

NFF Consultation (part one)
Submission Deadline: 30 September 2021

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?

Yes

No

Unsure

Comment to be add to question 16: Any further comments.

Manchester agrees with the need to balance principle of fairness and stability.

Prior to making any comments on specific proposals regarding the distribution of funding, the fundamental flaw is the consistent underfunding of education in recent years. Over the last few years schools have faced significant unfunded cost pressures including pay awards, the introduction of the national living wage, higher employer contributions to National Insurance, pensions, non-pay inflation and the Apprenticeship Levy. Moving money around an underfunded system isn't fair to any part of that system.

Value for money will only be achieved by ensuring resources are targeted effectively, enabling good outcomes for all pupils. The NFF proposals are not outcomes driven and proposed values in the formula will not effectively address need. The National Audit Office reports that the formula redistributes funding from the most disadvantaged pupils, towards more affluent areas.

Urban areas which have high levels of need and deprivation, such as Manchester and the London Boroughs, will face significant detrimental impacts due to this reduction in funding. The attainment gap will widen and have a long-term negative impact on society in these areas.

The government has not provided an evidence base to show reducing funding in areas like Manchester is manageable without impacting on standards and outcomes. Manchester's concern is that reductions in funding alongside a real terms reduction in funding through mounting cost pressures on schools will negatively impact on outcomes and welfare of pupils.

School performance in Manchester has improved considerably over the last decade, with achievement at the age of 11 now at or close to the national average for 4 consecutive years and the attainment gap between national performance and local performance at the age of 16 substantially narrowed.

National Audit Office has recommended that the DfE evaluate the impact of the NFF and minimum funding levels over time and use that information to inform whether further action is needed to meet its objectives. In particular, the DfE should review whether the shift in the balance of funding from more deprived areas to less deprived areas, and from more deprived schools to less deprived schools, means it is adequately meeting its objective of matching resources to need. Most London boroughs and cities with relatively high levels of deprivation, such as Nottingham and Birmingham, saw real-terms decreases in per-pupil funding allocations between 2017-18 and 2020-21. The Department allocated the largest increases to local authorities that had the lowest per-pupil funding. On average, local authorities with relatively low levels of deprivation in the Southwest, the East Midlands and the Southeast received real-terms increases of around 1% or more in their per-pupil funding allocations.

Communications needs to be clear that one of the NFF principles is to ensure that all schools regardless of their situation receive at least a guaranteed minimum level of income in their per pupil-led funding, the DfE does not have this assurance for academy schools. Multi-academy trusts can re-distribute funding to their schools based on their assessment of need and they can pool funding centrally, for example to support struggling schools. While the Department publishes details of the

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funding provided to each maintained school, it does not publish or have assurance about how much schools block funding is provided to each academy school by multi-academy trusts.

Not covered in the consultation whether you think the NFF rates are at appropriate level, considering the inflation rates. Furthermore, the northwest has faced higher COVID infection rates than other parts of the country, linked to higher deprivation levels, including poorer housing conditions. As a result, pupils in the region faced greater disruption to their education. It is concerning that instead of investing additional funds to mitigate this, the new formula will decrease funding for deprived regions, potentially compounding this issue. It is also observed that whilst national funding factors are reviewed year-on-year, due importance is not paid to the widening health inequalities arising from deprivation and poverty, which are feeding directly into increased attainment inequalities. Manchester urges a reconsideration of the formula to ensure funding is being provided to build resilience in schools, ultimately leading to a reduction in health inequalities.

Question 2:

Do you have any [comments](#) on how we could [reform premises funding](#) during the transition to the directly applied NFF?

Response:

PFI

Manchester does not believe there should be a fully national formula without opportunity for local adjustments on specific issues. Premises funding demonstrates the complexity of applying a national formula approach. As stated during consultation, PFI is also a difficult area to apply standard formulae to. PFI's circumstances are unique depending on the PFI contract agreement. Individual PFI scheme are unique legal agreements that have been set up with different services and different charging mechanisms. The current local mechanisms take account of this and can also respond to changes in the local PFI arrangements. Manchester agrees that a more detailed separate consultation on PFI's would need to be carried out before any changes are implemented.

Exceptional

It would be difficult to fund exceptional circumstances via a formulaic calculation, as the nature of this funding is to cover atypical circumstances within schools. Manchester agrees with the consultation that further detailed information gathering is required at a national level before proposing a change.

71 LAs use(d) this factor in their 20/21 formulae, therefore drawing on their experience would allow greater understanding of whether a fair formula could be applied or if a national application-based system would best be applied, still allow(ing)? for the approval by Secretary of State. Moving to a national application-based system would mean LAs would have to submit a for their schools, (maintained and academies) as it would remain part of the authorities DSG.

Split Sites

Manchester agrees that schools operating on split sites will incur unavoidable extra costs in comparison to schools based on one site. As additional costs incurred will be dependent on similar factors across split site schools then a formulaic approach would be reasonable. Some of the standard factors to consider include distance between buildings, additional staff required (reception / cleaning / site / TAs) and a mix of lump sum and variable rate. The separate consultation proposed by the DfE will no doubt include more detail on the proposed change.

Question 3:

Do you agree with our proposal to use national, [standardised criteria](#) to allocate all aspects of [growth and falling rolls funding](#)?

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Yes

No

Unsure

Question 4:

Do you have any [comments](#) on our proposed approach [to growth and falling rolls funding?](#)

Response:

Standardising the approach to ***growth funding to meet basic need*** would be consistent with other aspects of the reforms, however further clarity is required on whether the approach will recognise the needs of the cohort, or the area cost adjustment.

The proposed approach to ***new and growing schools*** seems reasonable. Academies, (the only form of new school), will be allocated funding based on expected pupil numbers for the coming year's autumn census, subject to an adjustment process to check the growth materialised.

The restriction of ***Falling rolls funding*** to good or outstanding schools limits the effectiveness of this policy. Pupils in urban areas can move between schools relatively easily therefore good or outstanding schools will maintain their place numbers. However, pupil losses tend to occur in schools that have poorer Ofsted outcomes. Therefore, if this policy is to be effective, it needs to cover all schools whatever Ofsted category.

Manchester disagrees with the proposal for ***popular growth funding*** on the basis that its effects will contradict the aims of this consultation. The proposal will provide additional funding to an academy which becomes popular with parents and pupils locally. The DfE propose funding this when the sponsorship of a multi-academy trust improves a school's performance, and providing an in-year check that this academy has experienced significant growth. The consultation refers to standardisation, transparency and consistency aims, this proposal contradicts these aims and assumes only recently converted academies will be popular with parents and children locally.

Manchester requires further detail on the proposal for ***funding start-up costs of new schools***, and look forward to seeing the standardisation proposals to accompany it. The proposal will support local authorities who choose to open a new school through the 'presumption' route in addition to the Project Development Grant.

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?

Yes

No

Unsure

Comment to be add to question 16: Any further comments.

Based on the fact the government is committed to moving towards a direct NFF in principle yes, it is reasonable to expect local authorities use each of the NFF factors in its local formulae, except for any significantly reformed factors where there is to be further consultation, such as premises, PFI, split sites and exceptional factors. It is important to have a long transition period with protections, which will

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enable schools to understand the impact of the change in funding for their school going forward. This is even more significant in more deprived areas where the new approach is proven (likely?) to have an adverse impact, as largest fund increases are to previously less well funded areas which tend to be less deprived.

This response assumes part of the NFF includes the protection on a per pupils' basis (MFG) and that this will continue to be part of the future formula.

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

No

Unsure

Comment to be add to question 16: Any further comments.

The direct NFF is part of government policy, therefore a smooth transition for schools funding is required, with the expectation for local authorities such as Manchester to begin to align their local formulae closer to the NFF from 2023/24, on the assurance that adequate levels of protection continue (funding floor / MFG).

The issue is regarding the weightings of the factors, rather than the principle of moving toward the NFF from 2023-24. The new model effectively transfers funds from the most deprived areas and allocates them to less deprived areas (as evidenced in the National Audit Office report: School Funding in England). Higher levels of funding should be allocated to additional needs than provided for in the NFF rates to mitigate this. Failing to do so will only result in an increased attainment and social gap.

Manchester's proposals to school forum regarding 2022/23 funding will include options that demonstrates the local formulae moving towards the NFF values.

Question 7a:

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?

Yes

No

Unsure

Question 7b: If you do not agree, can you please explain

The transition from LFF to NFF needs to be conducted in a controlled, gradual manner. It is important to allow schools the time to understand and prepare to mitigate adverse impacts on pupils' outcomes. Any changes should be phased in to prevent undue turbulence with a guarantee of year-on-year funding increase for all schools which can be delivered using the MFG mechanism.

The movement of 10% from 2023/24 seems reasonable. Manchester agrees that the NFF factors should form the basis of local formulae with some LA flexibility to take account of local factors.

As stated previously the National Audit Office has also recommended that the DfE evaluate the impact of the NFF and minimum funding levels over time and use that information to inform whether further

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action is needed to meet its objectives. In particular, the DfE should review whether the shift in the balance of funding from more deprived areas to less deprived areas, and from more deprived schools to less deprived schools, means it is adequately meeting its objective of matching resources to need. This ultimately will lead to widening the attainment and social gap.

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?

Response:

Threshold of 1% in principle seems reasonable, this assumes that MFG would continue to be part of the direct NFF. To give a more detailed comment further information is needed regarding how the application of the MFG and capping would be applied, and if the LA was still allowed any flexibility.

As raised in question 1 response: one of the NFF principles is to ensure that all schools regardless of their situation receive at least a guaranteed minimum level of income in their per pupil-led funding, the DfE does **not** have this assurance for academy schools. Under the NFF Multi-academy trusts have greater flexibility than LA's, creating a two-tier approach. Multi-academy trusts can re-distribute funding to their schools based on their assessment of need and can pool funding centrally, for example to support struggling schools. So, while the DfE publishes details of the funding provided to each maintained school, it does not publish or have assurance about how much schools block funding is provided to each academy school by multi-academy trusts.

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](#)?

[Yes](#)

[No](#)

[Unsure](#)

Comment to be add to question 16: Any further comments.

Researcher on EAL at the University of Oxford's Department of Education, The Bell Foundation and Unbound Philanthropy (February 2020) [EAL-how-long-does-it-take](#) provided a report on vital insights into how long it takes, and what support is needed, to enable learners who are new to English to achieve proficiency in English.

The research analysed nine years of data and concluded many EAL pupils need more than six years of support to achieve Proficiency in English, at which point the learner is able to fully access the curriculum and therefore fulfil their academic potential.

The NFF EAL funding for three years is less than other English-speaking jurisdictions including New Zealand, New South Wales, Alberta and some US States, where five years of support is common. Some areas also offer up to seven years of support for those in vulnerable groups, such as refugees. These findings suggest that there should be no flexibility for LAs to reduce the three-year EAL factor, which as research suggests may already be insufficient for pupils to become competent in English. The research author, (DfE, University of Oxford) highlights, "Our finding that over three-quarters of pupils who start in Reception as New to English progress to Developing Competence, which is the middle proficiency level, by the end of primary school is promising, in that most of these pupils are likely to be able to access the English language curriculum in secondary school. However, the fact that, *even six years after starting Reception as New to English, **only around one-third of pupils have transitioned to Competent or above is concerning***; this suggests that while many pupils have Developing Competence, few reach the highest levels of proficiency, at which they are able to fully access the curriculum, in this timeframe. Our research also shows that Proficiency in English is

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the major factor influencing the educational achievement of pupils with EAL. This research demonstrates the importance of assessing Proficiency in English and the need to provide the right type and length of support for each learner.” Proficiency in English is the major factor influencing the educational achievement of pupils with EAL. The evidence suggests that it takes at least six years of support for EAL pupils to reach their academic potential.

Question 10:

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

Yes

No

Unsure

Comment to be add to question 16: Any further comments

The report recognises that funding consideration is required to mitigate additional costs incurred in relation to small schools in sparsely populated areas. However, greater recognition and consideration is also required for schools in urban areas facing mobility and population growth pressures.

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?

Response:

Risk if not ring fenced to ensure directed at school central services.

Historically, Government has rolled other service area funding into Revenue Support Grant (RSG) and Settlement Funding Assessment (SFA), subsequently then subjecting these areas to year-on-year cuts. The cuts are notionally and proportionally applied to any grants rolled into the formula funding system, resulting in a decline in specific service area funding.

This creates significant risk for schools funding, rolling it into a wider formula funding mechanism would subject it to cuts in line with overall funding reductions.

Reductions in funding for central school services will adversely impact the level of support local authorities are able to offer schools. Throughout the pandemic, LA support has proven extremely valuable to schools, and current proposals may not acknowledge the scale of this support. This may consequently require a greater deal of accountability on the regional schools' commissioners (RSCs) as well as their relationship with regulatory bodies.

Manchester requests two guarantees. Firstly, if this funding is transferred, that it will be protected from reductions. Secondly, that transparency is provided by confirming specific funding levels within SFA in future Local Government Finance Settlements.

Below are two examples of grants rolled into wider formula funding systems and proportionally cut, highlighting the risks and impact annual SFA cuts has on specific area funding within the overall funding formula:

Council Tax Support scheme

The localisation of Council Tax Support (CTS) was announced in the 2010 Spending Review, and in April 2013 Government transferred administration and responsibility of the Council Tax Benefits (CTB)

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system from DWP to Local Authorities with the aim of giving councils stronger incentives to cut fraud and get people back into work.

The Council Tax Support scheme (CTS) was funded with a 10% reduced budget in 2013/14, with each authority designing and implementing a localised scheme and holding responsibility for any shortfall or surplus in the CTS budget.

In April 2014 CTS funding was rolled into Revenue Support Grant (RSG), where it has been assumed CTS has reduced year on year in line with the cuts to Manchester's Settlement Funding Assessments (SFA).

In 2020/21 the notional CTS funding from Government is estimated at £22.6m, while the cost of the scheme is £42.3m, giving rise to a funding gap of £19.7m, and £96.6m cumulatively from 2013/14 to 2020/21.

The table illustrates the loss in funding from 2013/14 to 2020/21 due to CTS rolling into the wider funding formula.

Council Tax Support Scheme	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
CTB / CTS Scheme Funding	(37,390)	(33,983)	(28,753)	(26,530)	(24,591)	(23,501)	(22,281)	(22,644)
CTS Transition Grant	(997)	-	-	-	-	-	-	-
Total funding	(38,387)	(33,983)	(28,753)	(26,530)	(24,591)	(23,501)	(22,281)	(22,644)
SFA reduction %	Award	-9.1%	-15.4%	-7.7%	-7.3%	-4.4%	-5.2%	1.6%
Claimant Council Tax foregone	39,849	38,763	40,301	40,048	38,750	38,391	38,896	42,305
Net Loss (incl preceptors)	1,462	4,780	11,548	13,518	14,159	14,890	16,615	19,661

Student funding for Council Tax exemption

Up to 2013/14 the resource funding formula included an element to compensate authorities for loss of funding arising from the Council Tax exemption given to students. However, in April 2013, as part of the wider Local Resources Review, this element was rolled into Settlement Funding Assessment (SFA) and has therefore been eroded in line with the year-on-year cuts to SFA funding.

Based on student numbers as per the CTB, and the Council Tax forgone due to exemptions, the table below shows in 2020/21 the Councils had a net loss of £11.8m and £65.5m cumulatively since 2013/14.

Student exemptions	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Council Tax Student Exemption reimbursed in SFA	8,985	8,166	6,910	6,375	5,909	5,647	5,354	5,441
Council Tax Foregone	(13,657)	(12,988)	(13,320)	(13,838)	(14,915)	(15,436)	(16,928)	(17,208)
Net Loss	(4,671)	(4,822)	(6,411)	(7,463)	(9,006)	(9,788)	(11,574)	(11,766)
<i>Reduction in SFA</i>		-9.1%	-15.4%	-7.7%	-7.3%	-4.4%	-5.2%	1.6%

Question 12:

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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.

Yes

No

Unsure

Comment to be add to question 16: Any further comments

Manchester is in agreement with this proposal, provided that the grant is separate and does not form a part of any other funding stream e.g. the LGFS. Funding for historic commitments needs to be protected until they are fully expired. As these commitments will not form part of the future NFF, it is reasonable this is taken out of the NFF and related funding be protected with a ring-fenced legacy grant.

Question 13:

How strongly (comment) do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

Strongly Agree

Agree

Neither agree nor disagree

Disagree

Strongly disagree

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?

Response:

Manchester does not feel this should be investigated further, given the number of current changes with school funding being undertaken and the benefits of what this change would achieve for maintained schools is not clear or for the NFF. Rather than investigating the possibility of moving maintained schools to being funded on an academic year basis, should the enquiry be: the possibility of maintained schools and academies having the same funding cycle.

The consultation states academies have historically preferred academic year funding, as it aligns with their business cycle, whereas maintained schools prefer financial year funding, as it corresponds to their accounting period. Both options should be explored. An initial observable benefit to academies switching to financial year funding would be a reduction in the funding lag. Unlike maintained schools, who must finalise their accounts in line with the LA accounting period, academies as separate entities could change their accounting period to financial year.

As the Government drive is to increase number of academies, would this change naturally happen over time, hence is it worth while investigating? The Secretary of state for Education Gavin Williamson, has stated the government's vision is for all schools to become part of multi-academy trusts: "By 2025, we want to see far more schools residing in strong families (multi-academy trust) than we do today, and we're actively looking at how we can make that happen"

Maintained schools must finalise accounts on financial year, therefore there are limited, if any, benefits associated with this change, however there are several initial drawbacks we can point to:

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- Additional burdens on maintained schools and LAs, on top of currently existing pressures.
- Increased complexity by having funding cycle and the final accounts taking place on different cycles.
- Transition would be difficult creating significant burdens and result in greater lagged in funding.

Question15:

Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change. Before answering this question, please refer to Annex (C) of the consultation document

Question16:

Do you have any further comments on our move to complete the reforms to the National Funding Formula?

I will add text from above where there is the sub-heading: Comment to be add to question 16: Any further comments.