

community



OFFICIAL RESPONSE
to the consultation

Implementing the Direct National Funding Formula

September 2022

About this official response:

This document was prepared in response to the DfE consultation *Implementing the Direct National Funding Formula* launched on 7 June 2022. This official response will be shared with our members and the public and published on our website following the close of the consultation on 9 September 2022. We are happy for the Department to publish our names amongst the list of respondents and to quote from our response as appropriate.

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About Community Union | Education & Early Years

Community | Education & Early Years - formerly Voice the Union and before that PAT/PANN, represents thousands of serving teachers and support staff, headteachers, lecturers, nursery and early years workers, nannies and other education professionals in schools, academies, nurseries, colleges, and universities across the whole of the UK.

We provide legal and casework support to our members and regularly engage with them in determining our response to policy proposals.

Community Union are affiliated to the Trades Union Congress (TUC), to the Irish TUC, Scottish TUC and Welsh TUC as well as the General Federation of Trades Union (GFTU).

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Introduction

Community welcomes the announcement and the intention to introduce a National Funding Formula in the interests of fairness. We support the concept of a national funding formula – one that is fair and acknowledges the minimum costs that schools experience year-on-year. And expect any development to be mindful of the risks to the system by failing to adequately address the inequities experienced in many schools. We are aware that there are cost disparities across the country, and it is vital that any formula recognises this, remaining fair and equitable, whilst at least meeting a minimum funding floor. Finally, great care must be taken when implementing a new system that it is effective and robust meeting the needs of all settings, no matter how small or large.

Whilst we are comfortable with the idea of a Direct Funding Formula, we do have some concerns about the capacity of the Department for Education to accurately and directly fund the 24,000 or so schools in England. We do not believe that contracting this work out or relying on the private sector is an appropriate way to manage this as this will divert money away from the schools and the pupils. Similarly requiring regional directors and their teams to distribute the funds could cause a conflict of interest as they are responsible for the implementation of the academy programme and rebrokering when the system fails.

The picture is clear that there needs to be greater investment into schools, nurseries, and education – to cover increases in energy costs, insurance, staff pay – across the country to support education recovery and to tackle the crisis in teacher recruitment and retention. This cannot wait. Our institutions are fearful for the future and budgets are stretched beyond breaking. These reforms also bring fear – of the unknown. Therefore, we expect assurances that no school will see a funding shortfall as a result of any of these reforms.

National Funding Formula Consultation Questions

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?

YES

NO

UNSURE

Comment

Many local authorities overspent on high needs in the last financial year. The number of local authorities in deficit is plateauing but overall deficit continues to increase.

Currently, funding can be transferred between the schools and high needs budgets, though transfers of more than 0.5 per cent or those without the backing of local schools' forums have to be approved by the education secretary. This system is well understood by the sector and allows for some flexibility to meet the needs of the children.

There will always need to be flexibility in any funding system to account for the unforeseen, and this has never been more starkly displayed than through the pandemic. Specialist funding, such as for those with high needs, must be considered more carefully than a school's core funding, and we would want assurances that flexible funding be available to meet the needs of all learners with SEND at the point of need.

Making the approach more consistent with a menu of options is unlikely to make the system more efficient though it may help to focus the decision-making process. However, we have concerns that anything that might help schools and children should be explored and limiting the transfers only to those on a pre-determined menu may hamper this. We also have concerns about the ability of the secretary of state to veto the amount specified in any transfer request since this takes away the ability of the local teams to best meet the needs of their children.

The issue is not that applications need to come from a set menu of options, but that the number of children and schools requiring support from the high needs budget has hugely increased and yet the funding envelope has not increased to match.

Indicative SEND budget

Question 2

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

YES

NO

UNSURE

Comment

As already noted, there has been an exponential rise in the number of children identified with SEND requiring support from the high-needs funding block. Unquestionably, there is a need to ensure that there is funding – immediately accessible – to ensure that all SEND needs are able to be met, yet we have grave concerns that the system currently is unable to meet this demand due to funding constraints.

The suggestion that the NFF could set an indicative SEND budget does not address this issue of inadequate funding nor does it allow for wide variances in demand across the locales and regions of the country. Where budgets for SEND are set by central government, or even at a regional level they are incapable of being able to dynamically respond to the needs of children, as they arise. Therefore, whilst an indicative or suggested budget might help local areas to consider alternative ways of prioritising their funding, we believe that SEND should not be constrained by a nationally set budget which is not able to consider nor reflect the local position.

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?

Local authorities have a statutory responsibility to ensure there are enough school places but this is increasingly hampered by the mixed model system they operate in. The department expects all schools and academy trusts to work collaboratively with local authorities, dioceses and other schools in the area, to ensure that there is a coordinated approach to place planning and delivery, but this does not always occur.

In line with the proposals for consistency around SEND and High Needs budgets, there is currently a lack of transparency, and this extends to growth funding criteria. Collecting and publishing standardised data on LA growth funding criteria should increase transparency bringing awareness of the different approaches used which could lead to consistency of approach.

The proposals for minimum funding guarantees, and criteria lists are seductive but any hard and fast rule, brings with it risks of unintended consequences unless the funding envelope is expanded to incorporate additional funding as necessary to meet all funding commitments.

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?

YES

NO

UNSURE

Question 5

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

As was commented in the first consultation the requirement for schools to be judged “Good” or “Outstanding” by Ofsted in order to receive growth funding can cause difficulties in some areas meaning that there is a risk to provision of placements.

We know that there remain tensions within the system, especially where there is a surfeit of spare capacity, and early indications are that primary pupil numbers will fall by 1/8th over the coming few years. The short-term view would mean that these schools would cut staff at the risk of losing knowledge skills and experience in order to balance the budget. There are currently 79 LAs that have had experienced falling rolls for four years straight at primary level and yet only 20 of the 79 have an established ‘Falling Roll Fund’. We believe that it is in no-one’s interests to lose experienced staff and therefore falling rolls funding must be able to cover these retention costs especially where local planning data shows that the surplus places will be needed within the next three financial years.

Whilst we are in favour of discretion and flexibility where it allows for unforeseen circumstances and reactionary response, we do have concerns that LAs are not required to pass on funding that they receive into the school system. Therefore, we agree with the first proposal for councils to retain some flexibility but to include things like a minimum expectation on how much growth funding can be retained.

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?

YES

NO

UNSURE

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?

YES

NO

UNSURE

Question 8

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

As we have responded previously, Community believes that the school system must retain the flexibility to respond to unforeseen circumstances. In particular we have highlighted the exponential growth in pupils with SEND and high-needs, and we do not anticipate this reducing in the short term. Therefore, adequate funding must be laid aside to meet this need and sufficient reserve funding should the demand outstrip expectation.

Every year schools' core allocations are based on the number of pupils that they had on roll at the previous autumn census. This means that maintained schools could educate a different number of pupils from the number that they are funded for, across seven months of the financial year (September to March), and academies for twelve months (September to August). But there is huge variation in how much schools are funded when they experience growth or falling rolls due to eligibility criteria etc. across different LAs.

Community noted in our Future of Education report that the system of funding is out of step with reality and is not able to respond rapidly where there is a change in circumstance. We know, for example that historic spend can be a very unreliable indicator of prospective spend in relation to growth as it only captures known commitments rather than new commitments that could arise. It is important for growth funding to operate on a real time basis as this can lead to schools being under resourced to meet the needs of their pupils.

Academies can currently receive funding if they are expecting pupil numbers to grow significantly due to their increasing popularity, rather than because of demographic changes. We would like to see this scheme extended to all schools in order that the funding system become more transparent and consistent

A national system could create uncertainty for schools as it would be impossible for a national formula to be this flexible and so we agree that locally determined factors must be taken into account and growth funding must align with pupil place planning responsibilities to provide schools with the budgetary certainty they require.

As previously noted, the principle of simplicity is very alluring and the concept that national, standardised criteria can accurately be used to allocate all aspects of growth and falling rolls funding is appealing. It is vital that it is not applied for simplicity's sake but because it is the fairest and most appropriate system that can be devised.

Premises Funding

Question 9

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

YES

NO

UNSURE

Comment

As with many aspects of this consultation it has revealed wide discrepancies in the eligibility criteria developed and in the level of funding provided to schools that are identified. The consultation document highlights as an example, although average funding is £58,000, the amounts handed out range from £2,789 in Derbyshire to £213,690 in Torbay.

However, as with previous responses, resorting to a simple and formulaic approach does not necessarily capture the unique situations and circumstances of split-site schools. The consultation document notes that "introducing a national system would lead to a reduction in funding for schools that currently receive "generous" funding," but it will be essential to ensure that no funding is lost by a transition away from the current arrangements. We are pleased to note the DfE said it would protect schools from losing money through its minimum funding guarantee.

Premises funding needs to reflect individual needs of each site, such as the age, state, condition, upkeep, and maintenance costs of the estate and this is especially the case with split sites, but also with schools on a single site but which operate as individual units – for example through schools that may have necessarily separate reception offices. Additionally, there is now great concern for the cost of energy. And for those schools operating in Victorian and other aged or dated provision it is often impossible to improve energy efficiency. This leaves a significant group of schools diverting funding away from repairs and renovation in order to cover utility bills. Therefore, funding will need to be suitably flexible to account for these particular needs.

Question 10

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

YES

NO

UNSURE

Question 11

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

- **The distance criteria should be shorter**
- That is about the right distance
- The distance criteria should be longer
- Unsure

Question 12

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

- The funding should be higher
- **That is about the right amount of funding**
- The funding should be lower
- Unsure

Question 13

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

- The distance eligibility should be given a higher weighting
- **That is about the right weighting**
- The basic eligibility should be given a higher weighting
- Unsure

Question 14

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

YES

NO

UNSURE

Question 15

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

As mentioned in our previous answers, this consultation has revealed wide discrepancies in the eligibility criteria developed and in the level of funding provided to schools. However, a simple and formulaic approach does not necessarily capture the unique situations and circumstances of split-site schools and it will be necessary to ensure that no schools currently in receipt of split-site funding sees a reduction in income as a result of these proposals.

Question 16

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

YES

NO

UNSURE

Question 17

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

We are pleased to see the proposal to increase the exceptional circumstances funding threshold to account for at least 2.5% of a school's budget, up from the current 1%. This accounts for a significant uplift to the budgets of eligible schools such as super-sparse schools. We have noted in other responses that maintaining a school is essential in many small rural communities and this should help to stabilise the funding for such schools amongst others.

We are also pleased to see an acknowledgement of the PFI situation listed in the consultation document. As previously noted there must be a guarantee that no school will lose out as a result of changes to the funding formula and this includes schools who, through no fault of their own, have to manage the inexorable rise of the PFI service charges. Currently, Local Authorities can use a PFI factor in their local funding formulae to support schools that have unavoidable extra premises costs because of their PFI agreements. We have raised the absurd situation of PFI payments a number of times over the past years. Community would like to see a decision made whereby PFI costs, which are an issue outside of the control of the organisation, are wholly met by government to resolve this concern once and for all.

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?

YES

NO

UNSURE

Question 19

Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?

YES

NO

UNSURE

Question 20

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

Broadly speaking the simplification of the system is a good thing if it increases transparency and streamlines the process since this will lead to greater predictability and confidence in the system. The current funding system, where councils set a “minimum funding guarantee” for schools to protect them from large losses in funding year-on-year has drifted from NFF factor values again meaning that there is some inconsistency in the funding streams for schools. And at its worst this has required local authorities to submit disapplication requests where “the normal operation of the MFG would produce perverse results”

However, there are concerns that even though the intention is for no decrease in the minimum fund, nor in the existing other funding streams (save for the sparsity factor), there is always the risk that funding will not be maintained or increased to reflect the necessary changes in pupil intake. This could particularly be the case where there are unforeseen impacts, such as increases to energy costs, global pandemics, or the opening of a new free school.

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?

- Notional allocations
- Calculator tool
- **Unsure**

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?

We have previously noted that the system of funding schools is illogical with funding determined on a single census held in October but then delivered to academies and schools on different dates depending upon their status. This means budgets can be set months in advance, and before figures for new intakes are confirmed.

Currently, the DfE usually publishes details of the way NFF funding will be distributed in July. But we must consider why funding is allocated in July when budgets are set in early spring according to the financial year?

Schools would be better served by following an academic year for budgeting purposes, but this may cause additional burdens since all other aspects of LA services will still be required to operate and budget on a financial year.

Given all of the potential for confusion and obfuscation it is essential that all available assistance is offered to schools to square the situation. We believe that both options proposed in the consultation document have merit and note that neither option need be exclusive.

Publishing data which shows what each schools' funding for the next year would look like based on current pupil numbers would allow secure budget planning under a direct NFF. Similarly, we do feel that the proposed calculator tool is an immensely helpful addition especially since it will allow all schools and academies to input their own data and support calculations around the MFG.

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?

No

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?

- One single data collection
- Several smaller bespoke data collections
- **Unsure**

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?

Gathering the census and APT/additional information as early as possible sounds like a good idea but gathering data too early will affect its usefulness. We do not feel that issuing a request earlier than the current model serves any beneficial purpose but will increase the administrative burden placed on schools. Publishing data and pre-populating forms with the census information does reduce demands on school finance teams but it still has to be checked for accuracy. And rapid changes in a school's population (for example an influx from a travelling community) will impact a school's ability to meet the needs of their learners due to insufficient flexibility in the funding cycle.

As we have previously noted the system of funding schools contains inconsistencies with funding determined on a single census held in October but then delivered to academies and schools on different dates depending upon their status. This means the system is inflexible and slow to respond to needs as and when they arise. We believe that the whole timeline of school funding would benefit from a review.