

16 September 2021

TITLE OF REPORT: Schools Forum Meetings

Purpose of the Report

To bring to Schools Forum attention, the Department for Education (DfE) consultation on the move to a hard national funding formula (NFF) for mainstream schools that interested parties can respond to.

Background

The DfE launched its most recent consultation on the move to a hard NFF for mainstream schools which is open from 8 July to 30 September 2021. The consultation asks 16 questions including a question on the move of some Central Schools Services Block (CSSB) into the Local Government Finance Settlement.

The DfE's principles of the move to a hard NFF is that the formula should be fair, simple and transparent and efficient and predictable.

Below are links to the consultation documents.

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

Gateshead Council will be making a response to this consultation. If Schools Forum would like to respond to this consultation there are 2 options:-

- Agree to use the LA draft response.
- Amend the draft attached in appendix 1 to form Schools Forum's response.

Proposal

Schools Forum considers the information in this report and decides whether a response to the consultation is to be made on behalf of Schools Forum.

Recommendation

It is recommended that Schools Forum consider the information in this report and decide if it would like a response to be made in their name and how this will be facilitated.

For the following reason(s):

- To ensure that Schools Forum has the option to respond to the consultation.
 - To provide Schools Forum with the opportunity to express their opinions.
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Appendix 1

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

Draft response

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

There should continue to be a transition towards the hard NFF for pupil related factors, but LA's are best placed to have the local knowledge to ensure that no schools fall off a cliff edge due to changes in factor values or data.

Data errors can be better identified at a local level, where national checks may not pick up these errors and individual schools and MAT's may not have the knowledge and expertise to identify issues. In the current funding system schools do not see their data before funding allocations are calculated. Is there a plan to provide all schools with their data before funding allocations are calculated so that any data errors can be rectified?

Recent reports by the NAO and the CEO of the Education Policy Institute both stating that schools in affluent areas benefit disproportionately than schools in more deprived areas. The NAO report found that the most deprived schools had seen a funding drop of 1.2% in recent years, versus a 2.9% increase for schools in more affluent areas. Although the NFF funds all schools on a consistent basis it is not fair.

- The school led factors such as rates and especially PFI will be difficult for a hard NFF to cope with.
 - In the previous consultation on Rates (results not yet published) the mechanism for amending previous years rates would be removed in the APT and the DfE did not understand how rates works in all LA's. This will cause issues for schools that have rates revaluations which can have effects over several years. It is also a concern that maintained schools would not have the same mechanisms to claim for changes in rates that academies will have access to. This does not seem like a "fair" process.
 - All PFI schemes are different, contracts are over different periods of time and each LA has a different funding mechanism. The Council do not think this should be part of the NFF and is concerned that our schools could be adversely affected, or that our PFI schools gain an unfair funding advantage over the rest of our schools due to the DfE not understanding what services are included in the PFI contract.

- Benchmarking for certain parts of the PFI contract are undertaken every 2 years and can cause the unitary charge to either increase or decrease – how can this be factored in to a hard NFF?
- How would a new school that has exceptional funding costs, such as rent, be factored into a hard NFF as there would be no historic basis for this new area of funding to be based on?
- There is also the issue of end of contract bullet payments which a NFF would find difficult to accommodate.

The consultation mentions a “national application-based system” for exceptional circumstances, but there are no details of how this would work and there is a very high probability that this would be an additional burden for both local authorities and schools, and could de-stabilise individual school’s budgets if exceptional costs were not granted.

As pooling will be allowed for MAT’s under the current proposals, the Council would suggest that this comes under the heading of “local adjustments” and therefore the proposal is not fair or consistent across the sectors.

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

No

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

No

- The proposed system would require the LA to use the current return for school places to identify basic need growth. Basic need growth can be predicted in overall numbers, but with parental preference it is difficult to accurately forecast where children will actually attend school.
- The proposals state that only academy schools would be eligible for popularity growth funding. This is not fair, transparent or consistent. A maintained school could also see popularity growth due to a number of factors such as a new outstanding Ofsted rating, new provision such as a nursery class, post 16 or wrap care.
- The proposed methodology would also unfairly distribute more funding to areas that have higher proportions of academy schools.
- The timing of the additional data collection is not mentioned, and the consultation does not stipulate who would undertake this additional data collection.

If the hard NFF was in place along with these proposals, a newly converted academy would have attracted additional funding when pupil numbers increased after conversion, but a maintained school in the same position would not. This proposal described as a “standardised approach” but it is clearly not standardised for all schools that are publicly funded as maintained schools cannot access this funding.

For falling rolls this would be an additional return from the LA to the DfE to forecast where pupil numbers will fall in the future, and then this capacity will be needed within the next 3 years. Forecasting future requirements is very difficult due to parental preference and when there is significant new house building planned. Timescales can be longer than 5 years especially where houses/existing buildings are demolished and new housing built on a brown field site.

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

Any proposals should apply consistently and fairly to all mainstream schools and schools should not be disadvantaged because they are maintained schools.

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

This is not an issue for Gateshead as we already use them all but could be an issue for other LA's that do not use all the factors. E.g. not all LA's use both FSM and FSM6. Using both factors with the later proposals to move these factors towards the NFF could have a destabilising effect on individual schools and the overall schools block in some LA's

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

However, this needs to be undertaken in conjunction with LA's and Schools Forums and there is a process for exceptional circumstances to be taken into consideration. The incremental approach will ensure that there are no cliff edges for schools, however there should be a review of how the move towards a hard NFF will move funding from the more affluent schools to the more deprived schools to try and address the attainment gap.

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 comment.

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?

N/A Gateshead already uses EAL3 as that was the view of EMTAS on how long it takes a child to access enough English to take part in the curriculum.

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

Not applicable for Gateshead, but will take advice from LA's that use this factor

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?

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If funding moves into the LGFS, it will no longer be ringfenced and could be subject to future year cuts due to wider council budget pressures. The Council is concerned about the level of funding we will receive, and we will need a fundamental review of what is funded from the CSSB. This will have general fund impacts.

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.

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Yes, but need more details

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?

This should not be investigated further.

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 funding year for maintained schools should remain April to March as non-teaching staff are budgeted for on a financial year basis so irrespective of the accounting year adjustments would need to be made. Keeping the same reporting year as the LA also makes year end processes more efficient. If the maintained schools accounting year was

moved to September to August this would entail two year end processes which would result in additional burdens on maintained schools and LA's. It might be more appropriate to move the academy accounting period so that it lined up with the DfE's financial year reducing the need for some of the academy returns needed to profile academy accounts into an April to March basis.

Funding maintained schools on a financial year basis ensures there is less of a lag time in funding system (7 months as apposed to 12) which is better for school planning.

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?

- Loss of local knowledge - LA's know their schools
- Loss of local independent expertise (LA) so both maintained, and academy schools will be more reliant on the DfE for funding issues/explanations
- Who will analyse the impact at an LA level on any future proposals once the hard NFF is in place?
- No specific questions about de-delegation in the future and the impact this could have on our traded services
- No questions about the intention to let MAT's pool budgets, maintained schools do have a shared governance via elected members and Schools Forum. The removal of Schools Forum powers will lessen the transparency of funding decisions.
- The proposals in the consultation are not about "fairer" funding but more consistent funding
- It will no longer be a local decision over the capping and scaling decisions. This can have a profound effect on individual school budgets. When decisions are taken at a local level MFG, capping and scaling smooths the funding changes between the different types of schools. If this is undertaken at national level there will be more turbulence in the system as different areas have different characteristics. This could lead to a further movement of funding from more deprived areas to more affluent areas.