

**CITY OF WESTMINSTER**  
**SCHOOLS' FORUM 14th NOVEMBER 2022**  
**REPORT BY LEAD STRATEGIC FINANCE MANAGER – BI BOROUGH**  
**CHILDREN'S SERVICES**  
**DfE NATIONAL FUNDING FORMULA PROPOSALS – SECOND STAGE**  
**CONSULTATION**

**Purpose of the report**

This report covers the Department for Education (DfE) second stage consultation regarding implementing the Direct National Funding Formula (NFF)

**FOR INFORMATION**

**1 INTRODUCTION**

- 1.1 The NFF currently calculates the schools block of the Dedicated Schools Grant (DSG). The LA, then determines individual schools' funding allocations through a local formula, after consultation with the Schools Forum. The local arrangements have maintained stability in the system, and the majority of LAs have moved towards the NFF since its introduction in 2018-19 although there remain some significant differences in the way in which some LAs allocate funding compared to the NFF.
- 1.2 The DfE's second stage consultation on implementing the direct National Funding Formula followed the September 2021 consultation, fair school funding for all: completing our reforms to the NFF. The first consultation focused on the principles of moving to a direct formula. In March 2022 the Government confirmed the commitment to introduce the direct NFF which means the DfE will determine individual schools funding allocations without substantial local adjustment. LAs will begin moving towards the direct NFF from 2023-24.
- 1.3 The second consultation covered a suggested approach to implementing the direct NFF, to ensure it is carried out effectively.

**2 OUTCOME OF DfE NATIONAL FUNDING FORMULA FIRST STAGE CONSULTATION**

- 2.1 The Department for Education (DfE) published its response to the [Completing our reforms of the National Funding Formula \(NFF\) consultation](#) at the end of March 2022. The response confirms the Government's long-standing ambition that all mainstream schools funding would be allocated based on a single national formula, replacing the current system where local authorities (LAs) allocate funding. No fixed target date was set by which the hard NFF will be fully in place. Instead there will be a transition moving LAs' local formulae

progressively closer towards the NFF, providing opportunity to consider the impact of each step before making the next move. Through the completion of these reforms, school funding allocations through the NFF will no longer be subject to substantial local adjustment.

2.2 The consultation response confirms that the DfE will:

- bring forward legislation to move to allocate funding directly through a single direct national funding formula (NFF)
- implement a gradual approach to the transition to the direct NFF and require LAs, to move their factor values at least 10% closer to the NFF in 2023/24
- The approach to the transition in subsequent years will depend on the impact in the first year
- continue the separate funding cycles for maintained schools and academies
- introduce new transparency requirements for MAT pooling
- review services funding through the ongoing responsibilities element of the central school services block (CSSB) while continuing with a legacy grant for unavoidable historic commitment costs.
- consult further on the direct NFF, focussing on the approach to growing schools, falling rolls, and premises funding (including split site funding) including some options which would allow a degree of local flexibility, in spring 2022

2.3 LAs will continue to set local funding formula in 2023/24, within the DfE parameters set out above. The intention of the NFF is to level up the school funding system so that all schools across the country are funded on a comparable basis.

2.4 Local Minimum Funding Guarantee (MFG) protections will remain in place for 2023/24, which in 2022/23 was required to be between +0.5% and +2.00% per pupil compared to per pupil funding in 2020/21. This will limit the impact of funding changes in the options modelled.

### **3 THE KEY PROPOSALS OF THE SEND STAGE CONSULTATION**

3.1 In the second consultation, the DfE set out proposals for the continuation of two current elements of funding for special educational needs (SEN): Firstly, proposals for continued flexibility to transfer funding to LAs high needs budgets, by adjusting mainstream schools funding; and second, the determination of notional budgets for mainstream schools' SEN, within their direct NFF allocations.

3.2 The consultation also sets out proposals for how funding for schools experiencing significant growth in pupil numbers, or falling rolls, could operate under a direct NFF.

- 3.3 The DfE has not set a final date when the direct NFF will be implemented but expect to have moved to the direct NFF within the next five years i.e. by 2027-28.
- 3.4 Following the SEND and alternative provision (AP) green paper consultation, there will be consultations on high needs funding. There will also be consultation on LA services funding through the central school services block (CSSB), in the move to the direct NFF, and the future role for LAs set out in the Schools White Paper.

## 4 FURTHER DETAIL ON SOME OF THE PROPOSALS

### **Flexibility to transfer funding to high needs**

- 4.1 Local Authorities (LAs) can transfer funds between blocks of their DSG. LAs mainly transfer from schools blocks to HN blocks to help pressures on HN costs. The flexibility to transfer funds from mainstream schools to LAs HN budgets in the direct NFF will be retained. The DfE envisage that this flexibility will be used with decreasing frequency as local systems become financially sustainable as proposals set out in the SEND and AP green paper aim to help address some of the causes of the current cost pressures, helping move towards a financially sustainable system.
- 4.2 It is proposed that LAs submit applications to the Secretary of State for funding to be transferred to high needs budgets, via adjustment to mainstream schools NFF allocations. Applications would include: the transfer amount requested; the period for which the transfer is requested; and what the funding would be used for. The following criteria is expected to continue:
- Strong evidence that transfer is needed to address significant HN cost pressures.
  - Detailed plans demonstrating transferred funding will contribute to addressing cost pressures in a sustainable way.
  - Strong evidence of transfer of financial responsibility for children with high needs to LAs high needs budget e.g. significant increase in proportion of children with education, health, and care (EHC) plans in specialist settings, or increase in top-up funding for pupils with EHC plans in mainstream schools.
- 4.3 Currently, LAs must consult their schools forums, on schools block transfers. It is proposed that schools give their views of LA's proposals to transfer funding to HN. The responses will be considered by the Secretary of State in deciding whether to approve the proposal.

### **Indicative SEND budget**

- 4.4 The DfE are clear there should continue to be a national expectation on how much of the additional costs of supporting pupils with SEN mainstream schools should meet. The DfE would calculate this under the direct NFF and indicate the amount within the school's budget that is allocated to help schools meet the costs of additional provision for children with SEND, up to a defined threshold (currently £6,000 per pupil, per annum) before schools seek

additional high needs funding. Currently LAs use factors in their school funding formulae to identify school's notional SEN budget. Subject to the SEND and AP green paper consultation, the DfE will consult on the detailed calculation of an indicative budget for SEND support within the direct NFF.

#### **Growth and Falling Rolls funding**

- 4.5 LAs have a statutory responsibility to ensure enough school places available for every child aged 5 to 16 needing one. Local partners are expected to provide additional places where they are needed and work with the LA to reduce the number of places offered where they are surplus to requirements. LAs currently have discretion as to whether or not to operate a growth and/or falling rolls fund. If they do, it must only be used to:
- Meet the revenue costs associated with new and expanding schools.
  - Support growth in pre-16 pupil numbers to meet basic need.
  - Support additional classes needed to meet the infant class size regulation.
  - Support falling rolls where places will be needed in future.
- 4.6 The ESFA also provides “popular growth” revenue funding where Academies experience significant growth in pupil numbers due to increased popularity.

#### **The Allocation of Growth and Falling Rolls Funding**

- 4.7 The DfE currently allocates growth funding in the DSG, based on actual pupil growth. LAs can spend more or less on growth funding than they receive. Analysis has found considerable variation in how LAs distribute growth / falling rolls funding. Only 24 authorities have a falling rolls fund in 2022-23, with half of these in London where most spending is concentrated. There are two options for growth funding in the direct NFF. The first option allows some local flexibility in how funding is distributed to schools. The second option is a national, standardised system, where the DfE allocate funding directly to schools. ***The DfE favour the first approach.***
- 4.8 ***Approach one: retain some local flexibility*** for LAs response to pupil place planning needs. Implementing this approach would require explicitly allowing LAs to spend growth and falling rolls funding on repurposing and removing surplus places. This could be implemented in 2024-25. Once the direct NFF is operational, growth and falling rolls funding would be part of LAs funding allocations, alongside Early Years and High Needs.
- 4.9 The DfE would place a number of requirements on how LAs could use and spend their growth funding to make the funding allocated more consistent, including:
- Requiring standard formulation for growth criteria which would allow LAs to exercise some flexibility over growth funding (e.g. use of per pupil values and/ or a lump-sum) and the factor values used.
  - Minimum requirements on LAs growth.
  - Minimum expectations on circumstances when LAs would be required to provide growth funding - eg support for schools creating an additional class of 30 pupils.

- Requiring LAs to retain funding centrally for growth and falling rolls. If LAs did not spend their full allocation on growth funding, this would either form part of their DSG balance or revert back to the DfE.
- 4.10 The DfE would place a number of requirements on how LAs could use and spend funding for schools on falling rolls, in order to make the funding allocated more consistent. It is proposed to:
- Standardise eligibility criteria and funding methodology, including a minimum threshold for a school's decline in pupil numbers.
  - Require LAs to use their School Capacity Survey (SCAP) data to assess whether school places will be required in the next three to five years.

### **Proposals on allocation of growth and falling rolls funding to local authorities**

- 4.11 The DfE propose to reform the allocation of growth and falling rolls by:
- Re-baselining the total growth funding nationally on the basis of the 2023-24 spend.
  - Allocating funding between LAs on the basis of both growth and falling rolls by calculating allocations on the basis of areas which have either seen growth or (significant) declines in pupil numbers.

### **Proposal to increase the scope of growth funding**

- 4.12 It is proposed to extend the scope of how growth and falling rolls funding may be used. It is prudent for LAs to retain some spare capacity in the system in order to manage shifting demand and provide for parental choice; but it is also important that local school estates are managed efficiently to ensure they remain financially viable. This involves LAs and local schools/ trusts working together where there are high levels of spare capacity, to reduce or repurpose this to avoid undermining the educational offer or financial viability of schools in their area. LAs should consider a spectrum of options for the reutilisation of space, including, co-locating nursery or SEND provision, as well as options for reconfiguration, including via remodelling, amalgamations or mergers/closures where this is the best course of action. Such repurposing of school estates often involves revenue costs.
- 4.13 It is proposed that LAs be permitted to spend growth / falling rolls funding on revenue costs associated with repurposing / reducing school places. This could provide LAs an additional lever in pupil place planning, where costs of repurposing or removing spaces would otherwise be prohibitive to achieving longer term improvements
- 4.14 **Approach two: national standardised system** The DfE favour the former option set out above, which allows some continued local flexibility. A national system would require LAs to submit new datasets on growing schools. There would be national eligibility criterion to determine whether forecast growth / decline merits funding. The proposed funding for schools with growth is the basic entitlement rate for each additional pupil and area cost adjustment (ACA). There would be a threshold for "significant" growth in pupils, with allocations above the thresholds shown below. Most applications would be for additional temporary/ permanent bulge classes agreed in advance of the

academic year. A claw back adjustment will apply where pupils do not materialise.

**Table 1 Threshold of pupils needed for growth funding by school size.**

School Size	Threshold for significant growth
Fewer than 300 pupils	15 pupils
Between 300 and 600 pupils	5% increase in NOR
Greater than 600 pupils	30 pupils

### **Popular growth**

- 4.15 Growth can also occur where a school becomes more popular with parents and children locally. In order to address consistency concerns, the DfE are consulting on whether maintained schools should also be able to access popular growth funding by basing their funding allocation on estimates. This would be via a case-by-case application where LAs can apply for maintained schools where there is clear evidence of expected significant popular growth, along with evidence of recent improvements in school performance.

### **Premises funding**

- 4.16 Premises factors in the NFF include additional revenue funding for schools which have: PFI; split sites, and which face costs relating to exceptional circumstances (such as rental costs for their premises).

### **Split sites**

- 4.17 The split sites factor is intended to account for the extra costs associated with a school operating across several sites e.g. additional reception facilities, travel time for teachers, and travel costs for pupils. There is a great deal of variation in the split sites criteria. A new NFF split sites factor is proposed that funds schools operating across multiple, separate sites on a fair and consistent basis.

### **Eligibility for split sites funding**

- 4.18 Additional costs such as additional reception, caretaking, catering or leadership staff costs may be incurred. These costs relate to additional fixed costs and overheads over the two sites and are not expected to vary significantly with pupil numbers. The proposal is a lump sum allocation. Schools with a second site that is at a distance from the main site may incur further costs from a greater number of duplicated services, and the need for pupils and teachers to travel between sites.
- 4.19 A split sites factor which recognises these costs through a basic eligibility criteria lump-sum payment, and a distance eligibility criteria additional lump-sum payment is proposed (basic eligibility + distance eligibility = total funding)

### **Basic eligibility**

- 4.20 Sites should be counted as 'split' where they are separated by a public road or railway. To qualify as 'split', the sites must be used primarily for the education of 5-16-year-olds and must share a single unique reference number

(URN) Sites such as buildings which are owned and leased out full time by the school would be excluded.

- 4.21 It is proposed that a site must have a building. This includes rented premises with maintenance responsibilities and excludes sites which only contain 'ancillary buildings' not used primarily for the education of 5-16-year-olds. The requirement for a building on the site would exclude playing fields from eligibility for split site funding.

#### **Distance eligibility**

- 4.22 To meet the eligibility criterion, the site would need to meet the basic criterion and meet a distance threshold of 500 metres (0.3 miles) by road. This is seen as a reasonable distance when regular travel between sites becomes inconvenient and certain facilities need to be duplicated, both incurring additional costs.

- 4.23 This means a site could trigger additional funding to the basic criterion, to reflect the additional costs of having a second site that is at a greater distance, such as travel time. It is recognised that a 500m cut-off represents a "cliff edge" for schools which just miss out on eligibility, and the use of a taper to provide some additional funding, on a sliding scale to those schools may be considered although this would add considerable additional complexity to the formula.

#### **Allocation of funding**

- 4.24 Split sites funding would be a "lump sum" payment which would be linked to the schools NFF lump sum, recognising a second site does not attract the same expenses as a main site. The maximum amount proposed is 60% of the lump sum. In 2021-22, this reflects the average LA funding for a split site at around £70,000. This would be split as 20% allocated under basic eligibility, and 40% allocated under distance eligibility. 2024-25 factor values have not yet been set, but the maximum funding available would be around £75,000, with £25,000 allocated through basic eligibility and an additional £50,000 allocated if the site meets the distance threshold

#### **Funding protection**

- 4.25 Introducing a national formula for split sites will lead to a reduction in funding for some schools and other schools will attract more split funding than currently. Schools will be protected through the minimum funding guarantee (MFG). There will be no protection where a school ceases being a split site school, as they would no longer incur these costs. It is proposed to introduce the new split sites factor from 2024-25.

#### **Premises: Exceptional circumstances Changes to criteria that are relevant**

- 4.26 Amalgamating school: LAs can currently support schools with 85% of the combined lump sums of their predecessors as temporary support while cost structures adapt to the new arrangements. It is proposed this would automatically be allocated through the lump sum factor. These schools may also become eligible for split site funding.

### **The minimum funding guarantee (MFG) under the direct NFF**

- 4.27 LAs currently set a MFG which protects schools from excessive per pupil year-on-year losses. In the move to a direct NFF, the NFF floor and MFG in the local formulae will merge into one mechanism to be called the MFG. The MFG in the direct NFF will ensure sufficient stability for schools so that they do not see sudden drops in their pupil funding levels.
- 4.28 The NFF floor baseline has been calculated in respect of the previous year's notional NFF allocations, whereas the MFG baseline is based on the previous year's **actual** funding. The plan is to use the local formulae baselines for the MFG in the year the direct NFF is introduced, for academies the actual GAG allocation will be.

### **Moving to a simplified pupil-led funding protection under the direct NFF**

- 4.29 The aim of the NFF's funding floor, and the MFG, is to protect schools from sudden losses in their pupil-led funding, per pupil. The plan is to move to a fully pupil-led funding protection which does not take account of changes in school-led funding which should not increase or decrease with pupil numbers. This would simplify the floor and help improve the transparency of the funding system. This change would come into effect with the direct NFF. Up to then, decreases in school-led funding from the move towards the direct NFF will be protected by the MFG.

### **The annual funding cycle**

- 4.30 Under a direct NFF the formula published in July will apply directly to all schools, so they will have earlier knowledge of the final formula which will apply to them. There are two options to help schools understand what the formula will mean for them:
1. Continue to publish notional allocations, showing each school's funding for the following year if their pupil numbers / characteristics remained unchanged. And/or
  2. Publish a "calculator" tool allowing schools to plug in pupil numbers/characteristics. It would be pre-populated with factor values, so schools can see how their funding would change with pupil numbers/characteristics. If the tool is published before September schools could plug in their pupil data as soon as available.
- 4.31 Information not captured by either notional allocations or a "calculator" tool would be:
- De-delegation which LAs would deduct from the amount maintained schools are allocated from the NFF.
  - Any transfer to the high needs budget, where the DfE would be adjusting mainstream school funding allocated from the schools NFF.
  - Any growth funding which would be provided separately later in the year.

## **5 CONSULTATION RESPONSE**

- 5.1 The attachment to this document was submitted to the DfE by the 9<sup>th</sup> September deadline, as the Council's response to the NFF consultation.

## 6 RECOMMENDATIONS

- 6.1 Schools' Forum are recommended to note the DfE second stage consultation proposals regarding the NFF and the Council's response to the consultation.

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### **Background Papers:**

DfE consultation – Implementing the direct national funding formula

[Implementing the direct national funding formula - government consultation \(education.gov.uk\)](https://www.gov.uk/government/consultations/education-consultation-2016)

## Submitted Response to DfE consultation - Implementing the Direct National Funding Formula Government Consultation

### Flexibility to transfer funding to high needs

**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? Do you have any other comments on the proposals for the operation of transfers of funding from mainstream schools to high needs?*

**Response:** Yes, agree as this is key to assist in managing the high needs pressures and is likely to be needed for some time until any revisions to the SEND system have bedded down and are shown to be affordable. In other words the statutory responsibilities included within the DSG need to be funded including fund the high needs pressures.

Careful thought needs to be given regarding whether schools will support all transfers to the high needs block as in the direct NFF it is not necessarily in their interest to support the high needs funding problem which will be left with the LA.

### Indicative SEND budget

**Question 2** *Do you agree that the direct NFF should include an indicative SEND budget, set nationally rather than locally*

**Response:** Agree that this is appropriate and subject to the further consultation after the SEND and AP green paper consultation.

### Growth and Falling Rolls funding

**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:** The arrangements should not be overly prescriptive and allow a reasonable level of local discretion.

**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:** Yes so that all provision can potentially be used.

**Question 5** *Do you have any comments on how we propose to allocate growth and falling rolls funding to local authorities?*

**Response:** Agree that the proposals are reasonable to enable more consistency in LA allocations. The allocation methodology needs to appropriately take account of the significant falling rolls in London and the time it takes to address these changes. The pupil number changes over several years should be taken account of to reflect this.

**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:** Agreed this is needed in order to manage the changes required with significant reductions in pupil numbers.

**Approach two: national standardised system**

**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:** Yes as this will assist local authorities in carrying out their statutory responsibilities. Agree the changes should be from 2024-25.

**Popular growth**

**Question 8 Do you have any comments on the proposed approach to popular growth?**

**Response:** Agree that in order to meet the aims of the NFF re fairness and transparency, popular growth funding should also be available for LA maintained schools.

**Premises funding**

**Split sites**

**Question 9 Do you agree we should allocate split site funding on the basis of both a schools' 'basic eligibility' and 'distance eligibility'?**

**Response:** Agreed as a longer distance between sites will add additional costs

**Question 10 Do you agree with our proposed criteria for split site 'basic eligibility'?**

**Response:** Agreed as the proposed criteria avoid funding sites with no additional split site costs.

**Question 11 Do you agree with our proposed split site distance criterion of 500m?**

**Response:** Agreed that 500m is a reasonable distance criterion.

**Allocation of funding**

**Question 12 Do you agree with total available split sites funding being 60% of the NFF lump sum factor?**

**Response:** Agreed that on balance 60% seems reasonable, some historical costs will be lower and others higher which are taken account of in the proposal and

avoids taking too much funding away from all schools to fund a higher allocation to a small number of schools.

**Question 13 Do you agree that distance eligibility should be funded at twice the rate of basic eligibility?**

**Response:** Disagree as the distance eligibility funding should be no more than the same level as the basic eligibility as the main driver of costs is the additional site.

**Funding protection**

**Question 14 Do you agree with our proposed approach to data collection on split sites?**

**Response:** Agree that Local Authorities should provide the necessary data for the split sites in Community and Voluntary Aided schools however the ESFA should collect the data for Academies.

**Question 15 Do you have any comments on our proposed approach to split sites funding?**

**Response:** No additional comments.

**Premises: Exceptional circumstances**

**Question 16 Do you agree with our proposed approach to the exceptional circumstances factor?**

**Response:** Yes the proposals would ensure consistency and fairness.

**Question 17 Do you have any comments on the proposed approach to exceptional circumstances?**

**Response:** The proposals appear appropriate.

**The minimum funding guarantee (MFG) under the direct NFF**

**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:** Agreed as this will be fair, transparent and consistent for all schools.

**Moving to a simplified pupil-led funding protection under 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:** Yes to ensure transparent and fair protection to all schools.

**Question 20 Do you have any comments on our proposals for the operation of the minimum funding guarantee under the direct NFF?**

**Response:** No

### **The annual funding cycle**

**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:** Both are required so that schools are able to plan their budgets in as timely a manner as possible.

**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 proposals look appropriate balancing data accuracy and timeliness.

### **Planned school reorganisations and changes in pupil numbers**

**Question 23 Do you have any comments on the two options presented for data collections in regards to school reorganisations and pupil numbers? When would this information be available to local authorities to submit to DfE?**

#### **Response**

Issuing the request in December as now, using a prepopulated form would be preferable as this should be manageable since this pre-populated form would be significantly smaller in scope than the current APT, and will only seek information on school reorganisations and changes in pupil numbers which is readily available to local authorities.

### **De-delegation**

**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**

One single data collection in March would enable more transparency.

**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 proposals are sensible.