

## **Appendix 1**

### **Local Authority Response to the National Funding Formula Consultation**

#### **Question 1:**

**Do you agree that (a) our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and (b) 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?**

(a) We do not agree with this proposal.

We object to the removal of all local formulae adjustments. We have moved most of pupil led funding factors onto the NFF rates. Currently, our secondary schools are funded 35% more than primaries. However, if we were to fully implement the NFF, this will see that funding ratio increasing to 41% at a time the primaries phase is facing several challenges including falling numbers, increasing number of children with high needs, running down of reserves and a number of primary schools on the verge of financial difficulties. As a result, in consultation with the schools forum, it was agreed that the primary phase should be afforded protection by retaining the primary secondary funding ratio at 35% until there is more funding stability. This is achieved primarily by tweaking the AWPU rates. Under, hard NFF we will no longer be able to respond to local issues facing schools. Our primary sector would be adversely affected.

(b) We have significant concerns regarding the formularisation of school led funding factors. Schools impacted by this change should be offered protection to minimise funding turbulence.

(c) In principle, we have no objection to the application of NFF to pupil led funding factors. However, we have concerns regarding future changes in factor rates that adjusts the weighting between the different factors. There should be adequate consultation in the future with relevant parties including, schools, local authorities and parents before further changes are introduced that shifts funding between geographical areas.

#### **Question 2:**

**Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?**

Split site formula should

- capture the specific challenges facing schools in terms operational requirements that add to cost pressure e.g. distances between sites, lack of ability to amalgamate classes (e.g. due to legal reasons or distance between sites), and the need to duplicate receptions and caretaking responsibilities.
- Formularisation should take into accounts split site schools with multiple points of entry. One of our primary schools is separated by a railway track, each site with its own admission point of entry meaning classes between the two sites cannot be amalgamated to achieve operational efficiency. In addition, reception and caretaking responsibilities are having to be replicated on both sites.
- Focus on cost drivers and constraints on achieving operational efficiencies rather than simple arbitrary rules such as sites being split by a highway as a basis for qualifying for funding.

### **Question 3:**

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

(a) We do not agree with the proposal to use national, standardised criteria to allocate growth funding.

(b) We do not agree with the proposal to use national, standardised criteria to allocate falling rolls funding.

### **Question 4:**

**Do you have any comments on our proposed approach to growth and falling rolls funding?**

- (a) The proposal for funding growth assumes that costs increase on a linear basis. The formula should focus on the additional new classes resulting from pupil growth and not the number of pupils per se as schools with spare capacity can accommodate additional pupils with very small marginal increases in cost. However, schools may need to open an extra class with a very small increase in pupils (say 10) where numbers are already near the upper limit for class size. Schools that have to open an extra class may incur significant fixed costs of

having to employ an additional teacher and having to use additional classroom (heating, lighting etc). Therefore, any formula should incorporate a multiple of 30 principle and should focus on additional classes that are opened as this is the main indicator of cost driver.

- (b) Any new growth formula should also fund additional classes at 30 pupils (AWPUx30/12\*7) irrespective of the actual numbers in the new class as there will be fixed costs that schools will need to meet; employ a teacher irrespective of whether there are 8 or 28 children in the new class.
- (c) Additional classes are not always opened at the start of new academic year in September. In areas with significant inward migration this can be at any point in the academic year including summer term. Therefore, the confirmatory checks should not just be based on autumn census but also on spring and summer. The growth payments should recognise the point in time the additional classes are opened, 7/12th for September opening 3/12th for January opening etc.
- (d) The falling rolls funding formula should take into account schools' capacity to respond to shocks in funding variations. Formula should incorporate a minimum % drop in pupil number threshold for attracting funding as schools can manage relatively small drops in numbers.
- (e) Falling rolls formula criteria should also take into account the level of reserves held by schools and year on year ISB movements. Schools with significant reserves may be able to manage the falling rolls impact up to a point. Similarly, schools with falling rolls continuing to see increases in ISB funding may be able to manage without recourse to falling rolls.

#### **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, agree in principle.

#### **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?**

No, we disagree with this proposal.

**Question 7:**

**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?**

No, we do not agree with this proposal.

The 10% mirroring requirement constraints our ability to address funding turbulence. Currently, the AWPU rates are used as a balance to achieve the required primary secondary ratio of 1:1.35 with the aim of continuing to protect the primary phase. However, our overall intention remains to move toward the NFF rates. Likewise, other local issues such as shortfalls in growth fund allocations and the need to respond to falling rolls means having to take budget from elsewhere in the formula. Therefore, the 10% mirroring may not always be practical.

**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?**

Revised response (29/09/21): The proposed 10% annual movement assumes a 10 year target date. The threshold and timescale for moving towards the NFF should be left to the discretion of local authorities to better manage any local funding turbulence.

Proposed response: (Locally, the AWPU is being used as a balance to achieve the required primary secondary ratio **and** to redistribute Teachers Pension and Pay Grants that is now in the base. The impact of the latter means the local APWU is higher than NFF. The DfE guidelines are currently silent on how the Pension and Pay Grant should be distributed (through factors, MFG uplift etc). Clarity on this issue is required before setting any targets for mirroring.)

**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, we agree.

**Question 10:**

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

No comment.

**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?**

Our view is that for reasons of transparency the central school services funding should not be moved to LGFS. Retaining it within DSG will ensure there are clear links between funding and the education functions it supports. Local authorities are better able to match funding to spend where the CSSB grant is clearly identifiable. Subsuming the funding into LGFS may result in funding being diverted away from schools.

**Question 12:**

**Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?**

No, we do not agree.

**Question 13:**

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

We strongly reject this proposal.

## **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?**

### **Cost**

Most maintained schools use local authority ledger for their school finances and reporting. Therefore, it would be impractical for such school to close the accounts mid-year. Since most schools use local authority finance systems, there would be significant cost implications for schools and the local authorities to be compliant. There may be migration, system re-design and re-integration, training and increased audit costs.

### **Resources**

There will be additional resources required both at the school and local authority level to design and arrange the changeover. Most of these costs would be on-going permanent additional resources.

Changing the funding year for maintained schools to match academies will have a significant impact on the preparation and consolidation of local authority accounts as our systems and resources are geared to closing at the end of March. In contrast, MATs already have systems set up to prepare accounts that mirror academic year.

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### **End of Year Accounts Closure Disruption**

The funding year for academies is not suitable for the consolidation of the Local Authority Statement of Accounts. Local authorities do not consolidate academy accounts into their Statement of Accounts. Hence, the annual cycle for academies do not have any impact on local authority accounts. However, there will be significant disruption for local authorities if maintained schools are funded on academic year basis.

Funding cycle not co-terminating with financial year will significantly add to the complexities of closure of accounts and preparation of statement of accounts. Funding maintained schools on academic year basis would exponentially increase the complexity, create unnecessary delays, and require significant additional resources.

**Question 15:**

**Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.**

The national share of the Schools Block allocations to areas with high levels of BAME population is falling. If the NFF is implemented in full that gap would widen over time impacting on the educational outcomes of the BAME population in the coming years. Hence, we recommend a full equalities impact assessment for this group.

**Question 16:**

**Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?**

Popular growth funding is only open to academies. This is inconsistent with the broader principles of NFF being fair and transparent.

Although decisions / consultations on formula will no longer be needed under hard NFF, without Schools Forum the sector would lose the strategic over-view funding and local issues such as schools in financial difficulties, growth, falling rolls etc. The role of Schools Forum should be reviewed after the formula has fully embedded.

When growth funding is formularised, it should also incorporate an uplift for pupil led factors.