

National Finding Formula – Consultation

Attached below is the local authority's response to the Department for Education (DfE) consultation questions.

The consultation closes on 30 September 2021.

Please submit your response using the link below:

<https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>

Question 1:

Do you agree that (a) our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and (b) 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?

(a) We do not agree with this proposal.

In principle, we have no objection to the application of NFF to pupil led funding factors. However, we have concerns regarding the removal of all local formulae adjustments. In agreement with Schools Forum, Lewisham has adopted the factors and where appropriate the unit values (with Area Cost Adjustments) as used by the DfE for the National Funding Formula. This was a conscious decision in readiness towards the Hard Funding Formula. We faced swings in funding which was managed by the MFG.

With regards the remaining items currently under local discretion we would comment as follows:

- Local determination currently only applies to Split sites, Rates (NNDR), PFI and exemptions agreed with the DfE for 2 schools with respect to playing field and service charges. It would be possible to standardise split sites nationally on the basis that this funding supports “essential” costs associated with having building on two separate sites. We would further add that it is not the distance that results in additional costs. The additional costs are essential for safeguarding and protecting our young people. We feel a separate building, so long as it is not on the same protected site, will continue to require cover for reception, caretaking etc.*
- NNDR rates – at present schools are funded on a £ for £ basis. So long as the proposal supports the key principle that rates remains funded at full cost this will be supported. The DfE has previously spoken about taking NNDR out of the equation for the purpose of the funding formula and to recover that directly from each LA via a portal submission process. This would make sense and we assume would be supported by a notional funding level that*

would be adjusted for in year actual. The consultation is not clear however on how NNDR would be treated in the CFR, e.g. would schools need to have the rates funding shown in their accounts etc.

- *PFI – we do not feel that this can be configured into a factor. There are far too many variables (values, PFI start and end dates etc) and not all schools are in receipt of this funding. We would suggest this remains funded on actual plus RPI*
- *Exceptional costs – this is similar to the PFI comment. Very few schools are affected with unique circumstances which the DfE has agreed and supported. Again, this cannot be a formulaic approach. We would suggest that this remains a separate addition to the Schools Block.*
- *The formularisation of school led funding factors - we are concerned that this will be destabilising for many schools, particularly small schools. Schools impacted by this change should be offered protection to minimise funding turbulence. The current ‘soft’ formula enables us, via the Schools Forum, to apply a local formula applied on top of the NFF in a fair and transparent way.*
- *There should be full consultation with schools, local authorities and parents before changes are introduced that shifts funding between geographical areas.*
- *We believe that all schools should have access to the same arrangements that are proposed for academies - access to popular growth funding to expand places and particularly the freedom to pool funding would enable federations and groups of maintained schools to benefit from the economies of scale. If these flexibilities are not available to all schools, there will be inequalities of access and provision for children depending on the governance of their schools.*

Question 2:

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

- *It would be possible to standardise split sites nationally on the basis that this funding supports “essential” costs associated with having building on two separate sites. We would further add that it is not the distance that results in additional costs. The additional costs are essential for safeguarding and protecting our young people. We feel a separate building, so long as it is not on the same protected site, will continue to require cover for reception, caretaking, safeguarding, first aid etc.*
- *NNDR rates – at present schools are funded on a £ for £ basis. So long as the proposal supports the key principle that rates remain funded at full cost this will be supported. The DfE has previously spoken about taking NNDR out of the equation for the purpose of the funding formula and to recover that directly from each LA*

via a portal submission process. This would make sense and we assume would be supported by a notional funding level that would be adjusted for in year actual.

- *PFI –we do not feel that this can be configured into a factor. There are far too many variables (values, PFI start and end dates etc) and not all schools are in receipt of this funding. We would suggest this remains funded on actual plus RPI*
- *Exceptional costs – this is similar to the PFI comment. Very few schools are affected with unique circumstances which the DfE has agreed and supported. Again, this cannot be a formulaic approach. We would suggest that this remains a separate addition to the Schools Block. As your consultation states only 77 LA use this factor, but for the schools that are in receipt of this funding at an individual level this would place pressure. In the case of Lewisham we have two agreements, these relate to rental charges one for land on which the school is built and the second relates to rental associated with playing fields. Equally as so few schools are affected, if this funding was to be re-distributed it would be make no difference to the overall pot but a huge issue for the schools that would lose the funding.*

Question 3:

Do you agree with our proposal to use national, standardised criteria to allocate all aspects of (a) growth and (b) falling rolls funding?

(a) We do not agree with the proposal to use national, standardised criteria to allocate growth funding.

(b) We do not agree with the proposal to use national, standardised criteria to allocate falling rolls funding.

- a. With regards to growth fund, the proposal from what we can see in many ways seems very similar in concept to that which is already applied. That is funding is based on lagged numbers, and planned growth is added to the APT to enable the school to be funded in line with forecasted numbers. We would want to seek clarity if the above applies to bulge classes? That is not clear from the consultation document. Growth fund also enable LA's to support local need (demographics) to meet its statutory requirements for offering every pupil a place.*

Your position on “popular growth funding” being reserved for Academies is not fair. As with Academies, schools support turn around, so does the LA working in partnership with our schools. The full basis of the NFF is intended to be equitable across all schools by ring fencing a particular funding support to academies undermines this position.

b. *With regards falling rolls, it is unclear what % of funding a school should be able to manage. It would be useful to know what the DfE position on this is. We do not believe that falling rolls should be limited to schools with only good or outstanding. Lack of support for schools that actually do need support pushes them further into difficulties. The criteria is also as defined by Ofsted, which can result in a gap between one Ofsted assessment and the next. Once again, this policy should remain a local discretion to enable LA's to strategically plan for future years and manage any short-term variations.*

Question 4:

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

- (a) *Any new growth formula should also fund additional classes at 30 pupils as costs of additional teachers etc. are incurred on a new class basis irrespective of numbers.*
- (b) *The falling rolls funding formula should take into account schools' capacity to respond to sudden changes, such as we have seen in recent years. Formula should incorporate a minimum threshold % drop in numbers.*
- (c) *Falling rolls formula criteria should also take into account the level of reserves held by schools and year on year ISB movements.*

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?

No

Lewisham already complies with this for the main factor but there are elements of local discretion that we feel should remain.

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?

No

Lewisham already complies with this for the main factor but here are elements of local discretion that we feel should remain.

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?

No, we do not agree with this proposal.

Lewisham as stated above is compliant with the NFF and with any movements supported by MFG. We feel this should remain discretionary, and the NFF can continue to be used as an indicator..

Local issues such as falling rolls means that flexibility in being able to identify budget from elsewhere in the formula has been necessary. Therefore, the 10% mirroring may not always be practical.

EAL1,2, 3 should remain a local discretion based on the local needs of the LA. Lewisham currently operates on EAL3

As previously stated at Lewisham we have adopted all the factors to match the NFF which inform the allocation.

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?

The DfE guidelines currently do not give any details on how the Pension and Pay Grant should be distributed (through factors, MFG uplift etc). Clarity on this issue is required before setting any targets for mirroring.

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?

No.

We believe that the NFF should give aspirational guidance but there should be local discretion for LAs who need localised policy to reflect the needs of their communities.

Question 10:

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

This factor does not apply to Lewisham, as such we do not have a view.

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?

We strongly believe that this should continue to be a separate grant, and not be moved to LGFS. Retaining it within DSG will ensure there are clear links between the grant and the education functions it funds, which enables LAs to fulfil statutory duties. It also facilitates LAs to provide clear match funding. Subsuming the funding into LGFS may result in funding being diverted away from schools and potentially remove clarity and accountability to schools and schools forum.

Question 12:

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

No, we do not agree.

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?

We do not support this proposal as there is lack of information in the guidance.

Whilst schools are used to receiving some grants in academic year basis, these are fairly low level values.

It is not clear what benefit will there be for schools to account on both academic and financial year basis. This is potentially more likely to increase workload in already busy school environments as schools (being part of the LA), would also be required to complete annual returns on financial year basis.

Schools with rising numbers could also potentially lose funding (?)

It would be useful to understand how the mechanics of this proposal will actually work.

For example October 2021 would inform funding for maintained schools in the financial year 2022/23 (lagged numbers)

So for the academic year is the position?

	April August - 2022	September 2022/ March 2023	April 2023/August 2023	September 2023/March 2024
	5 months	7 months	5 months	7 months
Count dates	October 2020	October 2021	October 2021	October 2022
	Financial Year 2022/23		Financial Year 2023/24	

Some key questions would be around the timing of the funding announcements and the possibility of multi-years budgets. Schools would need to know their funding position in plenty of time to be able to make any necessary adjustments e.g. lead in period to restructures

It is unclear if the funding will be awarded for the financial year, however split to reflect the financial year/academic year.

Will the split be necessary for demonstrating spend, or is that an arbitrary split?

We assume this is for Schools Block only or will this apply to EY, High needs?

We assume schools with growing numbers will be "protected" via growth funding (assume they meet the criteria?)

At a local level this is going to have implications for our schools in terms of managing change and different ways of working. Schools will potentially require support to embed the changes including amending their finance systems, understanding the finances for their school etc.

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?

See previous comments, there is currently insufficient information available to fully comment. LA would need to undertake additional training with schools to embed the new ways of working.

Question 15:

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

We feel that these particular proposals are not equitable across all schools and exclude some schools from having the same access rights:

- *Pooling Budgets only for academy schools - this should apply to maintained federations.*
- *Popular growth - only open to academies. This is inconsistent with the broader principles of NFF being fair and transparent*
- *Falling Rolls fund*

We believe that all schools should have access to the same arrangements and flexibilities which are proposed only for Academies. If these flexibilities are not available to all schools, there will be inequalities of access for children depending on the governance of their schools.

Question 16:

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

Diminishing the role of Schools Forum, the sector would limit the strategic over-view of funding and local issues, such as schools in financial difficulties, growth, falling rolls etc. The need for Forum as a representative body will continue especially with regards to

early years, high needs and with respect to the central statutory role of the LA. The role of Schools Forum should be reviewed after the formula has fully embedded.

We don't feel that some of the policies advised within the consultation are either fair or equitable – and with the overall support, more preference is given to academy status.