school improvement strategy and their freedom to pool funding is important in allowing them to deliver on that role. Academy trusts may choose to pool their funding to help them to turn around under-performing schools that they have brought into the trust, as they can direct funding to urgent school improvement priorities. In instances where one academy runs into financial difficulty, pooling helps to provide the trust with the resources and tools to manage independently. It can allow trusts to provide common services across all their academies efficiently, without the need for complex and bureaucratic re-charging systems. The move towards a hard NFF does not alter these key benefits that MAT pooling can bring. Indeed a significant benefit of moving towards a hard NFF is that it will ensure all schools within an academy trust are funded on a consistent and equitable basis, providing greater certainty and predictability of funding to support trusts' school improvement work. This freedom will therefore remain as we move to a hard NFF and continue once the transition to a hard formula is complete.

Whilst we consider that the benefits of MAT pooling for the system as a whole are clear, it is important to note that this freedom is specifically linked to the structure, and responsibility that academy trusts have – with each trust representing a unified governance structure sitting across each of its constituent academies and playing a key role in delivering the department's school improvement strategy. This is not true for

¹⁵ Paragraph 5.29 of the [Academies Financial Handbook 2020](#) (AFH)

other participants in the sector such as LAs (which do not have an equivalent unified governance structure sitting across their schools, nor the role that academy trusts have in turning around inadequate schools). We do not, therefore, see a role for any equivalent to MAT pooling in other part of the education system. The government's long term ambition is that all schools should ultimately be part of strong academy trusts.

4.2 Central school services

Ongoing services that are delivered centrally (either by LAs, or by academy trusts) for schools vary considerably across the country, but we consider these to fit into three broad categories:

- **Local authorities' ongoing responsibilities for all schools** – both maintained and academies (for example relating to admissions, or monitoring school attendance). These are funded from the ongoing responsibilities element of the Central Schools Services Block (CSSB) that is paid to LAs in the Dedicated Schools Grant (DSG).
- **De-delegated central functions for schools that local authorities (for maintained schools) and MATs (for academies) are responsible for.** These functions are generally funded through local authorities or MATs top-slicing school budgets. Functions that can be funded this way by LAs are set out in regulations (for example outdoor education or duties related to functions under the discrimination provisions of the Equality Act 2010)¹⁶. Statutory school improvement functions are also delivered centrally for schools for maintained schools, but provided for separately through the local authority school improvement monitoring and brokering grant.
- **Optional traded services for all schools** paid out of individual school's delegated budget share that are offered to schools to buy or not.

Moving towards a hard NFF, whereby the department determines schools' allocations centrally, creates a strong case for change in how funding for central school services should work. The role that LAs currently have in the school funding landscape will change as we move towards a hard NFF, leaving them with less flexibility to determine how the remaining DSG allocated to them is used. The transition to a hard NFF also presents an opportunity to review the variation in how central school services are currently provided and funded. Our proposals aim to bring more consistency across the

¹⁶ Schedule 2, part 6 and part 7 of the Schools and Early Years Finance regulations sets out items that may be removed from maintained schools' budget shares in this way.

country, reflecting these changing roles to support a more school-based system that allows schools maximum control over their funding.

Ongoing central school services

In our review of central school services, we will review which services best sit within each of the three categories mentioned above and whether there is scope for us to set out a clearer list of services to be funded centrally, alongside a greater move towards de-delegated and traded services. Our intention is for this consultation to be followed by a more technical consultation on the future of central school services covering these issues.

We would continue to fund statutory responsibilities that local authorities hold for all schools centrally (for example some admissions duties). We are aware that in some cases it might make sense to centrally fund duties that are not statutory as well (for example some admission services which are optional but might be more appropriate for the LA to continue to provide, thereby retaining their strategic oversight function).

One non statutory area that we will wish to treat separately is the existing scheme whereby DfE purchases centrally copyright licences for all state-funded schools and LAs act as local agents for the scheme. This scheme has been successful, reducing the administrative burden on schools of purchasing individual licenses, and we do not intend to change it. Depending on what changes are decided on for central school services, we will if necessary include funding for the copyright licence scheme in the schools block in the same way as growth funding.

It is possible that, after reviewing central school services, 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 we would consider whether the local authorities' funding for those should become part of MHCLG's Local Government Finance Settlement (LGFS) rather than a reduced CSSB block. This could provide helpful flexibility to LAs, if particularly if the simple distribution methodology used for the CSSB formula does not accurately match their need to spend.

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?

Funding for historic commitments under a direct NFF

The CSSB also 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 (because either the expenditure was not on mainstream education, or because the expenditure was on long term contracts entered into by LAs on behalf of

their schools over which schools should have control).

The expectation in 2013 was that the spend on these commitments would reduce over time as commitments and contracts expired but some of these are taking longer to unwind than expected. Therefore from 2020-21, we 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 subsequently¹⁷. These reductions are in line with our reforms to move to a fairer funding system, as we do not believe it is fair to maintain significant differences in funding indefinitely which reflect decisions made by some LAs a decade or more ago.

We therefore propose that the department fully removes the remaining funding for historic commitments by the time the hard NFF is introduced, as part of making funding fairer and in line with previously stated intentions. We propose 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.

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

The move to a hard formula is an important opportunity to improve how the funding system supports mainstream schools to deliver a high quality education for pupils with SEND. In line with the overarching benefits of a hard formula set out in this consultation, it provides an opportunity to make funding to support SEND provision in mainstream schools fairer, more consistent, simpler, more transparent and more efficient and predictable.

This consultation is being published ahead of the publication 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.

¹⁷ We have allowed protections against these reductions for termination of employment and prudential borrowing spend where there is evidence that these are unavoidable, long-term costs and difficult to unwind. We have to date applied these protections on a case-by-case basis where presented with evidence from local authorities.

We recognise therefore that there will need to be further consultation in the future on how the move to a hard formula can best support and deliver the specific recommendations coming out of the SEND Review, once published. We anticipate that this will form part of our second stage consultation on the hard formula.

In this consultation we set out the overarching implications that the move to a hard formula itself will have for SEND provision in mainstream schools and how moving to a hard NFF can help to deliver a strong and sustainable overall SEND system that supports pupils with SEND in mainstream schools. As set out above, we will consult further on this crucial element of the overall funding system for schools in more detail, in the light of the SEND Review outcomes.

Funding mainstream schools' responsibilities for SEND within a hard formula

Within the NFF we use a set of proxy factors to reflect the likely prevalence of additional needs, including SEND, within a school, and to direct more funding to those schools with a greater number of pupils with these needs. Specifically for SEND, currently measures of deprivation and low prior attainment act as the strongest proxy measures in the NFF for the number of children with SEND in a mainstream school. We carried out an extensive consultation on these proxies in advance of the introduction of the schools NFF in 2018.

We use proxy measures, rather than a direct measure of the prevalence of education health and care plans (EHCPs) or the number of children on SEN support in a school, because rates of identification are not consistent nationally, and a child who would receive an EHCP in one local authority area, might be supported without the need for an EHCP in another. These different rates of identification mean that direct measures of EHCPs or number of children on SEN support would not accurately match funding to underlying need. Furthermore, funding schools on the basis of direct measures of the recorded prevalence of SEND would create a significant risk of introducing a perverse incentive for schools, rewarding schools with increased funding if they increased the number of EHCPs or children identified as needing SEN support, beyond what is really needed to enable children and young people with SEND to receive a high quality education. It would risk further diverting schools' resources into identification and assessment, rather than the provision of the support that these pupils deserve.

The move to a hard NFF will ensure that this funding to help schools support children with SEND is distributed consistently between schools across the country. As noted in the introduction, currently the amount of funding allocated by additional needs factors varies significantly between local formulae. For example, the amount of funding that a secondary pupil with low prior attainment attracts varies from £450 to just over £3,800 across local formulae. These inconsistencies between local formulae mean that schools with similar numbers of pupils with additional needs can receive significantly different levels of funding in their core allocations simply by virtue of the LA the school happens

to be in. Even where two local authorities direct the same proportion of their overall schools budgets towards additional needs, different choices of which additional needs factors they use, and the weightings that they give to those factors, mean that similar schools are funded differently. A hard formula can deliver a level playing field, in which all schools receive funding on a consistent basis through the NFF to meet the needs of pupils with SEND.

As we have set out in section 3.1, we intend to continue to include all the additional needs factors currently used within the national formula, as we move to a hard formula. However, it will be important to review the proxies used in the NFF to make sure that they continue to reflect the relative prevalence of additional needs, and therefore costs. We plan that this review will follow the conclusion of the SEND Review, in order to take account of any recommendations from the review on the role of mainstream schools in SEND provision.

Mainstream schools as part of a strong local SEND system

The move to a hard formula will deliver more consistent funding to support individual mainstream schools. However, individual mainstream schools also form part of a wider system of local SEND provision overseen by the LA. LAs' high needs budgets fund specialist provision (for example in a special school or Alternative Provision) for pupils not in mainstream schools, as well as SEND provision across the whole 0-25 age range. Mainstream schools access additional high needs ('top-up') funding from their LA when the additional costs of supporting a pupil with SEND exceed £6,000, and in some cases where a school has a disproportionate number of pupils with SEND or EHCPs. Furthermore, when setting its local formulae for funding for individual mainstream schools the LA identifies an amount of that funding which forms a 'notional SEN budget' for each school. This is an indicative, non-ring-fenced, amount that schools may set aside for pupils with SEND; but it neither represents a minimum or target level of spending, nor a maximum limit on the spending on SEND that any school should provide.

In recent years we have seen increased pressure on LAs' high needs budgets, particularly due to increased demand for EHCPs. At a system level, one way in which the relationship between mainstream school provision, demand for EHCPs, and the resulting pressure on LAs' high needs budget has been managed is through the flexibility that LAs have had to move funding from the mainstream schools funding block to their high needs budget. This flexibility was limited in 2018/19 when the NFF was first introduced, through a process of funding block transfers. Currently, with agreement from the local schools forum the LA may transfer up to 0.5% of its schools block funding to its

high needs budget, and with Secretary of State approval a transfer greater than 0.5% can be made.¹⁸

We recognise that these arrangements have been a significant mechanism for some LAs to manage recent pressures on their high needs budget. Such an approach, however, does not tackle the underlying causes of a mismatch between a local authority's high needs budget and its high needs spending and it does not represent a sustainable long-term solution. This is particularly the case as we consider the move to the hard formula. As has been set out in this consultation, a key part of the hard formula is that individual schools' funding is allocated on a consistent basis and is not subject to further adjustment through a formula designed by the LA. Continuing with an approach where LAs could continue to move funding out of the schools funding block, and therefore reduce individual school allocations under the NFF, would not enable schools to see the benefits of the hard formula.

The department is currently working to address these pressures on high needs budgets and support LAs to manage their high needs budgets more sustainably. Funding for high needs increased by £730 million in 2021/22, coming on top of an extra £780 million in 2020-21, which means high needs budgets have grown by over £1.5 billion, nearly a quarter, in just two years. Last year the department commenced an intervention programme working with the LAs with the highest DSG deficits, supporting them to reform their high needs systems and associated spending to make it more sustainable. We will shortly publish a commentary on that programme to date, with recommendations that LAs could consider in tackling their own DSG deficits, including specific case studies from LAs who have developed approaches to support the sustainability of their high needs systems. Alongside this, a central aim of the SEND Review is to make recommendations that will tackle the underlying causes of costs pressures in the high needs system and lead to a more financially sustainable system in the longer-term.

Following the recommendations from the SEND Review, future consultations will consider whether a new mechanism, in place of the current block transfers, and which is consistent with a hard NFF, needs to be developed for situations in which LAs continue to face significant, unavoidable, pressures on their high needs spending – for instance, in areas where particularly high usage is being made of special schools, which are fully funded through LAs' high needs budgets, and relatively low proportions of children with EHCPs are being educated in mainstream schools. Future consultations will also consider any changes to how mainstream schools receive high needs funding, and to

¹⁸ A transfer of up to 0.5% which the schools forum does not agree to, can also be made with Secretary of State approval.

the future of notional SEN budgets, in the light of recommendations from the SEND Review.

4.4 Local and national decision-making

Schools Forums are representative bodies in each LA to advise on (and, in some cases, take) local funding decisions. They have a wide range of responsibilities, covering funding for schools, high needs, early years and central LA services. As well as these formal responsibilities, they play an important role in local stakeholder engagement – they are well-established networks that bring local providers together to discuss common issues. 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.

Schools forums have a range of responsibilities relating to local funding formulae for mainstream schools. For example, they must be consulted by their LA on changes to local funding formulae for schools. Schools forums must decide on LAs' proposals to move up to 0.5% of the schools block to other funding blocks. Schools forums also have a decision making role on 'de-delegation' arrangements (whereby LAs deduct some of maintained schools budgets to fund central services for those schools, as set out in section 4.2 above), and on criteria for allocating funding to schools for growth in pupil numbers due to basic need (as set in section 3.3).

Once a hard NFF is fully implemented, some of schools forums' powers and responsibilities will no longer apply. Under a hard NFF, there will no longer be local funding formulae for mainstream schools – and so schools forums' role in being consulted on such formulae will clearly fall away. As we propose to move to a national approach to funding schools with significant pupil growth, then the role of schools forums on this issue will likewise no longer apply. Under our proposals, transfers from the schools block to other funding blocks (such as high needs) will no longer be possible under a hard NFF – again, as a consequence, the current role for schools forums in deciding such transfers will no longer apply.

While the move to a hard NFF would mean that the role of schools forums will change, we expect that this kind of representative group will continue to play an important part in local decision making and stakeholder engagement. The move to a hard NFF does not have an impact on schools forums' existing roles in relation to early years funding. As proposed in section 4.2, LAs would continue to have a role in providing central services to schools under a hard NFF – and schools forums should have a continued role in decisions over the funding for these services. Schools forums also have an important role in relation to high needs funding – for example, they must be consulted by the LA on arrangements for the education of children and young people with SEN and those

who require alternative provision, including the places to be commissioned by the LA, and the arrangements for paying top up funding to schools and other providers.

We plan to conduct a wider review of the role of schools forums as we progress with the introduction of the hard NFF, and following decisions on the future of the SEND system. 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.

The table at annex B 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 flagging areas where current responsibilities may change as a result of future policy developments – particularly related to SEND).

In addition to the important stakeholder engagement role that schools forums play at a local level, the department regularly engages with stakeholders at a national level in order to inform the development of school funding policy. The department regularly holds public consultations on proposed changes to school funding (for example, in 2021 we have held consultations on improving how the NFF supports small and remote schools, and on streamlining the process for payment of school business rates). The introduction of the hard NFF will not change this – we will continue to consult in advance of changes to the design of the NFF. The department also regularly meets with forums of LA representatives and national stakeholders (such as unions, and other national representative bodies) to discuss emerging funding policy proposals. These forums play a key role in informing funding policy development – and, again, the introduction of a hard NFF would not change this approach.

4.5 A consistent funding year

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. This dates back to the initial introduction of academies, who preferred funding to be allocated on an academic year basis which coincided with their business cycle.

This difference between the funding cycles means that, at a pre-16 level, maintained schools and academies are likely to be receiving different funding amounts for 5 months of a year, despite having otherwise the same characteristics. This does not align fully with the intention of moving to a hard NFF - that schools with the same characteristics should receive the same amount of funding.

Most schools plan their staffing, spending and curriculum on an academic year basis. This means that the profile of funding – the way that a maintained school's income

changes during the year – does not reflect the profile along which maintained schools plan and make their spending commitments. Most importantly, changes to the single most significant element of any school's budget - teachers' pay - take effect from the start of the academic year, rather than the start of the financial year. We are therefore interested in whether there is a case to move to funding maintained schools on an academic year basis.

We are aware that moving maintained schools to being funded on an academic year basis would have the potential to cause some complications with accounting and financial reporting. This is because the financial reporting cycle would differ from the funding cycle, with the financial reporting cycle remaining on a financial year basis in line with the reporting cycles of other funding streams local authorities work with.

As we move to a hard NFF, we want to explore the pros and cons of setting funding allocations for both academy and maintained schools, on a consistent academic year basis. Maintained schools would be expected to account for their funding on a financial year basis (in each financial year, accounting for the last 7 months' funding from one academic year, and the first 5 months' funding from the next). This would remove the need for maintained schools to account for their funding twice a year. It is important to note that local authorities, as well as many secondary schools, will have already dealt with issues similar to this in relation to their funding for post-16 provision.

We are therefore using this consultation to understand the appetite for a change in funding year for maintained schools, from a financial year to an academic year, as part of the shift towards a hard formula.

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?

Annex A: The current structure of schools national funding formula (NFF)

Introduction to the NFF guide

Funding for schools mostly comes from the **Dedicated Schools Grant (DSG)**.

The DSG is split into four different blocks, which each serve a different purpose. The three blocks¹⁹ which contribute to the 'core schools budget' are:

- The **Schools Block** - the basic funding for all 5 to 16 year old pupils in mainstream schools. This block provides the majority of any mainstream school's funding.
- The **High Needs Block** – the funding for pupils with high level special educational needs up to the age of 25 in mainstream schools (top up funding in respect of particular pupils) and special schools (both place funding and top up funding), and for 5 to 16 year olds in alternative provision.
- The **Central School Services Block** – the funding for local authorities for their ongoing responsibilities for both maintained schools and academies, and for certain ongoing historic commitments.

Schools also receive other streams of funding, including the pupil premium, which provides additional funding to raise the attainment of disadvantaged pupils and is paid directly to schools.

This guide covers the **schools national funding formula (NFF)** which is used to allocate funding through the schools block in the DSG.

Background to the NFF

The NFF determines how we distribute core funding for 5 to 16 year-old pupils in mainstream schools. It calculates a sum for each school in England, primarily based on the needs of the pupils who attend the school.

Before the introduction of the NFF in 2018, schools serving pupils with similar characteristics could attract significantly different levels of funding based on data that was over a decade out of date. The NFF made the funding system fairer, allocating funding based on schools' and pupils' needs and characteristics – not accidents of location and history.

¹⁹ The fourth block is the **Early Years Block**, which funds the early years entitlements for 2-4 year olds.

The purpose of the schools NFF is not to give every school the same level of funding. For example, schools with a large proportion of pupils with additional needs, such as those indicated by measures of deprivation, low prior attainment, or English as an additional language receive extra funding to help ensure that schools are supported to meet the needs of all their pupils. Our aim is to have a system that means schools and local authorities will be funded on an up-to-date assessment of need that reflects the characteristics of the school and their pupils in a consistent fashion.

Every year, we review the formula and the factor values so that it remains responsive to new evidence and to schools' changing needs. This responsiveness needs to consider both changes to the balance of funding through the various factors of the formulae, and technical changes so that the formulae accurately reflect the most up to date information available.

Each year, we publish full details of the changes made to the NFF since the previous year, and illustrate the impact on every school and local authority in the country. This guide summarises the schools NFF for 2021-22 – effectively bringing together what was previously set out in the original 2018 policy document ([The national funding formula for schools and high needs: Policy document](#)) and the subsequent annual updates ([National funding formula for schools and high needs](#)) into one place.

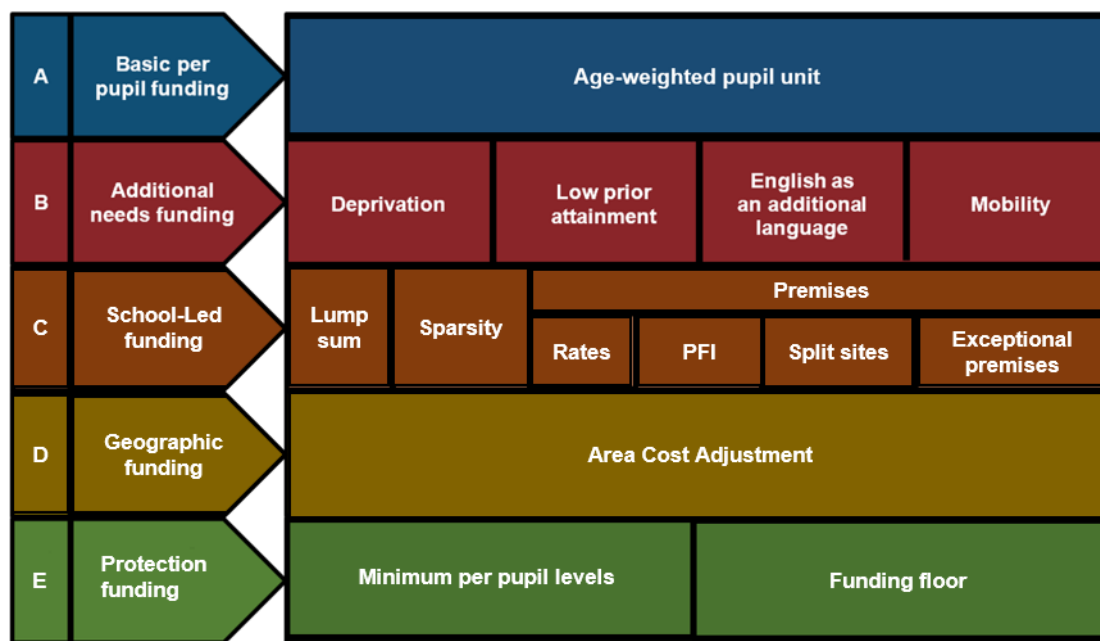
Overall design of the formula

The funding formula is made up of 14 factors, as illustrated in the diagram below.

Approximately 90% of the schools NFF funding is allocated through 'pupil-led' factors. The 'pupil led' factors are determined by pupil numbers and pupils' characteristics. The majority of this funding is allocated through the basic per pupil funding factor, which all pupils attract. The NFF allocates the rest of 'pupil-led' funding towards additional needs.

Figure 2 - Current NFF Funding Factors

Figure 2: This illustrates the factors that will be taken into account when calculating schools block DSG funding allocations through the national funding formula. It is not to scale. Funding for premises factors are allocated to local authorities on the basis of historic spend.



Evidence shows that pupils with additional needs are more likely to fall behind and need extra support to reach their full potential. This is why the NFF allocates 17% of all funding through additional needs factors based on deprivation, low prior attainment, English as an additional language and mobility.

Pupils attract funding for all the factors for which they are eligible. So, a pupil currently eligible for FSM attracts the amount provided through the FSM factor as well as the amount through the FSM Ever 6 factor. This also applies for children with any combination of multiple additional needs. That is not intended to imply that all such funding should be dedicated to the pupil who attracts it. An individual child who attracts deprivation funding, for example, may need more, or less support than the sum that they attract in the NFF. Rather, these additional needs factors are predominantly 'proxy' factors, using the overall incidence of particular pupil characteristics to identify how much additional funding a school is likely to need, in total.

'School-led' funding is allocated through various factors according to a school's characteristics. All schools attract a lump sum of £117,800. Small and remote schools attract additional support through the sparsity factor. Other school-led funding reflects costs associated with a school's premises and overheads through four separate factors: rates, split sites, private finance initiative (PFI) and exceptional circumstances.

An area cost adjustment (ACA) is applied as a multiplier to formula allocations to reflect higher costs in some parts of the countries, due to differences in salary costs.

Finally, the formula offers two different forms of protections for schools:

- The minimum per pupil level (MPPL) guarantees a minimum amount of funding for every pupil. Any school whose formula allocation is below the MPPL receives a top up to the minimum levels.
- The funding floor protects schools from year-on-year funding decreases, by ensuring a minimum increase in pupil-led funding per pupil compared to the previous year.

The NFF as a ‘soft’ funding formula and the role of local authorities

Under the current ‘soft’ formula local authorities continue to have an important role in determining individual school budgets. The NFF determines how much funding each local authority receives, by calculating an allocation for every school and then aggregating these up for each local authority. Local authorities then distribute that funding to the schools in their areas using their own local formulae – this means that schools’ actual allocations can differ from the notional NFF allocations.

The following diagram illustrates this soft formula system.

Figure 3 – Diagram of the current funding allocation system



This process applies to academies and maintained schools in the same way. The Educational and Skills Funding Agency pays academies their funding directly, based on the local schools formula for their area, whereas for maintained schools, the local authority receive the funding and then pass it on to the schools. Maintained schools are paid on a financial year basis (April to March) and academies on an academic year basis (September to August).

From NFF school-level allocations to local authority funding

The NFF is used to calculate ‘notional’ school-level allocations. These were published in July 2020 for 2021-22. Based on these allocations (but excluding premises funding),

average per pupil funding levels are calculated for primary and secondary pupils respectively – so called ‘primary units of funding’ (PUFs) and ‘secondary units of funding’ (SUFs) – for each local authority. This tells each local authority in the summer how much will be available, per pupil, in the following year.

Actual local authority allocations are then calculated by multiplying the SUFs and PUFs with updated pupil numbers based on the October 2020 census. Together with premises funding and growth funding, these form the local authority schools block allocations under the DSG. The growth funding is calculated using the differences between the number of pupils on roll in each local authority in the October 2019 and October 2020 school censuses. Actual allocations for 2021-22 were published in December 2020.

Each local authority sets its own local formula to distribute their DSG allocation among their schools – subject to certain parameters set out by the DfE. Some NFF factors – such as the basic per pupil factor, and the use of a deprivation factor – are mandatory in LA formulae. Other factors are optional for LAs – such as the sparsity factor, and the mobility factor. LAs also have some flexibility over the cash values for most factors – with the important exception of MPPLs (for which both using factor, and its funding levels, are mandatory). Detail on these rules can be found in the [Schools revenue funding 2021 to 2022 Operational guide](#).

The following sections give more detail on the design of the individual factors within the schools NFF. The figures for how much funding is allocated by each factor relate to 2021-22.

Pupil led factors

Basic per pupil funding

75.3% of the schools NFF is allocated through the basic per pupil funding, which every pupil attracts. The amount varies by age. In the 2021-22 NFF pupils in reception to year 6 attract £3,123, pupils in year 7 to year 9 attract £4,404, and pupils in year 10 and 11 attract £4,963. This is a mandatory factor in local formulae, and must be set at least £2000 per primary age pupil, and at least £3000 per Key Stage 3 and Key Stage 4 pupil.

Additional needs factors

Deprivation

The NFF allocates 8.8% of all its funding to deprived pupils. Pupil deprivation is based on three deprivation measures – current Free School Meal (FSM) eligibility, FSM eligibility at any time in the last 6 years (‘FSM6’), and the level of deprivation in the

postcode where the pupil lives, which is measured using the Income Deprivation Affecting Children Index (IDACI). LAs must have at least one deprivation factor in their local formulae, but can choose from within the basket of factors below.

- o FSM

Schools attract £460 for all primary and secondary pupils who are eligible for free school meals. This funding is broadly intended to cover the cost of providing free meals for each eligible pupil.

A pupil is eligible for FSM if they meet the criteria set out here [Free school meals: guidance for schools and local authorities](#).

- o FSM6

All pupils who are recorded as eligible for free school meals, or who have been at any point in the last six years, attract funding through the 'FSM6' factor. Schools attract £575 for each primary pupil and £840 for each secondary pupil eligible for FSM6 funding.

- o IDACI

The NFF allocates 3.9% of its funding to pupils eligible for IDACI funding. This funding is based on the IDACI 2019 area-based index measuring the relative deprivation of Lower-layer Super Output Areas (LSOAs). For the NFF, the IDACI ranks are divided into seven bands A to G, with A representing the most deprived areas and G the least deprived. Additional funding is targeted towards pupils in bands A-F, with more funding directed to pupils in the more deprived bands²⁰.

²⁰ The boundaries of these bands are based on the proportions of LSOAs (small areas) in each band and are defined by rank.

The IDACI bands are set out in the table below.

Band	A	B	C	D	E	F	G
Proportion of LSOAs in each band	2.5%	5%	5%	5%	10%	10%	62.5%
Primary unit value	£620	£475	£445	£410	£260	£215	£0
Secondary unit value	£865	£680	£630	£580	£415	£310	£0

The table shows that 2.5% of LSOAs are placed in IDACI band A which attracts the highest funding, 5% in IDACI band B attracting the second highest level of funding, and so forth. 62.5% of LSOAs are in band G which does not attract any additional funding.

Low Prior Attainment

We are allocating 6.9% of the NFF in respect to pupils with low prior attainment (LPA).

Primary school pupils who have not achieved the expected level of development in the Early Years Foundation Stage Profile assessment (EYFSP) and secondary pupils who have not achieved the expected standard in Key Stage 2 at either reading, writing or maths attract £1,095 and £1,660²¹ respectively²². This is an optional factor in LA formulae.

English as an additional language

The pupils eligible to attract funding through the NFF English as an additional language (EAL) factor are those recorded as having entered state education in England during the last three years, and whose first language is not English. 1.1% of the NFF is allocated through the EAL factor.

²¹ For secondary pupils, year-group weightings are applied to the unit value to reflect the changing difficulty of tests. See page 17 of the NFF schools block technical note for detail: [2021-22 NFF schools block technical note](#).

²² For 2020 where these assessments have been cancelled, schools are allocated funding based on the previous year's results.

Schools attract £550 for all EAL-eligible primary pupils, and £1,485 for all EAL-eligible secondary pupils. This is an optional factor in LA formulae.

Mobility

0.1% of the total NFF funding goes to pupils eligible for mobility funding.

The mobility factor supports schools in which a significant proportion of pupils join the school part way through the year.

Pupils are classed as mobile if they joined the school at a 'non typical' date within the last three years. Schools attract £900 for eligible primary pupils, and £1,290 for eligible secondary pupils, above a threshold of 6% of the schools' pupil numbers (that is where more than 6% of a school's pupil are classified as mobile). This is an optional factor in LA formulae.

School-led factors

Lump Sum

Every school attracts a lump sum of £117,800 through the NFF irrespective of its size or phase. The total spend on the lump sum represents 6.5% of the NFF. This is an optional factor in LA formulae – but LAs that use this factor must not set a lump sum higher than £175,000.

Sparsity funding

In 2021-22, 0.1% of the NFF is allocated through the sparsity factor, for small and remote schools.

Eligibility for sparsity funding depends on the distance the pupils in the school would have to travel to their next nearest school and the average number of pupils per year group.

A school is eligible for sparsity funding if:

- a. For all the pupils for whom it is the nearest 'compatible' school²³, the average distance from the pupils' homes to the second nearest compatible school is more than three miles (for secondary schools) or two miles (for all other schools).

²³ A compatible school means one of the relevant phases which a pupil could attend. Selective grammar schools are not considered when identifying the second nearest compatible school, but faith schools are included.

- b. The average year group size is below the appropriate year group threshold. This threshold is 21.4 for primary schools, 69.2 for middle schools, 120 for secondary schools and 62.5 for all-through schools.

Primary schools qualifying attract up to £45,000 and secondary schools (including middle and all-through schools) up to £70,000. Schools with a lower number of pupils attract a higher amount than those closer to the year group threshold. This tapered funding means that where there are small pupil number changes, schools will not move from significant additional funding to no sparsity funding. This is an optional factor in LA formulae.

Premises

The NFF allocates funding to reflect the costs associated with a school's premises and overheads.

- o Rates

Local authorities receive funding for business rates, to meet the real costs of schools. We are proposing to centralise the payment of business rates for schools from the 2022-23 financial year onwards. A consultation on these proposed changes closed on 5th May 2021 and we will publish the results in due course.

- o PFI

The Private Financial Initiative (PFI) factor is funded on the basis of an LA's previous year's spending. Every year, we uprate this funding in line with the RPI(X) measure of inflation, to reflect most PFI contracts. This is an optional factor in LA formulae.

- o Split Sites

This is intended to recognise the additional costs that schools that are spread over more than one site can face. Local authorities receive funding for the split site factor on the basis of spend in the previous year. This is an optional factor in LA formulae.

- o Exceptional Circumstances

The exceptional circumstances factor is included in the formula so that where local authorities have had approval from ESFA to direct additional funding to a small number of schools with significant additional premises costs, this is taken into account when determining their funding. Local authorities receive funding for this factor on the basis of their spend in the previous year. This is an optional factor in LA formulae.

Growth funding

In addition to the core funding allocated through the NFF, we also provide growth funding to local authorities to manage increases in pupil numbers. The NFF operates on a lagged funding basis whereby schools receive funding in a given year based on pupil numbers from the year before. Local authorities can use the growth funding they are allocated to support schools to manage the increase in pupil numbers before the lagged funding system has caught up.

The growth factor distributes funding based on the actual growth that local authorities experience for each year. It is based on the observed differences between the primary and secondary number on roll in each local authority between the most recent October pupil census, and the census in the previous October.

The growth fund can only be used to:

- support growth in pre-16 pupil numbers to meet basic need.
- support additional classes needed to meet the infant class size regulation.
- meet the revenue cost of new schools.

Area Cost Adjustment

The area cost adjustment (ACA) reflects variations in labour market costs across the country by taking into account the general labour market trends and the particular salary variations in the teaching workforce.

It is a combination of:

- a. A teacher pay cost adjustment, to reflect the differences in the basic pay ranges between the four regional pay bands for teachers and
- b. A general labour market (GLM) cost adjustment, to reflect geographical variation in wage costs for non-teaching staff.

The NFF's ACA is calculated for each local authority by:

- a. Weighting the relevant teacher-specific cost adjustment in line with the national proportion of spend on teaching staff in mainstream schools (52.8%).
- b. Weighting the relevant GLM labour cost adjustment in line with the national proportion of spend on non-teaching staff in mainstream schools (27.6%).

Nationally the ACA ranges between 1.00 and 1.18. For some schools, how much their allocation is adjusted depends on the local district area in which the school is located. Some local authorities – in 'London Fringe' areas – contain both districts that receive an ACA, and districts that do not. Whether schools in these local authorities receive an uplift will depend on their specific location.

Protective elements of the NFF

Minimum per pupil levels

The minimum per pupil level (MPPL) guarantees a minimum amount of funding for every pupil. Any school whose formula allocation is below the MPPL receives a top up to the minimum levels.

The MPPL varies from school to school depending on the year groups they have. The unit values per year group are £4,180 for primary year groups, £5,215 for KS3 and £5,715 for KS4.²⁴ Each school's MPPL is calculated as a weighted average of the number of year groups they have.

This means that the minimum per pupil level is £4,180 for primary schools, and £5,415 for secondary schools with year groups 7 to 11. And for middle schools and all-through schools, an MPPL is set based on the specific year groups that they educate.

The MPPL, and the national MPPL values, are mandatory in LA funding formulae.

The funding floor

The funding floor ensures that a school's funding is protected year on year, and that all schools attract a minimum uplift to their pupil-led per pupil funding even where the core formula factors indicate that their funding would be lower.

In 2021-22, the formula ensures that all schools attract an increase of at least 2% in pupil-led funding per pupil compared to 2020-21.

LA funding formula must include a Minimum Funding Guarantee (MFG), that provides a similar protection to the funding floor. In 2021-22, the MFG can be set between 0.5% and 2%

²⁴ These funding levels includes £180 for primary year groups and £265 for secondary year groups added to the grant in 2021-22 to reflect the rolling in of the pay and pensions grant into the NFF.

Annex B: 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?
<p>Central spend on:</p> <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 	<p>Decides</p>	<p>Retain – if the Central School Services Block within the DSG continues under hard NFF (that is if funding is not transferred to the LGFS)</p>
<p>Central spend on:</p> <ul style="list-style-type: none"> • high needs block provision • central licences negotiated by the Secretary of State 	<p>None, but good practice to inform forum</p>	<p>Retain – but we will review how the LA role on central spending on high needs block provision will apply following SEND Review proposals</p>
<p>Financial issues relating to:</p> <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 	<p>Gives a view</p>	<p>Retain in respect of responsibilities relating to central government grants and early years.</p> <p>Some responsibilities relating to SEN, PRUs and AP likely to still apply – but the details of these responsibilities will depend on policy decisions</p>

Function	Current schools forum role (as set out in regulations)	Proposal: remove or retain schools forum role under a hard NFF?
<p>paying top-up funding</p> <ul style="list-style-type: none"> • 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 		<p>following the SEND Review.</p>
<ul style="list-style-type: none"> • Central spend on historic commitments. For example prudential borrowing, termination of employment costs, capital expenditure funded from revenue 	<p>Decides on each line</p>	<p>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.</p>
<ul style="list-style-type: none"> • Contracts (where the LA is proposing to enter a contract to be funded from the schools budget) 	<p>Gives a view</p>	<p>Remove – these arrangements have now been replaced by traded services.</p>

Annex C: Equalities Impact Assessment

The Public Sector Equality Duty

The Equality Act 2010 identifies the following as protected characteristics for the public sector equality duty:

- Age
- Disability
- Gender Reassignment
- Pregnancy and Maternity
- Race (including ethnicity)
- Religion or belief
- Sex
- Sexual orientation

Under Section 149 of the Equality Act 2010, the Secretary of State is under a duty to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it, in particular the need to:
 - tackle prejudice, and
 - promote understanding.

Consideration of the protected characteristics identified in the Equality Act 2010

- Age – We have not identified any potential negative or positive impact related to age.
- Disability – Disability is an area that will require more evidence due to interaction between the hard NFF proposals and High Needs funding. For our analysis below, we have assumed that the number of SEN pupils in a school can act as a proxy for the effect on those with a disability, as most of the 12 types of SEND either explicitly relate to disability or encompass learning disabilities.
- Gender Reassignment – We have not identified any potential negative or positive impact related to gender reassignment.
- Pregnancy and Maternity – We have not identified any potential negative or positive impact related to pregnancy and maternity.
- Race (including ethnicity) - We have not identified any potential negative impact related to race (including ethnicity). There is evidence that certain ethnic groups are disproportionately represented in the most deprived groups.²⁵ Therefore, we expect a potential positive impact on race (including ethnicity) if bringing LA formulae closer to the NFF means that nationally proportionally more funding is to be allocated through the deprivation factors. In recent years, the proportion of funding allocated through deprivation factors in the NFF has been slightly higher than the average proportion allocated through these factors in LA formulae.
- Religion or belief – We have not identified any potential negative or positive impact related to religion or belief.
- Sex – We have not identified any potential negative or positive impact related to sex.
- Sexual orientation – We have not identified any potential negative or positive impact related to sexual orientation.

This consultation document sets out proposals to move to a 'hard' NFF, in which all individual schools' funding allocations are set by the national formula without substantive further local adjustment. Therefore, our expectation is that the hard NFF will create a fairer and more consistent distribution of funding that is more closely aligned to need, and is essential to support opportunity for all children, irrespective of their background, ability, need, or where in the country they live. This funding system does

²⁵ Data collected in the January 2019 school census showed that while 14.5% of White British primary and secondary school pupils were eligible for Free School Meals, this proportion was higher amongst pupils from the following backgrounds: Traveller of Irish heritage; Gypsy/Roma; White and Black Caribbean; White and African; White and Asian; Any other mixed background; Pakistani; Bangladeshi; Caribbean; African; Any other black background; Any other ethnic group.

not seek to target specific groups of pupils simply because they are protected by the Equality Act, but instead targets funding to those groups which the evidence demonstrates face barriers to their educational achievement. This mirrors the assessment from our previous national funding formulae consultation in 2016 that the national funding formula would benefit all pupils with a clearer and fairer distribution of funding. We believe that the move to a 'hard' funding formula and the gradual removal of substantial local adjustment will further enhance fairness, consistency and allocation according to need across school funding at a national level.

There is some inherent uncertainty about the effects of moving to a hard NFF. There are various ways in which LAs currently depart from the national formula and schools' forums will retain some discretion as we transition to the new system. The consultation proposals include taking an incremental approach to the move towards a hard NFF. This gradual approach to introducing a hard formula will allow the department to continue to monitor the impacts on those with protected characteristics going forward. We will continue to consult with the sector to understand the implications of our proposals.

However, it is likely that the 'hardening' of the funding formula will direct further funding at schools with a higher proportion of SEN pupils. Where LAs' formulae depart from the NFF currently, this is often because of a lower value (compared to NFF values) for additional needs factors (which act as a proxy for SEND within the schools NFF), and/or a higher value for school-led factors such as the lump sum. Moving LA formulae closer to the NFF should therefore lead to relatively more funding being allocated through the pupil-led additional needs factors within the funding formula. The low prior attainment factor, which directs additional funding for every pupil who did not reach the expected standard at the previous stage, and deprivation factors are strongly correlated to schools with higher proportions of SEN pupils in mainstream provision. Insofar as 'hardening' the NFF will direct greater funding to schools with a higher proportion of pupils with additional needs factors that correlate with SEND, this should have a positive impact on equalities.

The proposals for a hard NFF will have implications for High Needs funding. For example, transfers from the schools block to the High Needs block will not be possible under a hard NFF, which currently help LAs to meet funding pressures in provision for children and young people with SEND. However, we anticipate that this issue will be mitigated by recent increases in high needs funding, work with LAs with the highest DSG deficits to improve financial sustainability and, in the longer-term, the proposals from the SEND Review to address the underlying causes of the pressures on high needs spending. However, this is an issue we will continue to monitor as we develop detailed proposals for how the hard formula will operate and once the recommendations from the SEND Review are known.

Our analysis of the impact of our proposals in relation to those with protected characteristics will be ongoing during the consultation period and will continue during the longer-term move towards a hard NFF, incorporating findings from the consultation.

Question 15: Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.

Question 16: Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?



Department
for Education

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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?

Yes

Question 2: Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF? e.g. PFI costs, exceptional circumstances, split sites

PFI costs and the affordability gap in particular with its reliance on future inflation rates is extremely complex and future consultation is essential. At this stage it is not at all clear how the responsibility for the affordability gap can be split between the Local authority and the DfE whilst maintaining the link with RPIX inflation. There is a significant risk that the NFF will be distorted in unacceptable ways to deal with the few schools involved with PFI. It may be better to keep PFI outside the national formula until contracts expire.

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

Yes

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

Whilst agreeing with the proposal to use national standardised criteria we are concerned that no definition of significant growth is provided. Care must be taken to recognise that "significant" growth must relate to the size of the school(s) and that significance in rural areas may be much lower than what is regarded as significant in urban areas. Significance must in part relate to the unavailability of alternative places within easy travelling distances.

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?

Yes

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?

Yes

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?

Yes

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?

I'm not sure that local authorities should be allowed to exceed the NFF as this may cause transition problems in later years. DfE need to consider what LAs should be permitted to do with any unused School Block funding. In general 98% or 99% would seem an appropriate threshold.

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?

Yes

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

Yes

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?

it would seem sensible to move this funding into the Local Government Finance settlement and abolish the central school services block as it is a relatively small amount.

Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

Not sure

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?

Strongly agree

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?

This proposal was strongly supported by Herefordshire Schools Forum and the Budget Working Group on behalf of all schools.

The only disadvantage will fall to the local authority that will have to work across both the "local government" financial year and the academic year resulting more year end processes for e.g. funding allocations for the periods April - August and September - March.

Question 15: Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.

No additional comments beyond the DfE's assessment

Question 16: Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?

Not sure that there should be a legacy grant paid in full to those authorities that have unavoidable termination of employment costs and prudential borrowing costs.

These authorities have received the benefits of new school buildings from prudential borrowing and better retirement settlements for school staff which have been paid for in agreement with their school forums and schools by reducing funding to schools.

Authorities that have preferred to pass all their school funding to schools and not used school funding to pay for such benefits will now receive exactly the same national funding formula as all other local authorities, which is right and proper.

However the government is proposing to fully fund these legacy costs which is unfair on local authorities that did not incur such costs. Without knowing the number of authorities and costs involved it is impossible to comment objectively but it would seem fairer that any such legacy grants were paid to meet 50% or 75% of the cost so that those authorities continue to pay a contribution towards the benefits they continue to receive.



Title of report: Local Management of Schools - Scheme amendments

Meeting: Herefordshire schools forum

Meeting date: Friday 24 September 2021

Report by: Strategic Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

The Department for Education has requested changes to the council's local scheme for managing schools. Schools Forum is asked to approve the changes. The changes are to ensure that schools provide a five year budget forecast and that schools in deficit provide a recovery plan if the deficit is greater than 5%.

Recommendation(s)

That: Statutory amendments to the Local Management of schools scheme of delegation be approved as follows;

- a) Revision to Para 2.3.1 (a) "Each school must submit a five-year budget forecast each year by 1 June. In exceptional circumstances this may be extended to 30 June on request.**
- b) 4.9 Licensed Deficits and recovery plans – new paragraph 4.9b – " Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021."**

Alternative options

1. The Department for Education has asked local authorities to include amendments in their formal scheme of delegation. There is an alternative not to make the amendments but the Department for Education will simply ask Herefordshire to do so or direct the changes upon us.

Key considerations

2. The Department for Education has published issue 13 of the statutory guidance given by the Secretary of State pursuant to s.48(4) and paragraph 2A(2) of Schedule 14 to the School Standards and Framework Act 1998, [School Standards and Framework Act 1998](#). The statutory guidance concerns the outcomes of the consultation on 'Financial transparency of LA maintained schools and academy trusts' and sets out required changes to schemes of delegation.
3. Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. The statutory guidance published by the DfE lists the provisions which a local authority's scheme must, should or may include. Schemes need not follow the format used in the guidance, except for the text of directed revisions.
4. In making any changes to their schemes, other than directed revisions, local authorities must consult all maintained schools in their area and receive the approval of the members of their schools forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the schools forum. Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain.
5. Due to delays caused by COVID-19, and in order to provide schools with sufficient notice to comply with the new requirements, the changes to Issue 13 of the scheme for financing local authority maintained schools will take practical effect from 1 April 2021.
6. The changes in this issue of the scheme include the requirement for local authority schemes to include a requirement for schools to submit a 3-year budget forecast each year, and the directive for schools which have a deficit of over 5% to submit a recovery plan to the local authority.
7. The changes relating to financing and operating leases (IFRS16) that were due to come into effect on 1 April 2020 have been delayed until at least 1 April 2021, due to the COVID-19 pandemic. A further update to the scheme for financing schools will be published prior to any changes taking effect.
8. The recommended changes to the Herefordshire scheme for financing schools are set out in the appendix

Community impact

9. In accordance with our code of corporate governance, Herefordshire Council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an

overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. The council is committed to ensuring openness and transparency and the recommendations of this report demonstrate the reasons for a policy change being made.

Environmental Impact

10. There is no environmental impact arising from these statutory changes

Equality duty

11. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

12. As this is a statutory required by the Secretary of State, we do not believe that it will have an impact on our equality duty.

Resource implications

13. There are no resource implications arising from these statutory changes at the present time since five year budget plans are automatically produced by the schools' budgeting software and no school has a deficit exceeding 5%.

Legal implications

14. The recommended amendments to the Scheme are in accordance with updates to the Department for Education Guidance to reflect changes in the Schools and Early Years Finance (England) Regulations 2021. Department for Education Schemes for financing schools Statutory Guidance for local authorities March 2018 states that councils are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain. In making any changes to their schemes, councils must consult all schools in their area and receive the approval of members of their schools forum representing maintained schools. Councils must take this guidance into account when revising their schemes, in consultation with the schools forum.

Risk management

15. The council will fully comply with the revisions to the scheme.

Consultees

16. All locally maintained schools have been consulted via the Spotlight newsletter during the summer term 2021 and no comments received. A copy of the amended scheme will be distributed to all locally maintained schools after half term later in October 2021. The council's Chief Finance Officer has been consulted and is content with the proposed changes to the scheme of delegation to schools.

Appendices

Appendix 1 Summary of changes to the scheme of delegation for Local Management of Schools

Background papers

None identified

Please include a glossary of terms, abbreviations and acronyms used in this report.

BWG Budget Working Group (of Schools Forum)
CAMHS Children and Adolescent Mental Health Service
DSG Dedicated Schools Grant
DfE Department for Education
EHCP Education Health Care Plan
ESFA Education and Skills Funding Agency
LMS Local Management of Schools
PRU Pupil Referral Unit
H3 Home and Hospital Teaching Team (Hub, Home, Hospital)
SEN Special Education Needs
SEND Special Education Needs and Disability

Summary of proposed Amendments to the Local Management of Schools (LMS) scheme of financial delegation for maintained schools

The DfE have issued guidance that requires local maintained schools (not academies) to prepare and submit to the local authority budget plans for a three year period. It has long been the case that Herefordshire requires a five year budget plan however the new guidance from DfE requires a formal amendment to our LMS scheme as set out below.

The HCSS budget planning software provided to schools ensures that five year budget plans can be easily and accurately produced using the council's budget planning assumptions.

2.3.1 Submission of financial forecasts

Revision to Para 2.3.1 (a)

Proposed new text - "Each school must submit a five-year budget forecast each year by 1 June. In exceptional circumstances this may be extended to 30 June on request. Such budget plan forecasts are used by the local authority for confirming schools are undertaking effective financial planning. Serious concerns arising from the five year budget plan may result in the issue of a formal notice of concern as set out in para 2.10 of this scheme."

Replacement of old text – "The LA may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year. "

4.9 Licensed Deficits and recovery plans

Change of paragraph title to include "and recovery plans" and the addition of a new paragraph 4.9b re Planning for deficit budgets

DfE originally proposed to make a directed revision to the scheme for financing schools requiring schools to submit a recovery plan to their maintaining authority when their deficit rises above 5%. However, DfE has not done so but has asked LAs to include such a requirement in scheme

Proposed new text

4.9b Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021."

Note: Details of the proposed changes have been circulated to in Spotlight in the summer term 2021 and no comments received.



Title of report: Annual Review of Schools Forum Membership

Meeting: Herefordshire Schools Forum

Meeting date: Friday 24 September 2021

Report by: Clerk to Herefordshire Schools Forum

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To report on the annual review of membership of Herefordshire Schools Forum (the forum) and Budget Working Group (the working group) and to approve action as necessary to maintain proportionality.

The composition of the forum is reviewed annually to ensure that Local Authority maintained schools and academies are represented proportionately on the forum, based on the number of pupils registered in each category of school, and that the membership complies with regulations.

Recommendation(s)

That:

- a) The outcome of the annual review of proportionality is noted and no changes are made to the allocation of seats on Herefordshire Schools Forum or the Budget Working Group.

Alternative options

1. The forum could recommend an increase or decrease in the total number of seats on the forum. This is not recommended as the current number of seats gives an appropriate spread of

membership to represent the various types of school in Herefordshire, while remaining a manageable size.

2. The forum could choose to disregard proportionality in respect of the budget working group. This option is not recommended as it is preferable for the effective functioning of the working group that the different types of schools in Herefordshire are fairly represented and the forum has previously determined that the working group should be broadly proportionate.

Key considerations

Membership of Schools Forum

3. Herefordshire schools forum is composed of 26 seats allocated between schools members, academies members and non-school members. Schools and academies members together must number at least two-thirds of the total membership of the schools forum and the balance between maintained primary, maintained secondary and academies members must be broadly proportionate to the pupil numbers in each category. The membership of the forum is reviewed annually to ensure the allocation of seats remains proportionate.
4. Herefordshire allocates 19 seats between the schools and academies members. One seat each is allocated to mainstream special schools, academy special schools and the PRU management committee. The 16 remaining seats are allocated to mainstream schools and academies, divided proportionally. The annual review has been carried out for 2021 and the results are set out below.
5. Regulations make no distinction between primary phase and secondary phase academies. Guidance states that Free Schools are to be classed as academies for the purpose of this exercise. The calculations of proportionality set out below are based on pupil numbers taken from the January 2021 school census and translate these proportions into numbers of seats on the forum, rounded as necessary.
6. Total pupil population in mainstream schools was 22,225 broken down as follows:

School category	Number of pupils	Proportion	Proposed number of seats (rounded)	Current number of seats
Maintained Primary	9,514	42.8%	6.85 (7)	7
Maintained Secondary	3,197	14.4%	2.30 (2)	2
Academies	9,514	42.8%	6.85 (7)	7
Total			16	16

7. Based on this assessment, no changes are proposed to the allocation of seats for the schools groups on the forum.

Membership of Budget Working Group

8. The Budget Working Group is a permanent advisory sub-group of the forum. Regulations prescribe how the forum itself is to be constituted but these provisions do not apply to the composition of sub-groups. The composition of the Budget Working Group is therefore a matter

for the forum itself. It is open to the forum to agree to disregard proportionality for the working group, amend the number of seats or set minimum representation for particular groups

9. The forum agreed in October 2012 that the Budget Working Group would consist of 14 members. Two seats were allocated to early years settings and one to special schools. The remaining 11 places available to primary schools, secondary schools and academies, were to be allocated on a broadly proportionate basis based on pupil numbers in each category. The forum also agreed that there should be a minimum of one maintained school representative from the secondary sector and one academy representative from the primary school sector.

10. Total pupil population in mainstream schools was 22,225 broken down as follows:

School category	Number of pupils	Proportion	Proposed number of seats (rounded)	Current number of seats
Maintained Primary	9,514	42.8%	4.71 (5)	5
Maintained Secondary	3,197	14.4%	1.58 (1)	1
Academies	9,514	42.8%	4.71 (5)	5
Total			11	11

11. Based on this assessment, no changes are proposed to the allocation of seats for the schools groups on the forum.

Community impact

12. The items considered and decisions made by the forum should have regard to what matters to schools and settings in Herefordshire and how the forum can best contribute to managing the current changing and challenging financial circumstances.
13. The constitution ensures that the membership of the schools forum continues to reflect the range of types of school and setting across Herefordshire and that all groups have the opportunity to shape the decisions of the forum.
14. The amendments to the constitution as a result of the new regulations ensure that the work of the forum can continue and that all interested parties are able to observe the meetings of the forum.

Environmental Impact

15. Whilst this review will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. In relation to schools finance it is the responsibility of individual governing bodies to commit expenditure according to the individual pupil need. However the decisions of the schools forum should have regard to this duty and the potential implications of any decisions made.

Resource implications

18. A budge of £15k has been allocated for administering the schools forum and associated activities for the 2021/22 financial year. This is funded from the dedicated schools grant received from central government and includes a modest budget for the commissioning of expert advice and reviews.

Legal implications

- 19. The schools forum is established under section 47A of the School Standards and Framework Act 1998. The current regulations pertaining to the operation and management of schools forums are set out in The Schools Forums (England) Regulations 2012.
- 20. The Education & Skills Funding Agency (ESFA) set out guidance on the operation of schools forums in September 2017. This document also gives examples of good practice which the EFA have drawn from a number of schools forums and the Department for Education. It is not designed to be prescriptive except where it refers directly to the Schools Forum Regulations 2012.
- 21. The council must ensure that the schools forum for their area is constituted in accordance with the regulations and is responsible for determining the size and composition of the forum, and the members' terms of office.

Risk management

22. There are no identified risks associated with approval of the recommendations contained in this report. If the membership of the forum and working group is not proportional, there is a risk some categories of schools could feel that they are not fairly represented and object to decisions taken by the forum.

Consultees

23. None

Appendices

None

Background papers

None

