

Manchester City Council Report for Resolution

Report to: Schools Forum

Subject: Outcome of the National Funding Formula (NFF) Consultation:
Implementing the Direct NFF

Report of: Directorate Finance Lead – Schools and Education

Summary

Department for Education (DfE) in June 2022 launched the second stage of the National Funding Formula (NFF) consultation - Implementing the direct NFF, as reported to School Forum July 2022. The direct NFF is developing a single national funding formula system to direct funds to schools, moving away from local funding formulas (LFF) for primary and secondary schools to a direct formula from the DfE. This consultation looked at some of the more technical aspects of how the direct NFF can be implemented .

The consultation closed 9th September 2022, the government's response: Implementing the Direct NFF was published April 2023. This report looks at the outcome and the next steps toward the direct NFF. There are changes that will be implemented from 2024/25, regarding growth fund and split sites and longer-term changes to be phased in leading to the full implementation of the direct NFF.

Recommendations

School Forum members are asked to note and comment on:

The [government's response: Implementing the Direct NFF](#) published April 2023, and the next steps toward the direct NFF.

In the short-term local impact will be:

- Changes to the way growth fund is allocated to schools that are growing.
- Consideration will need to be given to whether there is need to develop a local falling rolls fund.
- Change to split site criteria is not expected to adversely impact the four Manchester split site schools.

In the longer-term, the reforms planned are:

- Transfer of Funding to High Needs Block (HNB), local authorities will need Secretary of State approval.
 - Indicative SEND budget to be set nationally.
 - Exceptional circumstances criteria to be limited to certain categories.
 - Minimum Funding Guarantee (MFG) to be simplified to a pure pupil-led per pupil.
 - Providing funding information to schools, by developing a calculator tool.
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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 th September 2021	School Forum Agenda Item 5: National Funding Formula (NFF) Consultation
15 th November 2021	School Forum Agenda Item 7: Schools Consultation Outcome for NFF Transition
20 th June 2022	School Forum Agenda Item 7: Outcome of the National Funding (NFF) Formula Consultation
18 th July 2022	School Forum Agenda Item 5: National Funding Formula (NFF) Consultation: Implementing the Direct NFF

1. Introduction

- 1.1 Mainstream schools funding is allocated to local authorities on a national formula basis, once the grant is received, local authorities can calculate funding for schools based on their local funding formulae (LFF). Flexibility within the LFF has reduced over the past years, the end point being where every mainstream school in England is funded through a single national formula. There is no fixed target date by which the direct National Funding Formula (NFF) will be fully in place, instead there is a transition phase moving local authorities LFF progressively closer towards the NFF. The first year of formal transition was 2023/24, where LFF factor values had to move at least 10% closer to the NFF values. Manchester started this process in 2022/23.
- 1.2 The DfE consultation launched 7th June 2022: Implementing the Direct NFF, covered more technical aspects of the transition to the direct NFF (as reported to school forum July 2022). The government consultation closed 9th September 2022, with the government's response: Implementing the Direct NFF published April 2023.
- 1.3 This report looks at the outcome from the consultation, and the next steps towards a direct NFF. Section 2 of the report provides an overview on the changes that will be implemented from 2024/25, namely the:
- Growth fund (further requirements on how local authorities can operate their growth fund)
 - Split site funding (introduction of a national formula for split sites)

The longer-term changes to be phased as there is a move towards the NFF are covered in Section 3 of the report. Appendix one provides a summary of changes.

2. Outcome of NFF Consultation: Changes to be Implemented 2024/25

Growth Fund – Minimum funding criteria

- 2.1 A minimum funding criterion for growing schools will be introduced 2024/25, rather than moving straight to a fully determined national standard rate. This applies where a school have agreed with the LA to host an additional class to meet basic need. Local discretion would remain for the present, including allowing local authorities to retain any unspent growth fund within DSG.
- 2.2 DfE will engage with local authorities and other stakeholders on the design of these new requirements, including minimum funding rates, before publishing final School Operational guide in July 2023.

Growth Fund – Allocation Methodology

- 2.3 Growth fund allocation methodology to local authorities will now be based on growth and falling roll, rather than just growth. Small areas within a local authority area, Medium Super Output Areas (MSOA) will be measured for growth and significant decline in pupil numbers. Those MSOA that have seen

pupil growth, will be allocated funding at the growth rate, where a significant decline in pupil numbers have been observed an allocation at a separate falling rolls rate. There will not be any netting off the funding allocations, so within a local authority area that have both MSOA that experience growth and falling roles, the funding allocation will include both elements.

- 2.4 What constitutes as “significant” for falling roles, as not been defined, DfE will work on this with stakeholders. It is difficult to state how the change in methodology will impact Manchester growth funding, as confirmation of the growth funding factors 2024/25 will not be published until July 2023.

Growth Fund – Falling Rolls

- 2.5 From 2024/25 the removal of the restriction that falling rolls funding can only be provided to schools judged “Good” or “Outstanding” by Ofsted. The falling rolls funding is targeted only at schools where places will be needed in future. Therefore, the removal of Ofsted restriction will be removed, and local authorities are required to use School Capacity Survey (SCAP) data in taking decisions, and only provide funding where SCAP data shows that school places will be required in the subsequent three to five years.

Growth Fund – Repurposing of School Places

- 2.6 Local authorities will have the flexibility (if funding level allows) to use growth and falling roles funding to fund revenue cost associated with repurposing or reducing school places. This could support local authorities repurposing spaces for Special Educational Needs and Disabilities (SEND) or resource units in mainstream schools.

Split Sites Funding Formula

- 2.7 Split sites funding is school-led funding intended to account for additional cost incurred where a school is split over more than one site. Currently this factor is optional for local authorities and the methodology applied varies. Manchester’s LFF includes split site funding for four schools at a flat rate of £45k each. A national formula for split sites will replace the current local authority led approach in 2024/25.
- 2.8 The national formula has a cap, set at 60% of the NFF premises lump sum factor and includes two elements:
- Basic eligibility criteria (40% of NFF lumpsum) road, as a clear marker of separateness, and the second site is primarily for pupils’ education of 5-16years.
 - Distance eligibility criteria (20% of NFF lumpsum) lump sum will be applied where the sites meet a distance threshold. Following responses from the consultation this element has been a tapered for distances between 100m- 500m.
- 2.9 The DfE have increase the weighting for the basic element, due to the consultation responses, this will benefit the four Manchester split sites schools.

As all four qualify for the basic element, and three qualify for the distance funding between 100m -500m. MFG protection will apply to schools losing funding because of the change in formula, although based on the NFF premises lump sum factor 2023/24 this is unlikely for the Manchester split sites schools.

3. **Outcome of NFF Consultation: Longer Term Changes**

Transfer of Funding to High Needs Block (HNB)

- 3.1 Currently local authorities can transfer funding between the blocks of their Dedicated Schools Grant (DSG) allocations. Local authorities can transfer up to 0.5% of their schools' block with the approval of the School's Forum. Any transfers above 0.5%, or where the School Forum does not agree, must be decided by the Secretary of State.
- 3.2 Under the direct NFF government have confirmed that local authorities are allowed to request funding transfers to high needs budgets, and that these requests will be:
- Drawn from a short menu of potential options on how the funding adjustment to mainstream schools should be made. DfE will engage further with local authorities to develop the detail of the criteria.
 - Subject to Secretary of State approval. Local authorities will still need to consult with local stakeholders and include the results of these consultations in their applications. The Secretary of State's decision will then be informed by local feedback.

Indicative Special Education Needs and Disabilities (SEND)

- 3.3 Mainstream school's budget includes a notional SEND budget calculation, which identifies an indicative budget as a guide to the resources that might be needed by a school in supporting its pupils with SEND. Local authorities use various factors within their LFF to identify the notional SEND. There is no national consistency in the formula.
- 3.4 The government has reported that there is a national support for a nationally specified notional/indicative SEND budget formula in mainstream schools. DfE will look at whether to strengthen the 2024/25 guidance to give greater consistency in the calculation. The government proposes to link the national SEND standards being developed under the national SEND and AP improvement plan. There will be further engagement further with the sector to consider the design of the indicative SEND budget in the context of the National Standards as they are developed.

Exceptional Circumstances

- 3.5 The current criteria for exceptional funding, is that the cost of the exceptional spend (additional premises cost most schools do not face) is greater than 1% of the school's budget. Manchester has two high schools that receive exceptional funding. The threshold of 1% will remain for now.

- 3.6 Government will continue to progress plans to reform the exceptional circumstances factor, moving away from a locally led approach to a national application system, in line with NFF objectives. DfE want to get greater clarity around exceptional circumstances, and to restrict the circumstances that are eligible for funding through the factor to a small number of categories.

Minimum Funding Guarantee (MFG)

- 3.7 MFG protects schools from excessive year-on-year losses in per-pupil funding. The MFG under the direct NFF will continue to play a crucial role for ensuring stability for schools, so schools do not see sudden drops in their per pupil funding levels.
- 3.8 MFG under the direct NFF will be simplified to a pure pupil-led per pupil protection, excluding school-led factors such as split sites and exceptional circumstances. DfE cannot confirm future MFG rates at this stage, as the future funding rates will depend on several factors, including the outcome of future spending reviews.

Annual funding cycle – providing information to schools.

- 3.9 Once the direct NFF is in place there will be no requirement for local authorities to complete the Authority Proforma Tool (APT). This tool is used by local authorities in calculating school's budget shares, and under the NFF the formula will be set nationally. Although there will be other data returns required by the DfE from local authorities. DfE are working on developing a calculator tool for schools, that can be used to estimate future funding, providing some form of notional allocation.

4. Conclusion and Recommendations

- 4.1 School Forum members are asked to note and comment on:
The government's response: Implementing the Direct NFF published April 2023, and the next steps toward the direct NFF.

In the short-term local impact will be:

- Changes to the way growth fund is allocated to schools that are growing.
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Appendix One: Summary of the Direct NFF next steps

Next Steps to Direct National Funding Formula (NFF)	2024/252 Change	Future Change
Growth Fund – Minimum funding criteria (Rate and criteria to be finalised)	Y	
Growth Fund – Allocation Methodology (Takes account of growth & falling rolls)	Y	
Growth Fund – Falling Rolls (Removal that school must be “Good” or “Outstanding to be eligible)	Y	
Growth Fund – Repurposing of School Places (Support SEND)	Y	
Split Sites Funding National Formula (Capped at 60% of the NFF lump sum)	Y	
Transfer of Funding to High Needs Block (HNB) (Local authorities will need Sectary of State approval)		Y
Indicative Special Education Needs & Disabilities (SEND) Budget (National formula to be agreed)		Y
Exceptional Circumstances (Restrict the circumstances that are eligible)		Y
Minimum Funding Guarantee (MFG) (Simplified to a pure pupil-led per pupil)		Y
Annual funding cycle – providing information to schools (Developing a calculator tool for schools)		Y