



Schools Forum

Report title: National Funding Formula (consultation) – update of key points

Date: 21st October 2021

Key decision: No.

Item number: 6

Outline and recommendations

Schools Forum is asked to note this report including the consultation responses from Lewisham (Appendix A), and London Councils (Appendix B).

Schools Forum is also asked to note the significant implications for Lewisham Council and Schools arising from the ongoing reduction in the Central Schools Services Block and now the confirmation of changes that will effectively result in cessation of funding from 2023/24.

Schools Forum is asked to further note that detailed work is currently being undertaken to review and mitigate the impact.

The report also includes a representation made by Cllr Barnham to the Secretary of State for Education. (Appendix C)

Timeline of engagement and decision-making

Public consultation from 8th July to 30th September

Implementation from 2023/24

Internal review of services supported by the CSSB and engagement with Schools – October 2021 to July 2022

Summary

- 1 Purpose of this document is to provide a summary briefing with regards to the NFF consultation launched by the DfE. The final response is attached for information as submitted by the Lewisham council Appendix A. Our response localises Lewisham position. Additionally, Appendix B is the response submitted by London Councils that covers the full London position is included. The consultation document also confirms some changes in particular to the Central Services Block –which will have significant implications for Lewisham Council and the services provided to schools.

Background

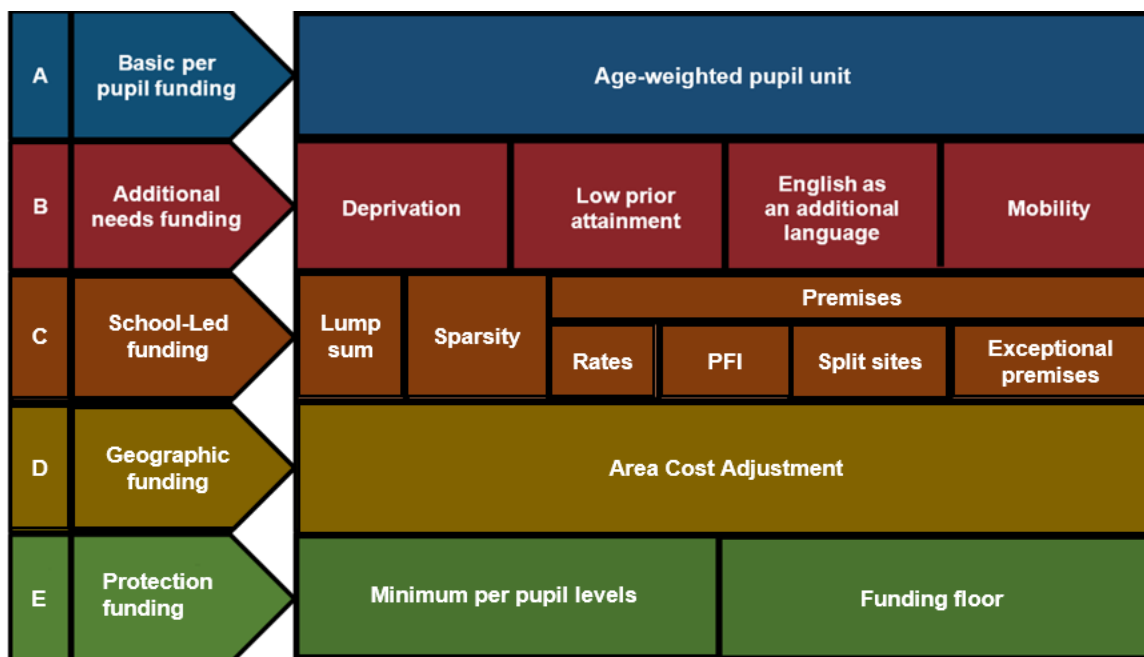
- 2 Following a period of lobbying by a group known as “F40”, the Department for Education undertook detailed working which considered the system in place then, to be “unfair, not transparent and too complicated”. As a consequence of their findings the DfE commenced on the journey to standardise schools funding.
- 3 First element of this was to limit the number of factors that are used in any formula, and to establish set funding associated with each factor. The method was adopted partially, whereby the standardised method, determined the funding each Local authority received. Local Authorities then had sufficient flexibility to construct their local funding formula within the given parameters. This process has been known as the soft formula.
- 4 The current consultation is now looking at how to progress the next stages towards the hard formula – i.e be fully compliant, with progressively no local discretion.

What is the National Funding Formula?

- 5 Schools receive their delegated budget share based on the principles of the National Funding Formula with some local variations.
- 6 Table below shows the various “factors” that constitute the NFF. The DfE is looking towards moving to a “quasi” hard formula by 2023/24. This would mean that all items in A, B and D would no longer allow any local discretion.

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- 7 Schools Forum to note that Lewisham, with regards elements A, B, D and C (Lump Sum element only) is fully complaint. So there is no anticipated impact as a consequence to moving to the “hard formula” for Lewisham. It should however be noted that many LA’s are not in this position and for them the move towards a hard formula would have potentially varying degree of implications. It is anticipated that the MFG will continue, which is currently managing any fallouts from the NFF value and what each school previously received.
- 8 DfE will undertake stage 2 consultation for factors that are not currently part of the NFF. These relate to the C- Premises related elements, of Rates (NNDR), PFI, Split Sites and Exceptional Premises Factors.
- 9 **NNDR (Rates)**, DfE is considering a change in process which would firstly exclude NNDR rates in its purest sense from the formula. This would be replaced with a top slice motion similar to the arrangements for copyright licenses. It is anticipated that there will be no financial impact. Further details are awaited, DfE has confirmed that the NNDR will only be paid for educational establishments. There is a potential increase in administration and reconciliation for finance staff as a consequence. Potentially a lower administration for schools. few aspects are not 100% clear e.g will the LA still be required to transfer associated funds to schools for rates, as it will be more of a notional scenario from a schools perspective. This will depend on how the CFR reporting requirements are noted. Changes will commence from April 2022. As we know more about the process, we will update schools accordingly.
- 10 **PFI** - each borough that has PFI treats this differently. The Lewisham formula is more complex than most LA. The Lewisham formula has two elements, first a set amount of £150k towards the affordability gap. Secondly for qualifying schools an additional element of funding to support a “10% threshold”. Over the course of the next few months it is expected that the DfE will undertake detailed engagement with those local authorities that use the PFI factor with a view to potentially reviewing and standardising arrangements. Schools Forum is asked to note the potential risk, but also note that any proposed change would be subject to further consultation and is unlikely to take place

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until after 2023/24.

- 11 **Split Sites-** This factor is used to support those schools towards additional costs of running the school over two sites over a agreed distance. Each local authority that uses this factor applies a different amount to contribute towards the additional running costs. The DfE wants to standardise this position and is likely to develop a standardised model which they feel is a diseconomy in cost. E.g Reception, additional security for safeguarding etc. Once again, the DfE will be engaging with Local Authorities as the second stage of the consultation to consider how this may be standardised and incorporated into the NFF. **Schools Forum is asked to note the potential risk, but also note that any proposed change would be subject to further consultation and is unlikely to take place until after 2023/24.**
- 12 **Exceptional Factors.** Under the current setup, local authorities may request additional factors (subject to regulations and criteria) which must be approved by the Secretary of State to enable Local Authorities to use the factors. Lewisham currently has two such factors, one relates to playing fields and the other to service charge for land use. Less is said around these factors in the consultation report, mainly as the DfE is the approving body so is aware of the factors. That said, to enable a fully hard formula to be in place, the DfE may include this area in scope. **Schools Forum is asked to note the potential risk, but also note that any proposed change would be subject to further consultation and is unlikely to take place until after 2023/24.**
- 13 Overall, the DfE position is that the next stage towards a hard formula should proceed. The DfE in the consultation makes it clear that they are aware of the complexities and appear to have provided some assurance that any changes arising from the stage 2 consultations will not be rushed into and is expected to be phased in from 2023/24 onwards. The consultation also makes clear that the concept of floors, ceiling and MFG as forms of transition, will be available to mitigate any large movements.

Other elements considered in the NFF consultation

Proposal to harmonise funding to Academic years.

- 14 The NFF consultation is also seeking views on the appetite for moving towards Academic year funding, within a FINANCIAL YEAR FRAMEWORK. Schools are used to receiving funding for academic years within financial years periods such as UIFSM, Post 16 etc. There are possibly two aspects of concern, however the consultation does not provide sufficient clarity –
- Will schools be required to produce two accounting statements, one on a financial year basis and the other on an academic year basis? What will actually change for schools if the settlement is per financial year (?). how will the reporting requirements for the DfE and LA link in here. It needs to be noted that both have statutory reporting requirements.
 - Maintained schools funding is based on the October data immediately before the financial year. E.g 2021/22 financial year is based on October 2020. For academy schools the position is more complicated as the funding “straddles” over 2 financial years. So for example financial year 2021/22 –April to August would be based on October 2019 and September to March would be based on October 2020. We are not clear if this would result in adverse funding.

Schools Forum, to note that Lewisham does not support this move. We do not see any benefit for Lewisham Schools.

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Growth Fund and Falling Rolls Fund

- 15 The DfE wishes to effectively move away from allocating funding to Local Authorities towards a more controlled process administered by the DfE. Lewisham already funds any school based growth on the APT tool. Lewisham does not currently have a falling rolls fund. Potential implications for Lewisham will include –
- How bulge classes are supported as that is not discussed in the consultation. Lewisham also has a ongoing support of £2k per year as bulge classes work through. This funding would be at risk.
- 16 The DfE has noted that they support academy schools that previously has falling numbers, with “popular school growth”. This mechanism is not being considered for maintream schools. Our veiw is that this undermines the equality and fairness aspect of the funding formula.
- 17 Centralisation of such policy would also take away any local discretion which is most needed to meet local priorities.
- 18 **Schools Forum to note that Lewisham does not support this policy change and considers this proposal to contradict the need for equity and fairness.**

Central Schools Services Block (CSSB)

- 19 The CSSB has two sub funding elements within this block. The first element relates to what the DfE term as “ongong”. All Local Authorities utilise this funding somewhat differently, but in the main this should cover areas like admissions, place planning etc.
- 20 The consulation suggests that this part will be further reviwed by the DfE to split this across three distinct areas of
- Statutory for all - Maintained and Academies
 - Traded
 - De-delegation
- 21 Expectation is that the funding receivable will only be for Statutory for all , and then move into the councils main grant (Revenue Support Grant). It is not clear if any of this funding will move to the Schools Block to help schools purchase services, although this is considered unlikely. Additionally, transfer of funding to the main RSG grant comes with its own set of risks including, redistribubtion of funding across the country (loss of funding to Lewisham), lack of visibility etc. It is also unclear how the funding sits within the policy of the Department for levelling up, Housing and Communities.
- 22 The second element of the funding known commonly as the “historic baseline”, will continue to be abated for 2022/23 with an estimated reduction of £500k. Following which the proposal is for a termination of this grant.
- 23 The table below shows the year on year pressure from changes affected to this grant. For the purpose of this illustration there is an assumption that the “ongoing element” will reduce by 1/3 simply based on the position that funding is expected to be re-catergoised over the three areas as stated above in bullit point 20.

	Ongoing Duties	Historic Baseline	Total
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	£m	£m	£m
2019/20	£1.46	£3.96	£5.42
2020/21	£1.48	£3.16	£4.64
2021/22	£1.73	£2.53	£4.26
2022/23	£1.71	£2.03	£3.74
2023/24	£0.57	£0.00	£0.57
Movement to 2019/20	-£0.89	-£3.96	-£4.85
Movement to 2020/21	-£0.91	-£3.16	-£4.07
Movement to 2021/22	-£1.16	-£2.53	-£3.69

- 24 Lewisham has already started to work on the detailed review of services as previously advised to Schools Forum. This remains a complex task as the situation has to be considered holistically and consideration of risk management in light of the statutory responsibility of the Local Authority. This review will enable Lewisham to have some detailed analysis to facilitate comparison with the DfE final position.

Schools forum – Future of the Schools Forum Position

- 25 Schools Forum is a statutory body which has a dual role. Some aspects of the Schools Forum role are advisory and support the implementation of local/national policy. Schools forum also has some decision making powers currently mainly around the aspects related to the funding formula e.g. transfer rights of 0.5%, De-delegation values, Growth Fund, Falling rolls fund, MFG approval etc
- 26 As the formula moves towards the NFF (Hard), Schools forums role will amend further towards advisory. Schools forum will continue to work effectively with local authorities with regards to high needs and early years. The changes will be phased in as the hard formula process is formalised
- 27 **Schools forum is asked to note the above points.**

Financial Implications

- 28 The report refers to a recent consultation paper. Depending on the outcomes of the consultation there is potentially some direct implications for schools. This is anticipated to be largely mitigated by the protection mechanisms of “floors and ceiling” but also the MFG, however this cannot be guaranteed until we have final information from the DfE.
- 29 Additionally, the document confirms some changes particularly relating to the CSSB which will have significant implications for both schools and Lewisham Council.
- 30 Depending on the outcomes of the consultation a further report will be presented to schools forum in due course.

Legal implications

- 31 There are no specific legal implications arising from this report.

Equalities implications

- 32 There are no direct implications arising from this report. However some of the recommendations suggested by the DfE, for example supporting growth fund for

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academies and not maintained schools, do not support equalities

Climate change and environmental implications

33 Not applicable

Crime and disorder implications

34 Not applicable

Health and wellbeing implications

35 Not applicable

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