

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



London Councils' response

Summary

London Councils has consistently argued against the implementation of a hard national funding formula (NFF) which removes any local flexibility from the school funding system. The current 'soft' formula enables head teachers and local authorities, via the Schools Forum, to address any local issues through a local formula applied on top of the NFF in a fair and transparent way. Local decision-making has supported many London schools through difficult financial periods, such as a sudden change in leadership or growth.

Moving schools' funding allocations closer to the NFF will be destabilising for some London schools, particularly small primary schools, and we are concerned about the impact that this will have on children's learning.

We urge the government to give all schools access to the same freedoms and flexibilities that they are proposing for academies in the consultation document. On the proposal to allow only academies to access popular growth funding, London has many very popular maintained schools, particularly at primary, which could benefit from this funding to expand places. Similarly in relation to the proposal to allow academy trusts to continue to be able to pool funding, local authorities or federated groups of maintained schools could equally benefit from the economies of scale that pooling funding enables. By not giving all schools access to the same flexibilities there will be an inconsistency in the system that will make it more complex to manage.

We have welcomed the Minimum Funding Guarantee that was introduced with the NFF but are concerned about the ongoing impact on London's schools of the Government's levelling up agenda. London's schools received the smallest percentage increase of the additional school revenue allocations in 20-21 and 21-22, despite having some of the highest levels of deprivation, mobility and English as an Additional Language (EAL) in the country. The NAO recently reported that between 2017-18 and 2020-21 83.6% of schools in Inner London and 55.4% in the rest of the country saw a real-terms decrease in per-pupil funding¹. It is vital that London's schools receive funding allocations that meet the full cost of running a school and enable them to continue to thrive. Levelling up should mean that every school is brought up to London's standards but not at the cost of London's own performance.

London local authorities are currently grappling with huge deficits in the Dedicated School Grant (DSG) largely due to significant deficits in the high needs funding allocations from government. Demand for services for children with Special Educational Needs and Disabilities (SEND) has grown substantially since the introduction of the Children and Families Act 2014. The government high needs funding allocations have not kept up with this increase in demand, leaving many local authorities with significant deficits.

¹ [School-funding-in-England.pdf \(nao.org.uk\)](https://www.nao.org.uk/publications/2022/school-funding-in-england/) p. 12

There are also pressures facing the early years block of the DSG, with many providers facing an uncertain future due to Covid and a lack of financial security in the funding allocations for maintained nursery schools.

To fully understand the implications of the proposals set out in this consultation it is vital to look across all 4 blocks of the DSG. It is difficult to respond fully to the consultation questions on the schools and central schools support block when we don't yet know the full implications of the recommendations of the SEND review, for example.

In particular, the ability of local authorities to transfer funds between the DSG blocks to top up the high needs block has been a helpful way of mitigating some of the impact of spiralling high needs budgets. London Councils is very concerned about the impact that moving to the hard formula will have on local authorities' ability to manage high needs and early years budgets with local flexibility removed. It is vital that the DfE publishes plans urgently on how it will replace the ability to transfer between blocks with an alternative mechanism to help top up the high needs block.

London is facing considerable changes in terms of demographics, with many primary schools now facing falling rolls after a decade of unprecedented demand for places. It is uncertain how long this period of decreased demand will last and it is vital that the school funding system is able to respond to this challenge swiftly to ensure that schools are not destabilised financially. Forecasting accurate roll numbers while the long term impact of both Brexit and Covid-19 is still uncertain is very difficult. We urge DfE to take this into account in its growth and falling rolls funding.

We do not support the overarching proposal to move towards a hard formula but do recognise within the proposals the commitment towards a smooth transition, addressing any issues during the process. We hope that we can continue to work with the DfE to ensure that the experiences of London schools and local authorities are taken into account as part of this work. We will also continue to engage with the DfE through further forthcoming consultations outlined in the consultation document.

Consultation questions:

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?

No – London local government has consistently argued against the implementation of a hard national funding formula. Local decision making is vital in the school funding system to ensure that any local issues can be addressed immediately. For example, London schools have seen considerable turbulence in recent years, particularly due to significant changes in demand for places over the past decade, which the local formulae have been able to respond to swiftly to ensure budgets could cope with a sudden sharp increase or decrease of places. It is not clear in the consultation document how a hard formula will be able to respond to support schools in this way. Local formulae are published and transparent, and therefore we do not recognise the need to move to the hard formula.

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

It will be important that the DfE takes into account the impact that any changes to the premises factor will have on individual schools and puts in place measures to mitigate this. We have concerns

that the long term consequences of reforming premises funding, without careful consultation, may adversely impact schools and lead to schools having to deprioritise premises management. We also need clarity around what is included in exceptional circumstances funding.

We welcome the additional year and commitment to additional consultation on PFI in recognition of the complexities involved. In London we have a number of PFI schools and schools with split sites that we have concerns about.

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

Local authorities will need clarity around the data they need to collate to support this work.

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

We support the ongoing use of a lagged funding system, with top up funding available for growth or falling rolls. However, we would urge greater flexibility in the formula to be able to respond to emerging issues relating to school place numbers. The consultation document sets out that schools will need to be facing significant pressure to qualify for top up funding but it is important that the DfE remains flexible on thresholds and consults with schools and local authorities on this.

The DfE needs to take into account in any funding decisions around growth the wider impact of any financial turbulence due to changes in school place demand across sub-regions and regions. Many schools across London are facing falling rolls and local authorities are supporting them to make changes, such as merging classes or schools in some cases. However, these changes often take time, and the revenue funding system needs to be flexible enough to support this.

The expectation that schools with falling rolls will only be given additional funding where they can evidence a forecast increase in places within three years will be very difficult for many schools across London. Given the turbulence of the last 3 years in terms of the London population, with the drop in birth rate coupled with changes in migration due to Brexit and more recently Covid, it has been very difficult for local authorities to accurately forecast demand. Understanding patterns of demand over the next 3 years will be further complicated by the ongoing disruption of Covid-19 and anticipated changes in immigration, for example with families moving from Hong Kong and Afghanistan.

Any additional burdens for local authorities arising from the change in growth funding including additional data collation and presentation will need to be funded.

Popular growth funding should be available to all schools that can demonstrate a clear increase in popularity. Many maintained schools in London, particularly at primary, are significantly oversubscribed and would welcome popular growth funding in order to be able to expand. It is not clear why the proposal only relates to academies.

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 - We do not support the proposal to move towards the hard formula. It should be a voluntary process in line with local decision-making.

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 - We do not support the proposal to move towards the hard formula. It should be a voluntary process in line with local decision-making.

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 support the proposal to move towards the hard formula. It should be a voluntary process in line with local decision-making. Moving schools' funding allocations closer to the NFF will be very destabilising for some London schools, particularly small primary schools and we are concerned about the impact that this will have on children's learning.

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?

No

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 there should be continued local flexibility in the formula.

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

N/A This is not a particular issue for London.

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

The central school services block funds core services to schools. It is important that it continues to sit within the DSG and that local authorities are funded appropriately to deliver these essential statutory services. If the DfE decided to move the core schools funding to the LGPS it is vital that it also passes the same level of funding per local authority to the MHCLG.

We do not support the proposal to continue to allow MATS to pool allocations, whilst removing any local flexibility to pool resources amongst maintained schools. Local authorities retain statutory duties around school improvement, and therefore have a significant ongoing role in driving up underperformance, along similar lines to MATs. They can benefit from the economies of scale of pooling resources in the same way as MATs and have established federations of maintained schools in many areas with unifying structures to support local schools. We would like to see a consistent approach to the school funding system for all schools, irrespective of their structure.

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

N/A

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 are strongly opposed to this proposal. The shift to funding maintained schools on an academic yearly basis would be challenging for both schools and local authorities. In particular we have concerns about the capacity of small primary schools to cope with the additional burden that this would place on them.

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?

The additional administrative burden on schools would be a significant drawback to moving maintained schools to being funded on an academic year basis. Many small schools may struggle to be able to manage with the extra capacity required.