

18 May 2023

**TITLE OF REPORT: Implementing the Direct National Funding Formula –
Consultation Response**

Purpose of the Report

1. To bring to Schools Forum the Governments response to the consultation on implementing the Direct National Funding Formula (NFF).

Background

2. The Department for Education (DfE) held a consultation between 7 June 2022 and 9 September 2022, with the consultation response published 26 April 2023.
3. The consultation was around several elements of the move to a direct NFF:-
 - Continuing to have some flexibility within the funding system to move funding to the high needs block (HNB)
 - The determination of indicative notional special educational needs and disability (SEND) budgets for mainstream schools
 - How the DfE should fund schools experiencing significant growth or falling rolls under the NFF
 - Allocation of split site and exceptional circumstances funding, to move away from historic data and allocate funding on school led elements through the NFF
 - How minimum funding guarantee (MFG) will operate in the direct NFF
 - The timescales for the collection of data to calculate allocations and confirm these allocations with schools and trusts to support their budget planning.
4. A link to the full consultation response is below and a summary of DfE responses is provided in appendix 1.

[Implementing the Direct National Funding Formula Government consultation response \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/implementing-the-direct-national-funding-formula)

Proposal

5. That Schools Forum notes the contents of the report and the information in appendix 1.

Recommendations

6. Schools Forum notes the report.

For the following reasons:-

- To inform Schools Forum of the outcome of the Implementing the Direct National Funding Formula Consultation.

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Appendix 1

Consultation questions and a summary of DfE responses

Question 1

Do you agree that local authorities' applications for transfers from mainstream schools to local education budgets should identify their preferred form of adjustment to NFF allocations, from a standard short menu of options?

Response

The DfE will allow local authorities to request funding transfers to the HNB via a short menu of options to adjust funding to mainstream schools. The menu of options has not yet been published.

Question 2

Do you agree that the direct NFF should include an indicative SEND budget, set nationally rather than locally?

Response

The DfE stated that an indicative SEND budget would be useful for schools, but that this could not replace what resources are actually needed. There will be further engagement to consider the design of the National Standards for SEND in the context of the indicative SEND budget. Further guidance will be published to strengthen the calculation of indicative SEND budgets for 2024-25.

Question 3

Do you have any comments on the proposals to place further requirements on how local authorities can operate their growth and falling rolls funding?

Response

There will be a gradual transition to allow local authorities and schools time to adjust to the new requirements. Local authorities will not be required to provide funding where the growth is as a result of parental choice or academies admitting above their PAN by their own choice. The DfE will continue to engage on the new requirements before publishing final guidance in July 2023.

Question 4

Do you believe that the restriction that falling rolls funding can only be provided to schools judged "Good" or "Outstanding" by Ofsted should be removed?

Response

The restrictions will be removed from 2024-25 and will rely on school capacity return data to provide funding where it shows that school places will be required in the subsequent 3 to 5 years.

Question 5

Do you have any comments on how we propose to allocate growth and falling rolls funding to local authorities?

Response

The DfE confirms that from 2024-25 they will revise the current growth allocation methodology to allocate funding on the basis of both growth and falling rolls on medium Super Output Areas. Areas with that have either significant growth or falling rolls will be allocated funding, and there will be no netting off of funding. Re-baselining will take place following the data collected in the 2024-25 authority proforma tool (APT) and factors will be published July 2023.

Question 6

Do you agree that we should explicitly expand the use of growth and falling rolls funding to supporting local authorities in repurposing and removing space?

Response

The DfE considered the widespread support for the use of growth and falling rolls funding will allow local authorities to fund revenue costs associated with repurposing or reducing school places.

Question 7

Do you agree that the Government should favour a local, flexible approach over the national, standardised system for allocating growth and falling rolls funding; and that we should implement the changes for 2024-25?

Response

Considering the widespread support, some local flexibility will be retained in the allocation of growth funding to schools.

Question 8

Do you have any comments on the proposed approach to popular growth?

Response

Due to widespread support for the consistency of popular growth funding being available to all schools, the DfE will ensure that there is equivalence in funding accessible for all schools. The DfE will work with stakeholders to determine the limited circumstances in which schools should be able to access this funding.

Question 9

Do you agree we should allocate split sites funding on the basis of both a school's 'basic eligibility' and 'distance eligibility'?

Response

There will be a new split sites factor that will be on a formula basis made up of a basic eligibility element and a distance element from 2024-25.

Question 10

Do you agree with our proposed criteria for split sites 'basic eligibility'?

Response

Funding will be allocated on the below criteria for split sites basic eligibility:-

- To be separated from the school's main site by a public road or railway.
- To be used primarily for the education of 5 to 16-year-olds.
- To share a unique reference number (URN).
- To have a building on a site that is maintained by the school.

Question 11

Do you agree with our proposed split site distance criterion of 500 metres?

Response

The DfE state that 500 meters is the right threshold, and there will be a distance taper starting at 100 meters.

Question 12

Do you agree with total available split sites funding being 60% of the NFF lump sum factor?

Response

Around 60% of the 2024-25 NFF lump sum is an appropriate amount of funding given that an additional site should cost less to run than the schools main site.

Question 13

Do you agree that distance eligibility should be funded at twice the rate of basic eligibility?

Response

Two thirds of the available funding will be allocated for basic entitlement and one third of the funding through the distance element.

Question 14

Do you agree with our proposed approach to data collection on split sites?

Response

Local authorities will be required to return data to the Department on all split site schools in their area (including academies and voluntary aided schools) as part of the APT, until we transition to the direct NFF in full.

Question 15

Do you have any comments on our proposed approach to split sites funding?

Response

A national split sites factor will ensure that split site schools are funded on a consistent basis.

Question 16

Do you agree with our proposed approach to exceptional circumstances?

Question 17

Do you have any comments on the proposed approach to exceptional circumstances?

Response questions 16 and 17

Some exceptional circumstances funding will be better suited to be incorporated into other NNF factors, and further work will be undertaken bring them into the NFF. They are as follows:-

- School building contracts via a reformed PFI factor
- Amalgamated schools will receive 100% joint lump sums in the year they amalgamated and 85% in the following year. The use of flexibility will be reviewed for the following year.
- The DfE will continue to work with the sector on funding for very small rural secondary schools and look to bring in some form of protection mechanism.
- Minimum per pupil levels for all through schools with uneven year groups

Other areas funded via exceptional circumstances will be kept under review before finalising a discrete list of eligible categories, and flexibility will be built into the system to allow for new exceptional circumstances to be funded.

Question 18

Do you agree that we should use local formulae baselines (actual GAG allocations, for academies) for the minimum funding guarantee (MFG) in the year that we transition to the direct NFF?

Response

The DfE will use local formulae baselines – and actual GAG allocations for academies – in the year of transition to the direct NFF.

Question 19

Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?

Response

The DfE will move to a simplified pupil-led funding protection under the direct NFF, together with some mitigation for sparse schools to prevent sudden losses in sparsity funding.

Question 20

Do you have any comments on our proposals for the operation of the minimum funding guarantee (MFG) under the direct NFF?

Response

The DfE will go forward with the proposals to adjust for changing year group structures to prevent over protection of some schools. Impact of any changes on individual schools will be analysed to prevent unintended outcomes.

Significant changes to school led funding will need to be implemented before any simplification of the MFG.

Question 21

What do you think would be most useful for schools to plan their budgets before they receive confirmation of their final allocations: (i) notional allocations, or (ii) a calculator tool?

Response

The DfE will aim to develop a flexible calculator tool that can be used to estimate funding.

Question 22

Do you have any comments on our proposals for the funding cycle in the direct NFF, including how we could provide early information to schools to help their budget planning?

Response

The DfE will continue to provide information on the design of the NFF in July each year and explore what other information can be provided in advance.

Question 23

Do you have any comments on the two options presented for data collections with regard to school reorganisations and pupil numbers? When would this information be available to local authorities to submit to DfE?

Response

Data will be requested in December using a prepopulated form with October census data. However, this will require a tight turnaround period over the holidays. To assist in this process a draft template will be provided before the pre-populated data is available to minimise the amount of work required once the populated data is available.

Question 24

Regarding de-delegation, would you prefer the Department to undertake one single data collection in March covering all local authorities, or several smaller bespoke data collections for mid-year converters?

Response

The DfE will have one single data collection in March when the direct NFF is introduced, however, once the process has been implemented it will be reviewed over time.

Question 25

Do you have any other comments on our proposals regarding the timing and nature of data collections to be carried out under a direct NFF?

Response

The DfE agreed with some wider comments to minimise burdens and provide advance notice of upcoming changes and will continue to work with stakeholders to ensure that processes are as streamlined as possible.