

**Manchester City Council
Report for Resolution**

Report to: Schools Forum

Subject: Outcome of the National Funding Formula Consultation

Report of: Directorate Finance Lead – Schools and Education

Summary

Department for Education (DfE) in July 2021 launched a consultation “Fair school funding for all: completing our reforms to the National Funding Formula.” This sought views on the development of a single national funding formula (NFF) system to direct funds to schools, rather than allowing local authorities the flexibility to use their local funding formula (LFF). Key elements of this consultation were reported to School Forum September 2021. This report provides an update, as published end of March 2022, on the National Funding Formula (NFF) consultation response

Recommendations

School Forum members are asked to note and comment on the DfE response (March 2022) on the NFF consultation “Fair school funding for all: completing our reforms to the National Funding Formula”

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

Supporting Reports:

20 September 2021 Schools Forum - National Funding Formula (NFF) Consultation

15 November 2021 Schools Forum - Schools Consultation Outcome for NFF Transition

17 January 2022 Schools Forum - Dedicated Schools Grant 2022/23

1 Introduction

- 1.1 At the end of March 2022, the Department for Education (DfE) published National Funding Formula (NFF) consultation response to the “Fair school funding for all: completing our reforms to the National Funding Formula” The response confirms the Government’s long-standing ambition that all mainstream schools funding would be allocated based on a single NFF, replacing the current system where local authorities can allocate funding by their local funding formula (LFF).
- 1.2 Currently there is no fixed target date by which the direct NFF will be fully in place, instead there will be a transition moving local authorities LFF progressively closer towards the NFF. The DfE has made it clear that it does not plan to set a "fixed target date by which the direct NFF will be fully in place, this will provide the DfE an opportunity to consider the impact of each step before making the next move.
- 1.3 The consultation, launched in July 2021, sought views on the proposed plans to develop a funding system whereby DfE directly funds schools, proposing plans to move LFF progressively closer to a NFF starting 2023/24. The consultation outlined a plan that would require local authorities to bring each of its LFF factors at least 10% closer to the NFF factor values, compared with 2022/23. After an initial 10% movement closer to the NFF in 2023/24, and subject to the impact of this movement, the DfE aim to move at least 15% to the NFF in 2024/25 and at least 20% in 2025/26. Schools will continue to be protected from cash-term losses in their per-pupil funding by the Minimum Funding Guarantees (MFGs) within local formulae.
- 1.4 Manchester started the transition of the 10% movement toward the NFF factors 2022/23, as reported to School Forum January 2022. This was following discussion with School Forum September 2021 and also a consultation with Manchester schools seeking their views on the proposal to start the transition from the LFF to the NFF in 2022/23

2. Outcome of National Funding Formula (NFF) Consultation

- 2.1 The DfE published the response to the consultation “Fair school funding for all: completing our reforms to the National Funding Formula” which confirms that the DfE will: -
- 2.2 Implement a gradual transition to the direct NFF and require local authorities who do not mirror the NFF, to use all and only the NFF factors. Moving their factor values at least 10% closer to the NFF in 2023/24. Full details and requirements for local authorities will be provided in July 2022 NFF announcement in the schools funding operational guide.

The government will bring forward the relevant legislation to move forward this change. The approach to the transition in subsequent years will depend on the impact in the first year.

- 2.3 Allow the local Minimum Funding Guarantee (MFG) protections to remain in place for 2023/24, which in 2022/23 was required to be between +0.5% and +2.0% per pupil compared to per pupil funding in 2020/21. This will limit the impact of funding changes in the options modelled. Manchester's MFG 2022/23 was set at +2.0%.
- 2.4 Require local authorities to adopt the NFF methodology of English as Additional Language (EAL), EAL3 meaning that all pupils with EAL that have entered the school system during the last 3 years will attract this funding. Removing flexibility for the EAL factor will increase funding towards pupils with EAL and will support the move towards the fully implemented direct NFF. Manchester already use EAL3 indicator in the LFF, along with most other local authorities (2021-22: 146 of 150 local authorities use EAL3)
- 2.5 Continue the separate funding cycles for maintained schools and academies. The consultation considered academic vs financial year, currently maintained schools are funded on a financial year basis and academies on an academic year basis. The DfE questioned as to whether maintained schools funding should be aligned to academies funding cycle.
- 2.6 Review Central school services block (CSSB) funding, local authorities receive this funding for responsibilities for both academies and maintained schools. The CSSB review will consider the ongoing responsibilities element of the CSSB, while continuing with a legacy grant for unavoidable historic committed costs. The DfE are considering whether the ongoing responsibilities element of the CSSB should become part of Local Government Finance Settlement (LGFS)
- 2.7 The second stage of the consultation Implementing the direct NFF, has recently opened, the submission deadline is 9 September 2022. The second part focusses on some more technical aspects of how the direct NFF could be implemented, including:
- Interaction between the direct NFF and funding for high needs (transfers of funding to high needs block and indicative SEN budgets for schools)
 - Funding for schools experiencing significant growth in pupil numbers or falling rolls.
 - How "school-led" elements of the NFF that rely on historic local authority spending decisions will operate under this direct NFF
 - How the minimum funding guarantee (MFG), which protects schools against excessive year-on-year changes in their per-pupil funding, will continue to operate.

3. Conclusion and Recommendations

- 3.1 School Forum members are asked to note and comment on:
- The DfE response (March 2022) on the NFF consultation "Fair school funding for all: completing our reforms to the National Funding Formula"