



Department  
for Education

# **Implementing the Direct National Funding Formula**

**Government consultation**

**Launch date 7 June 2022**

**Respond by 9 September 2022**

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## Ministerial foreword



This Government is committed to levelling up opportunity for all children and young people. As set out in the [Levelling up](#) White Paper, our levelling up mission is for 90% of primary school children to achieve the expected standard in Key Stage 2 reading, writing and maths by 2030. Fundamental to achieving that is ensuring that the right level of funding is allocated to the school system – and so we have delivered the biggest funding boost for schools in a decade, and by 2024-25, we will have invested a further £7bn to the core schools budget in England, compared to 2021-22.

We must also ensure that that funding is distributed fairly, based on the needs and characteristics of individual schools and their

pupils. The introduction of the national funding formula for schools (NFF) in 2018-19 was a major step forward – replacing the postcode lottery of the previous funding system with a single, national formula that allocates core funding for mainstream primary and secondary schools in England based on a consistent assessment of need.

Since its introduction, the NFF has been a ‘local authority-level’ formula – whereby the NFF distributes funding fairly between local authorities, and local authorities then distribute that funding among their respective schools using their own formulae. Following last year’s consultation [Fair school funding for all](#), we have confirmed our intention to move to a direct funding formula for mainstream schools, which will complete the reforms to school funding which started when the NFF was first introduced. A direct NFF will mean that the Department determines funding allocations for individual schools, without substantial local adjustment.

Our commitment to introducing this reform is guided by by our commitment to the following principles:

- **Fair** – each mainstream school should be funded on the same basis, wherever it is in the country, and every child given the same opportunities, based on a consistent assessment of their needs. Moving to a direct NFF will mean that it will no longer be the case that schools with similar pupil intakes and circumstances can be allocated significantly different funding, simply due to being located in different local authorities. It will ensure a level playing field between schools, resourced on a consistent basis to meet the needs of their pupils.

- **Simple and Transparent** – one national school formula will be simpler to understand and engage with than the current 150 different local formulae. A single national formula will mean that the funding an individual school is allocated, and the basis on which it was calculated, will be transparent to all in the system. A direct NFF means that everyone with a stake in education – and especially parents – can more easily understand what funding is being allocated to an individual school and how that reflects the school’s pupils and its context.
- **Efficient and Predictable** – A national formula through which funding is matched to relative need, means that resources can be distributed across the system as efficiently as possible. It will also support head teachers, governing bodies and academy trusts to compare their income, spending and outcomes with other schools, and to identify ways to improve. A single national funding approach will create greater predictability in funding, supporting the system to make best use of resources.

The move to a direct NFF also supports the objective set in the schools white paper, [Opportunity for all](#), that by 2030, all children will benefit from being taught in a family of schools, with their school in a strong multi academy trust or with plans to join or form one. In the current system, multi-academy trusts’ individual academies can be funded on a different basis, if they are spread over more than one local authority area. The direct NFF will ensure that all academies, and all schools, are funded on a consistent basis, wherever they are in the country.

Moving to a direct NFF requires a change in legislation in order to allow the Secretary of State to determine schools’ funding allocations directly. This forms part of the [Schools Bill](#) which was introduced in Parliament on 11 May 2022. The legislation we have proposed reflects the conclusions of the consultation we undertook last year.

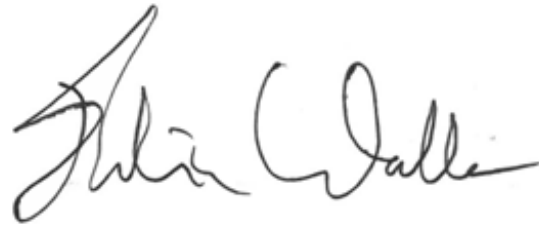
Alongside the Schools Bill, this consultation outlines the next steps in our reforms to the school funding system. It focuses on the detailed implementation of the direct NFF, including the important interaction between the direct NFF and funding for high needs.

Effective implementation of reform is vital for success, and we are committed to continuing to engage closely with school funding stakeholders to ensure that the direct NFF is implemented as effectively and smoothly as possible – drawing on their expertise and experience. This consultation forms part of that process. It will be followed by further sector engagement, including further consultations on related funding issues such as the consequent reforms to high needs funding arrangements following the ongoing consultation on the SEND and alternative provision green paper.

It is vital that the new direct formula works for schools and this consultation is the latest in a long series that has helped to progress and shape our policy. I know that school leaders, business managers and governors face many demands on their time but I am

grateful for the ongoing interest of so many across the sector in our work to complete these reforms and get the detail right.

I look forward to your responses.

A handwritten signature in black ink, appearing to read "Robin Walker". The signature is fluid and cursive, with the first name "Robin" and the last name "Walker" clearly distinguishable.

**Robin Walker MP, Minister of State for School Standards**

## Introduction

In 2021 we held our first-stage consultation on the direct national funding formula (NFF) for schools: [Fair school funding for all: completing our reforms to the National Funding Formula](#). Following the feedback to that consultation, in March 2022 the Government published its [response](#), which confirmed our commitment to introduce the direct NFF.

Our first consultation on the direct NFF focused on the principle of moving to a direct formula, and proposals on how we should transition towards this end point. Following the largely positive response to the consultation, we have confirmed that we will begin moving towards the direct NFF from the 2023-24 funding year.

This current consultation focuses further on the detail of the implementation of the direct NFF. It does not restate our broad proposals for reform, which are outlined in the first consultation and the response.

An important part of implementation of the direct NFF is the interaction between the direct NFF and funding for high needs, which many highlighted in their responses to last year's consultation. In this consultation, we set out proposals for the continuation of two current elements of funding for special educational needs (SEN), and for alternative provision, but consider how these would need to change in operation as we move to the direct NFF: first, continuing to have some flexibility within the funding system to move funding to local authorities' high needs allocations (and correspondingly adjust mainstream schools' NFF allocations); and second, the determination of notional budgets for mainstream schools' SEN and disability support, within their direct NFF allocations.

The consultation also sets out proposals for how funding for schools experiencing significant growth in pupil numbers, or falling rolls, could operate under a direct NFF. This is set out in more detail than in our first stage consultation. In response to the feedback to that consultation, we propose a system which retains some local flexibility to determine how this funding is allocated, while aligning with the principles set out above to achieve much greater fairness, simplicity and predictability. In doing so, we are aiming to ensure consistency with the ongoing role of local authorities as set out in the schools white paper, [Opportunity for all](#), ensuring that local authorities are supported to carry out their role as champions of the child and in place planning. The first stage consultation set out our ambition that *all* of mainstream schools' core funding allocations would be determined by a single national funding formula – including both “school-led” elements (which are allocated on the basis on the circumstances of the school) and pupil-led elements (allocated on the number and characteristics of pupils). We acknowledged that allocating some of these “school-led” elements directly to individual schools through the NFF would mean we had to move away from relying on historic local authority spending decisions as we do currently, and that that would be a complex

set of reforms. In this consultation, therefore, we set out more detail on our proposals for how this will operate in the direct NFF.

As we move to the direct NFF, the minimum funding guarantee – which protects schools against excessive year-on-year changes in their per-pupil funding – will continue to operate. In the current system, the "funding floor" in the NFF mirrors the operation of the minimum funding guarantee in the local formulae. When the direct NFF is introduced, the minimum funding guarantee and the NFF funding floor will effectively merge into one single funding protection mechanism – which we will continue to refer to as the minimum funding guarantee. In this consultation we set out a proposal on how this will operate.

Finally, we set out proposals on how the funding cycle should operate in the direct NFF – that is, the regular timescales for gathering data to calculate funding allocations, and then confirming these allocations to schools. A key consideration here is how we can support schools' budget planning, by giving them early indication of future funding levels.

Taken together, this consultation sets out a detailed picture of how we propose that the direct NFF will work in practice. We are not setting a definitive final "end date" at which the direct NFF will be implemented, as it will be important to continue to be guided by the impact of the initial transition towards the direct NFF, before deciding on the further pace of change. However, to give a sense of the likely timescales to inform schools' and local authorities' planning, we are setting out that we expect to have moved to the direct NFF within the next five years – that is, by the 2027-28 funding year. We hope that we may be able to move to the direct NFF *sooner* than this – but not later.

To further support schools and local authorities' planning, in Annex A we set out a forward timeline of upcoming activity related to the direct NFF. This includes our plans to reform the operation of some funding factors in order to prepare for the direct NFF; further explanation of how local authorities' funding formulae will move gradually closer to the NFF in the transitional phase; and planned legislative changes.

Further consultations are also planned on related funding issues. Details of these are also set out in the forward timeline. Following the consultation on the SEND and alternative provision green paper, we will conduct a further consultation on consequent reforms to high needs funding arrangements. We also plan to consult on the funding for local authority services through the central school services block (CSSB), as we move to the direct NFF, and in light of the future role for local authorities as set out in the Schools White Paper, Opportunity for all.

## Who this is for

- Schools and academy trusts
- Local authorities
- Any other interested person or organisation

## Issue date

The consultation was issued on 7 June 2022.

## Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team on:

- [NFF.CONULTATION@education.gov.uk](mailto:NFF.CONULTATION@education.gov.uk)

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: [Consultations.Coordinator@education.gov.uk](mailto:Consultations.Coordinator@education.gov.uk) or by telephone: 0370 000 2288 or via the [DfE Contact us page](#).

## Additional copies

Additional copies are available electronically and can be downloaded from [GOV.UK DfE consultations](#).

## The response

The results of the consultation and the Department's response will be [published on GOV.UK](#) in autumn 2022.

## Respond online

To help us analyse the responses please use the online system wherever possible. Visit [www.education.gov.uk/consultations](http://www.education.gov.uk/consultations) to submit your response.



## Other ways to respond

If for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a word document version of the form and email it or post it.

### By email

- [NFF.CONULTATION@education.gov.uk](mailto:NFF.CONULTATION@education.gov.uk)

### By post

Funding Policy Unit  
Department for Education  
Sanctuary Buildings  
20 Great Smith Street  
London  
SW1P 3BT

## Deadline

The consultation closes on 9 September 2022.

## The interaction between the direct NFF and funding for high needs

In the first stage of consultation on the direct NFF, we recognised that the interaction between funding for mainstream schools, and funding for high needs (for children and young people with more complex special educational needs and disabilities (SEND), and those who need alternative provision) is a key consideration in our reform plans, and this was echoed by many respondents to the consultation. The Government published the SEND and alternative provision green paper, [Right support, right place, right time](#) on 29 March 2022, which sets out our proposals for ambitious reforms to the SEND system to bring greater national consistency, so that provision is based on a child or young person's needs and not where they live or the setting they attend, within a financially sustainable system where resources are targeted effectively. This emphasis on greater fairness and consistency aligns closely with the principles that underpin the move to the direct NFF.

The Government's consultation on the SEND and alternative provision green paper concludes in July 2022. Following consideration of the responses to that consultation, we will consult on further detailed proposals on how high needs funding will operate to deliver the aims of the green paper. As set out in the forward timeline in **Annex A**, in future consultations we plan to cover the operation of funding bands and tariffs to support the development of a national framework for SEND provision. This will involve addressing a range of complex issues, and potentially making significant changes to the current system of place and top-up funding for specialist provision, as well as the current expectation that mainstream schools will provide for the first £6,000 of additional expenditure on pupils with SEND, before they become eligible for high needs top-up funding. Extensive consultation will be needed as we develop this framework, informed by the expertise of our stakeholders.

In the current consultation, we focus on two elements of the high needs funding system where we can provide further clarity for schools, academy trusts and local authorities now on how the direct NFF will operate. Firstly, we set out proposals for how continued flexibility to transfer funding to authorities' high needs budgets, by adjusting mainstream schools funding, could work under the direct NFF. The commitment to include such flexibility was set out in the Government response to the first stage consultation – here, we now set out proposals on how this would operate. Secondly, we set out proposals on the continuation of notional SEN budgets in the direct NFF – that is, continuing to give mainstream schools an indication of a (non-ringfenced) portion of their core budget for meeting the additional costs of provision for pupils with special educational needs.

## Flexibility to transfer funding to high needs

In the current funding system, local authorities have a degree of flexibility to transfer funding between the blocks of their Dedicated Schools Grant (DSG) allocations. In the majority of cases, local authorities transfer funding from their schools block (that is, funding for mainstream schools) to their high needs budgets. Local authorities' local funding formulae then determine how the schools block funding (after such transfers) is distributed to mainstream schools. Local authorities can transfer up to 0.5% of their schools block with the approval of the schools forum, but transfers above 0.5%, or where the schools forum does not agree, must be decided by the Secretary of State.

This is an important flexibility which has helped local authorities as they face pressures due to high needs costs. In particular, it can be beneficial in allowing local adjustments which reflect where the allocations of mainstream schools and high needs funding are significantly out of line with the local pattern of demand for and supply of provision for children with SEND, and which will take time to change locally. To support local changes in the longer term, the proposals set out in the SEND and alternative provision green paper aim to establish a more consistent approach to provision standards and funding, and this should help to address some of the causes of the current cost pressures, helping to move towards a system that is financially sustainable. However, both local changes and a new national framework will take time to implement and achieve the intended impact.

In the Government response to the first stage of the direct NFF consultation, we therefore committed to retaining the flexibility to transfer funding from mainstream schools to local authorities' high needs budgets in the direct NFF. We envisage that this flexibility will need to be used with decreasing frequency as the local systems become financially sustainable, through local action supported by the national reforms envisaged in the green paper. While we are clear that this flexibility will be retained, it will need to operate differently from the current system once we move to the direct NFF.

As set out in the SEND and alternative provision green paper, local authorities will continue to have responsibility for the local delivery of provision for children and young people with SEND, particularly those with high needs. Therefore, we propose that local authorities should continue to have responsibility for preparing and submitting any applications to the Secretary of State for funding to be transferred to their high needs budgets, via an adjustment to the NFF allocations for mainstream schools in their area. The applications would include: the amount of the transfer requested; the period over which the transfer is requested (e.g., if it is for more than one year); the reason for the transfer request (i.e. what the funding would be used for); and how and which mainstream schools' allocations would be affected. The final decision maker on these requests would be the Secretary of State, to ensure that decisions are taken on a consistent basis, in line with the principles underpinning the direct NFF.

Although local authorities would be required to include the amount of transfer requested in their application, the Secretary of State would have the discretion to modify that amount in agreeing to a transfer of funds. In some cases, it will be appropriate to agree to multi-year funding transfers (with an annual review) – for example, if a local authority is engaged in a DfE programme such as the Safety Valve work with authorities that have deficit budgets, in which they commit to reforms to their SEND systems which span multiple years.

Further detail on the criteria for assessing funding transfer applications, in particular in relation to how the transferred funding would be used, will be set out at a later stage, as we will need to make sure that such criteria are in line with wider system developments following the SEND and alternative provision green paper consultation. However, we expect to continue the use of the following criteria:

- Strong evidence that a transfer is necessary to address significant cost pressures on high needs.
- Specific and detailed plans which demonstrate that the transferred funding would contribute to addressing cost pressures in a sustainable way.
- Strong evidence of a transfer of financial responsibility for children with high needs from mainstream schools' NFF funding to the local authority's high needs budget – such as a significant increase in the proportion of children with education, health, and care (EHC) plans placed in specialist settings rather than mainstream schools, or an increase in the costs met by high needs top-up funding for pupils with EHC plans in mainstream schools.

Both to make the application process more straightforward at a local level, and to support consistency in decision making, we propose that local authorities will be provided with a short “menu” of options on how the adjustment to mainstream schools' NFF allocations could be made. A short list of options, rather than complete freedom to propose how the adjustments could be made, will help to avoid delays in confirming funding allocations. This flexibility will also allow the requests to address particular local issues in the provision for children and young people with complex needs – for example, a local authority may judge that schools with high proportions of pupils with SEN pupils are facing particular pressures, and require additional funding from the high needs budget. Or, a local authority might judge that a portion of the funding directed to additional needs in the schools NFF is, because of local patterns of provision, required to support special schools or units. We envisage that this short list of options would therefore include:

- A percentage reduction in all mainstream schools' NFF allocation.
- A percentage reduction in the NFF funding that mainstream schools attract through the basic entitlement factor (rather than additional needs factors) – this would be of relative benefit to schools with high proportions of pupils with additional needs.

- A percentage reduction in the NFF funding that schools attract through additional needs factors.

Within these options, the Secretary of State would then also take into account local authorities' views on whether to:

- Include primary or secondary schools, or both, in the adjustment of allocations.
- Include schools on minimum per-pupil funding levels (MPPLs) in the adjustment of allocations.
- Include schools on the minimum funding guarantee (MFG) in the adjustment of allocations.

Where a funding transfer request is approved by the Secretary of State, we will adjust mainstream schools' NFF allocations accordingly. We would aim for these adjustments to be made in time for them to be included within the usual timescale for confirming schools' NFF funding allocations. More generally, we want to ensure that as much advance notice of such adjustments as possible is given, both to schools and to local authorities: early clarity on their funding levels will enable better budget planning. This will probably mean that local authorities will need to submit applications informed by the provisional high needs allocations that are published in July each year, and an estimate of mainstream schools' allocations, using the latest NFF factor values and the previous years' pupil data, rather than waiting until allocations are confirmed closer to the start of the financial year. This is similar to the current process, whereby the initial deadline for local authorities to submit "block transfer" requests is in advance of the latest census data (which is then used to calculate the allocations themselves). We will therefore support local authorities to make informed decisions on whether a funding transfer request should be submitted, by providing estimate figures for the "unadjusted" schools and high needs allocations.

We propose that, as in the current system, local schools should be able to give their views of a local authority's proposal to transfer funding to high needs. Currently, local authorities must consult their schools forums, and their local schools, on a "schools block transfer" proposal, and – when a decision is referred to the Secretary of State (for example, because the proposed transfer is above 0.5% of the schools block), we require a local authority to submit detail on the responses to these consultations.

It will be important for the Secretary of State's decisions to continue to be informed by local feedback, and so we propose that in advance of submitting applications for transfers of funding local authorities must engage in appropriate consultation with their schools and other stakeholders, and provide evidence on the responses as part of their application. As indicated in the response to the first consultation, now that the SEND and alternative provision green paper has been published, we plan to review how the role of the schools forum fits with other local partnership arrangements. The green paper sets out proposals for local SEND partnerships, which will develop local inclusion plans – a strategic plan for delivery, including setting out the provision and services that

should be commissioned in line with national SEND standards. Subject to consultation responses to the green paper, we will look to align the application and approval process for schools funding transfers to local high needs budgets, with the establishment and operation of these local partnerships and plans. As in the current system, the responses to local planning and consultation activity will be key information that the Secretary of State will consider in taking a decision over whether to approve the proposal.

## Indicative SEND budget

### 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?

The SEND and alternative provision green paper sets out proposals for an inclusive system, starting with improved mainstream provision that is built on early and accurate identification of needs, high-quality teaching of a knowledge-rich curriculum, and prompt access to targeted support where it is needed. We are clear that there should continue to be a national expectation on how much of the additional costs of supporting pupils with SEN mainstream schools should meet from their formula funding, so that schools and local authorities can plan their budgets appropriately.

As now, the direct NFF will include a number of factors that act as a proxy for the incidence of SEN in mainstream schools<sup>1</sup>. We are keeping under review whether the current factors will remain appropriate in future (for example, considering the disruption to the flow of usable attainment data as a result of the pandemic, and in the context of future changes to assessment), and whether further changes are needed to ensure the factors capture the range of additional support that we expect schools to provide for their pupils with SEND.

Following the SEND and alternative provision green paper consultation, we will also look at whether to use more than one threshold to capture pupils with low attainment in their previous phase of education (i.e. a further tier to reflect those with the lowest levels of attainment), and the feasibility of introducing new factors. This work will be informed

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<sup>1</sup> Low attainment in the previous phase of pupils' education and measures of deprivation are the current formula factors acting as the main indicators of the extent to which a school's pupils have additional needs, including SEN.

by the development of the new single national SEND and alternative provision system proposed in the green paper, which will include the longer term establishment of consistent standards on what support should be made available universally in mainstream settings.

As well as ensuring that funding is being directed as appropriately as possible, this work will enable us to establish a consistent basis for calculating an amount within each school's budget for supporting pupils with additional needs. Currently local authorities use factors in their local school funding formulae to identify for each school a notional SEN budget. Although this provides the same formulaic calculation for all the schools in each local authority area individually, it does not provide a nationally consistent approach.

There was clear feedback through our 2019 call for evidence that school leaders and SENCOs find it helpful when setting school budgets to have a guide to the amounts they may set aside for spending on SEND support. We therefore propose to continue the concept of identifying for each school a budget for the costs of additional support for its pupils with SEND. This would be calculated by the Department under the direct NFF, rather than by local authorities, and would indicate the amount within the school's overall budget that is allocated to help schools meet the costs of additional provision for children with SEND, up to a defined threshold (currently £6,000 per pupil, per annum).

Some responses to the call for evidence suggested that the budget should be ring-fenced for use on SEND, rather than notional. Since we believe schools should be responsible for decisions on how they design and deliver a curriculum which meets their pupils' needs, they should also have flexibility in using their resources, not least because it is unlikely that any formulaic approach would be able to reflect the precise cost of supporting every pupil with SEND in each school. That is why the existing locally determined budgets are notional, rather than ring-fenced, and we do not believe those reasons change with the move to a direct NFF.

The SEND and alternative provision green paper proposes to introduce national standards for the SEND provision to be available in mainstream schools, with associated funding bands and tariffs. Subject to the green paper consultation, we will consult on the detailed calculation of an indicative budget for SEND support within the direct NFF, as part of our wider consideration of the funding changes that the green paper reforms will require. We will also consider and consult on whether a different financial threshold or alternative approach would be more appropriate, consistent with the responsibilities that will sit with mainstream schools under the new national standards.

Prior to the development of those national standards, we think it is important to maintain the clarity that the £6,000 high needs threshold offers in the system. This reflects that it

remains appropriate for mainstream schools to contribute to the costs of supporting their pupils with SEND before seeking additional high needs funding.

We will, however, issue guidance to local authorities on how they can calculate their schools' notional SEN budget for 2023-24 using local formula factors. We intend that this guidance will help to bring greater consistency and help with creating the right incentives across the current system.

## **Question 2**

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



## Growth and Falling Rolls funding

In this section of the consultation, we set out our proposals on how revenue funding for schools experiencing significant growth, or significant decline, in pupil numbers would operate under the direct NFF. In developing these proposals, we have carefully considered the responses to the first stage consultation – which highlighted some risks in implementing a purely standardised, national system of growth and falling rolls funding.

Local authorities have a statutory responsibility to ensure there are enough school places available in their area for every child aged 5 to 16 needing one, as set out under section 14 of the 1996 Education Act. The recent Schools White Paper, [Opportunity for all](#), reiterated that local authorities will continue to play this important role. Our lead proposals below aim to support LAs as they meet these responsibilities, by ensuring some continued local flexibility.

The Department provides basic need capital grant funding to local authorities to support them to meet that statutory duty. Funding allocations are calculated annually, using local authorities' own data on pupil forecasts and school capacity, as reported through the School Capacity Survey (SCAP). Local authorities use this funding to create places in brand new schools (via the 'free school presumption' process<sup>2</sup>) or through the expansion or remodelling of existing schools, working with any school in their local area in doing so, including academies/free schools. Further information can be found in the online [Basic need capital funding allocations guidance](#).

We also expect local authorities – in fulfilling their place planning function – to reduce or find alternative uses for school buildings where there are high levels of spare places, in order to avoid detriment to the educational offer or the financial position of schools. This can include, for example, increasing the provision of early education and childcare, reutilising space within mainstream schools for SEND units or resourced provision, and reconfiguring the local offer of places via remodelling, amalgamations, mergers and closures.

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 co-ordinated approach to place planning and delivery. The Department expects local partners to support local authorities to meet their sufficiency duty by providing additional places where they are needed and work with them to reduce the number of places offered where they are surplus to requirements. To further support local authorities to

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<sup>2</sup> See section 6A of the Education and Inspections Act 2006, and published guidance at <https://www.gov.uk/government/publications/establishing-a-new-school-free-school-presumption>

meet their sufficiency duty, the Department provides them with revenue funding for growth and falling rolls, through their Dedicated Schools Grant.

Local authorities currently have discretion as to whether or not to operate a growth and/or falling rolls fund. If they do, it must be used only to:

- **Meet the revenue costs associated with new and expanding schools<sup>3</sup>.** This funding is allocated to schools agreeing to expand in response to a proposal by the local authority and to fund the development of new schools. The costs of new schools will include lead-in costs, for example to fund the appointment of staff and the purchase of any goods or services necessary in advance of admitting pupils.
- **Support growth in pre-16 pupil numbers to meet basic need.** This can be necessary to help schools meet the additional costs that they incur as a result of growth in pupil numbers, for example in establishing an extra class (either as a bulge class or an ongoing commitment), before these additional pupils lead to schools receiving greater core allocations in the following year under the lagged revenue funding system.
- **Support additional classes needed to meet the infant class size regulation.** Local authorities can provide additional funding to schools where an infant class exceeds 30 pupils and therefore the school must cover the costs of opening another class or employing an additional teacher to meet this regulation.
- **Support falling rolls where places will be needed in future.** Local authorities can support good and outstanding schools with falling rolls, where local planning data shows that the currently surplus places will be needed within the next three to five financial years. This was introduced because a pupil-led funding system can cause difficulties where local authorities identify that the number of places required will increase in the near future and therefore want to ensure that the schools and places that will be needed remain viable in the short term.

The ESFA also provides “popular growth” revenue funding where schools experience significant growth in pupil numbers due to increased popularity, to reflect their increased costs. At present, this funding is available for academies with significant forecast growth in pupil numbers – not maintained schools. Agreements are made on a case-by-case basis, on application by academy trusts.

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<sup>3</sup> Free schools delivered through the Government’s central route receive grant funding directly from the ESFA to fund post start-up costs and diseconomy costs in establishing a new school. For ‘presumption’ free schools delivered under section 6A of EIA 2006, the local authority is also responsible for providing the site and leading on building works.

## Responses to the First-Stage Consultation

In the first stage consultation, we proposed that the Department introduce national, standardised criteria to allocate revenue funding for schools experiencing significant growth in pupil numbers and/or falling rolls. A narrow majority of consultation respondents agreed with this proposal, although that was true of only a third of local authorities, and a significant proportion of respondents called for some continued local flexibility in how growth and falling rolls funding is allocated to schools, to help local authorities fulfil their duties with regard to the sufficiency of school places.

In our first stage consultation response, we committed to improving how growth funding is allocated, to achieve greater simplicity, fairness and consistency. However, we recognise that this is a complex area of policy and that the consequences for local school place planning processes will need to be carefully considered. This consultation document aims to respond to those main consultation points raised, and outline proposals which respond to that feedback.

First, we outline the current pattern of growth and falling rolls funding and make the case for change to align better with the principles of the national funding formula.

Second, we consider the concerns raised in the first stage consultation responses around the consequences of moving to a purely national, standardised system, and we provide an alternative option for growth and falling rolls funding, which would allow some degree of local flexibility. This would still be a significant step forward in the consistency and fairness in how this funding is allocated. In addition, some respondents asked for more specifics on a national standardised system. Accordingly, we also provide a more detailed set of proposals on how a national, standardised system of growth and falling rolls funding could operate, including the national criteria to be set on when growth is “significant” enough to attract growth funding and how this funding could be allocated. Overall, we propose that, at least initially, a system which retains local flexibility would be most appropriate under a direct NFF.

Lastly, we provide a proposal on popular growth which would extend support to maintained schools in response to responses made in the first stage consultation.

## The Allocation of Growth and Falling Rolls Funding

The Department allocates a notional growth funding element to local authorities each year, as part of the DSG. In 2022-23, the Department allocated £246m. We take a formulaic approach to allocating this funding to local authorities to ensure the funding is distributed fairly and consistently. Growth funding is currently based on the actual pupil growth that local authorities experience, at the level of [Middle Layer Super Output Area \(MSOA\)](#) – these are smaller geographic areas within the local authority with an average population of 7,200. This is a significant improvement in the way we allocate growth

funding (it was previously based on historic spending) and ensures we are allocating this funding consistently across local authorities.

## Analysis of current growth funding

Local authorities determine criteria for allocating growth funding to schools in their local area. Local authorities currently have a large amount of discretion over how they allocate growth funding – both in terms of the eligibility criteria they set (such as thresholds on levels of growth in pupil numbers, or numbers of additional classes), and in terms of the funding levels for eligible schools. Our analysis has found considerable variation in how local authorities distribute growth funding.

Local authorities do not have to allocate all of the growth funding that they receive, and can spend more or less on growth funding than they received through the DSG for that purpose. This leads to a very varied picture nationally: for example, Camden spent over £2m in growth and falling rolls funding in 2022-23, despite only being nominally allocated around £330,000, while 17 local authorities allocated no growth funding at all in 2022-23, despite receiving allocations of up to £1.9 million from the Department.

In addition to variation in overall spending on growth across local authorities, significant differences are seen in allocations at a lower level. We have looked at the growth criteria set by local authorities in 2022-23, to identify the method they use to allocate funding, and the amount of funding a school would receive for a primary bulge class of 30 pupils<sup>4</sup>. On average this is £74,000. However, this ranges from a minimum of £31,000 in Bexley to around £195,000 in Tower Hamlets: a six-fold difference in the amount of funding made available. Bexley have calculated such growth funding on the basis of additional teaching costs a school incurs, while Tower Hamlets have calculated based on the average total per pupil funding provided through their local formula.

We recognise some of the differences in funding amounts may reflect the different costs associated with an additional primary bulge class on the basis of pupil characteristics. We have looked at the relationship between the proportion of FSM6 pupils in each local authority, as a proxy for additional needs, when comparing the amount of funding each local authority provided. However, we have not found any clear relationship between the level of support a local authority would provide and the level of free school meals eligibility. Both Manchester and Tower Hamlets have a high proportion of pupils eligible for Free School Meals (44% and 45% respectively) yet would provide £30,000 for

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<sup>4</sup> We have managed to calculate figures for 23 local authorities only. It was not possible to do this for all local authorities as some do not use the criterion, or some use indicators to measure costs for a bulge class that are not based on fixed figures e.g. the cost of a teacher in the area.

maintained schools and £52,000 for academies in Manchester and around £195,000 in Tower Hamlets for each primary bulge class.

There are not only high levels of variation in funding for primary bulge classes across local authorities, but also in the methodologies which local authorities use. 45% of all local authorities use some form of per pupil rate to calculate the additional growth funding for a primary bulge class. These per-pupil amounts range from £1,004 per pupil for maintained schools and £1,721 for academies per pupil in Manchester to £3,399 per pupil in Wandsworth. Alternatively, some local authorities base their growth funding rates on the costs of employing an additional teacher, and additional equipment costs, rather than a per-pupil funding rate. In some cases, this funding varies according to teacher pay scales, whereas in others the growing schools simply receive a standard lump sum amount.

### **Analysis of falling rolls funding**

There is a similar level of variation in falling rolls funding. Only 24 authorities have set funding aside for a falling rolls fund in 2022-23, with half of these in London. We have not found a strong relationship between the existence or size of falling rolls funding, and the changes in pupil numbers seen over the past four years. Most spending is concentrated in London: the 12 London local authorities with a falling rolls fund have an allocated total falling rolls fund of £6.2 million in 2022-23, whereas the non-London local authorities have an allocated total of only £3.5 million.

In addition, local authorities again use different eligibility criteria for falling rolls and methodologies for determining the amount of funding. The criteria used include the level of decrease in pupil numbers, using either decline in number on roll (NOR) or pupil numbers below the Published Admission Numbers (PAN). Where NOR is used, the range of decline necessary to trigger falling rolls funding ranges from a 2% to a 20% decline in NOR. Where PAN is used, pupil numbers need to fall 10% below the PAN in some local authorities to trigger funding, but 20% below PAN in others.

### **Growth and falling rolls funding under a direct NFF**

The Department is committed to achieving a growth and falling rolls system which aligns with the principles of the direct NFF. That means that funding is fair, simple and transparent, and predictable. Our view is that the current system does not provide this. As set out in the above analysis, two schools in similar circumstances facing an increase in pupil numbers could be allocated significantly different levels of funding owing to their location, and MATs, especially those which span local authority boundaries, may find it difficult to determine any additional growth funding to which their schools are entitled.

This consultation outlines two options for growth funding under the direct NFF. The first option would allow some continuing local flexibility in how growth funding is distributed to schools, but with significantly greater consistency than in the current system. The second option is a national, standardised system without local flexibility, where we allocate growth funding directly to schools as part of their allocations based on information provided by local authorities. Last, we explain why the first approach, which retains local control, is our favoured approach.

### **Approach one: retain some local flexibility**

This approach would retain some local flexibility for local authorities as they respond to the pupil place planning needs of their areas. Implementing this approach as we transition to the direct NFF would require the following:

- We would place restrictions in the School and Early Years Finance Regulations and/or in the DSG conditions of grant on how local authorities use growth and falling rolls funding.
- In particular, in order to meet the principles of the direct NFF we would:
  - (a) place additional requirements on local authorities to increase the consistency and predictability of funding in relation to how local authorities operate growth funding;
  - (b) similarly, place additional requirement on how local authorities operate falling rolls funding;
  - (c) refine the allocation methodology of growth and falling rolls funding within the DSG; and
  - (d) explicitly allow local authorities to spend growth and falling rolls funding on repurposing and removing surplus places.

These are considered in turn below.

- Local authorities would continue to be required to submit their local growth criteria for scrutiny by the ESFA. We would also publish data on the growth criteria which local authorities were adopting in order to increase transparency of the approaches taken.

These proposals could be implemented in 2024-25, in the second transitional year of the introduction of the direct NFF. Once the direct NFF is in operation, growth and falling rolls funding would remain as part of local authorities' funding allocations, alongside other elements of DSG, such as Early Years and High Needs, with proposals on changes to the allocation methodology included below.

## **Proposals to place requirements on how local authorities operate growth funding**

We would place a number of requirements on how local authorities could use and spend their growth funding in order to make the funding allocated more consistent. This will also bring about simpler and more transparent funding allocations, including:

- Requiring local authorities to use a standard formulation for their growth criteria, which is transparent to all schools/academy trusts in their area. This would ensure local authority growth criteria can easily be understood and compared, and the Department would publish data on the growth criteria. This formulation would allow local authorities to exercise some flexibility over the structure of growth funding (e.g. the use of per pupil values or a lump-sum, or both) and the factor values used, for a defined number of situations where growth funding may be applicable (e.g a temporary buldge class). This would have the effect of simplifying the number of approaches which local authorities can take, although retaining some local discretion.
- Place minimum requirements on local authorities' growth criteria to ensure schools can be assured of a basic level of funding as and when they agree to take on additional pupils. We could, for example, mirror the existing minima that apply to basic entitlement funding in local funding formula – £2,000 per primary school pupil and £3,000 for secondary pupil (or an equivalent lump sum).
- The Department could also place minimum expectations on the circumstances in which local authorities would be required to provide growth funding - for example that support would be provided for any school creating an additional class of 30 pupils. In the example above, this would mean all primary schools would have the security of being guaranteed to receive at least £60,000 for an additional bulge class of 30 pupils.
- Requiring local authorities to retain funding centrally for the use of growth and falling rolls funding. Under a direct NFF, local authorities would be unable to use this funding to top-up their local schools budget and so schools' budget allocations, since these would be provided directly by the NFF. If local authorities did not spend their full allocation of funding on growth funding, this would either revert to form part of their DSG balance (as currently), or revert back to the Department.

## **Proposals to place requirements on how local authorities operate falling rolls funding**

Similarly, we would place a number of requirements on how local authorities could use and spend funding for schools on falling rolls, in order to make the funding allocated more consistent. We propose to:

- Standardise the allowable eligibility criteria and funding methodology for local authorities using a falling rolls fund. This would include a minimum threshold for a school's decline in pupil numbers, in order for it to be eligible for funding, and a

standard calculation methodology for funding based on the expected future increases in pupil numbers. This would take account of the difference between the current number on roll and expected future capacity.

- Require local authorities to use their School Capacity Survey (SCAP) data to assess whether school places will be required in the next three to five years, replacing the current requirement to use local planning assessments. This will ensure that allocations of falling rolls funding are based on a consistent measure of forecasting future school places.

We are considering whether or not to retain the restriction that only schools that are judged to be 'good' or 'outstanding' by Ofsted are eligible for falling rolls funding. Feedback to our first consultation was that the requirement can cause difficulties in some local authorities' ability to ensure the viability of places that will be needed in future. Moreover the use of SCAP data in allocating this funding should provide improved assurance that places will be required.

### **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?

### **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?

## **Proposals on allocation of growth and falling rolls funding to local authorities**

We propose to reform the allocation of growth and falling rolls funding in order to better suit the current needs of local authorities through:

- Re-baselining the total amount of growth funding, nationally, to better reflect current spending patterns. The current amount of funding is based on spend levels in 2018-19; we would re-set the national total on the basis of the 2023-24 spend.
- Allocating funding between local authorities on the basis of both growth **and** falling rolls by calculating local authorities' allocation on the basis of areas (MSOAs, within local authority areas) which have either seen growth or (significant) declines in pupil numbers. This is a departure from the current system whereby only MSOA-level data on pupil growth, and not declines, is used to calculate authorities' growth/falling rolls funding allocations.



## Question 5

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

### Proposal to increase the scope of growth funding

In addition, we believe that there is a strong case to extend the scope of how growth and falling rolls funding may be used by local authorities. It is prudent for local authorities to retain some spare capacity in the system, in order to respond to and manage shifting demand including unexpected changes, provide for parental choice and support the effective management of the admissions system; but it is also important that local school estates are managed efficiently to ensure they remain financially viable.

This involves local authorities and local schools/ trusts working together where there are high levels of spare capacity, to reduce or repurpose this in order to avoid undermining the educational offer or financial viability of schools in their area. Local authorities should consider a spectrum of options for the reutilisation of space, including, for example, co-locating nursery or SEND provision, as well as options for reconfiguration, including via remodelling, amalgamations or mergers/closures where this is the best course of action. Such repurposing of school estates often involves revenue costs.

We believe it would be helpful if growth and falling rolls funding could be used to support local authorities to facilitate this process, which will become more common in future, as pupil numbers start to decline nationally. We could permit local authorities to spend growth and falling rolls funding on the revenue costs associated with repurposing or reducing school places. This is the analogue of their current role in meeting revenue costs where a new school opens or expands. This could provide local authorities an additional lever in pupil place planning, where the costs of repurposing or removing spaces would otherwise be prohibitive to achieving these longer term improvements.

## 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?

### Approach two: national standardised system

This section provides more detail on an alternative approach – for a fully standardised system to growth funding, without local flexibility. As we explain below, we favour the former option set out above, which would allow some continued local flexibility.

However, we provide more details on how a fully standardised alternative approach

would operate, to allow respondents to this consultation to make a informed preference between the two options.

A national, standardised system for growth funding would see local authorities submit data on schools that are forecast to grow as part of a new data collection exercise. DfE would publish the national eligibility criteria which will be used to determine whether forecast growth (or decline) would be sufficiently “significant” to merit funding being allocated, and ask local authorities to submit the relevant data. DfE would also set standardised funding amounts for schools’ growth or falling rolls funding allocations.

In order to be consistent with the wider NFF, we would propose that funding provided for schools who see pupil growth is the basic entitlement rate for each additional pupil, adjusted by the area cost adjustment (ACA). This is consistent with the most common current approach taken by local authorities. This would also align with the funding provided by the NFF due to local authorities who amend a school’s pupil numbers as part of the new data collection.

In order to implement a national standardised system, we would need to define the threshold for a “significant” growth in pupil numbers, such that growth above this threshold would attract additional funding. Our suggested criterion for significant growth is broadly based on the idea of stepped costs, where the increase of costs is associated with the provision of additional classes and will affect schools differently depending on their size. This is based on our analysis of local authority growth criteria where the most common threshold is around an additional class of 30. We expect the majority of the applications we would receive from local authorities would be for additional temporary or permanent bulge classes, which have been agreed in advance of the academic year. However, some local authorities, particular those with smaller more rural schools choose to fund a ‘half class’ of 15 in primary schools, which we have sought to mirror for small primary schools to ensure this system works for them. We have sought to avoid any ‘cliff edge’ effects where schools of similar sizes would have different thresholds for significant growth. Therefore, we would define significant growth as increases in the number of pupils which mirror the following:

<b>School Size</b>	<b>Threshold for significant growth</b>
Fewer than 300 pupils	15 pupils
Between 300 and 600 pupils	5% increase in NOR
Greater than 600 pupils	30 pupils

**Table 1 Threshold of pupils needed for growth funding by school size.**

## **Operation of a national, standardised system**

There were a number of specific concerns raised during the first stage consultation about the operation of a national, standardised system. We address these here, to clarify some of the technical details on how such a system would work in order that those responding to the consultation can make an informed decision on the two options.

The first stage consultation suggested that any increases in pupil numbers should feed through into schools' core funding allocations for the coming year. Some respondents were concerned that final decision around pupil place planning can be made in Spring, after the schools' core funding allocations were confirmed. While we would seek to include any growth funding within core funding allocations, we understand that our data collection process would need to be able to account for late changes in pupil numbers in advance of the Autumn term. In those instances, where growth funding could not be included within the core NFF allocations, there would be a mid-year adjustment process.

Some respondents raised concerns that some schools face additional costs beyond those accounted for in a basic allocation. We would allow an opportunity for local authorities to provide evidence where a school's specific circumstances mean that it would have exceptional, additional costs, for example relating to temporary accommodation, which are not already accommodated through the Department's standard allocation.

Some respondents were concerned about the use of the claw back mechanism where pupils do not materialise. In these cases, some local authorities' local growth criteria provide a form of ongoing commitment or protection arrangements to schools in cases where pupil numbers are not predictable. However, the national system would require a form of pupil number adjustment in order to provide assurance that funding is being spent appropriately.

## **Approach under a Direct NFF**

Our view is that the first approach, which retains local control, should be the approach taken under a direct NFF. We believe this option best reflects the role of local authorities as set out in the white paper, as it would go hand in hand with their sufficiency duty to provide an appropriate place for every child. We propose to implement such an approach, retaining some local flexibility but with greater national consistency, in 2024-25, in advance of the introduction of the direct NFF. In advance, we would consult with local authorities and the sector more widely on the specific proposals and requirements which would be put in place. This approach builds upon existing practice, and should not represent any new processes or burdens to local authorities.

We believe that this local approach is be consistent with the aims of the NFF – that funding is fair, consistent, simple, transparent, efficient and predictable. The use of

additional regulations would ensure each school receives a minimum standard of provision by their local authority, and that each school can plan for a predictable minimum level of funding. While a national, standardised system would create an even more uniform allocation of funding, the changes that we propose (while allowing some local flexibility) would lead to substantially greater consistency in how schools with growing pupil numbers, or falling rolls, are funded. This also means that we can provide increased transparency.

Lastly, we recognise the concerns around local authorities' sufficiency duty which were raised in the first stage consultation. Retaining the link between local authorities' school place planning processes and the growth funding provided for schools provides assurance that this is being spent efficiently. With our proposed approach, local authorities will have incentives to manage the school estate effectively and be pushed to find cost-effective solutions to basic need demand in their area.

### **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?

## **Popular growth**

Not all growth in schools is to meet demographic need. Growth can also occur where a school becomes more popular with parents and children locally. We currently make funding available for academies with significant forecast growth to reflect their increased costs. Academies that are entitled to this funding provide us with an estimate for their number of pupils in the coming year, which we provide funding for subject to an adjustment process based on the actual, in-year autumn census. Agreements are made on a case-by-case application basis at academy trust level.

As we proposed in our first-stage consultation, and confirmed in our first stage consultation response, we will retain a system of popular growth for academies which have seen an increase in popularity, after being recently sponsored by a multi-academy trust which has improved the school's performance. We proposed using data from the in-year autumn census to provide an automatic check on which academies that have recently been sponsored by an academy trust have also experienced significant in-year growth. The publication of our national funding allocations would identify which schools receive additional popular growth funding in order to meet our aim of funding schools more transparently.

We also recognise that a number of respondents raised concerns about “popular growth” being available only to academies, and not local authority maintained schools. It remains our strong view that this reflects the particular role that academy trusts play in the school system. This funding aims to remove a disincentive for MATs to take underperforming maintained schools, which historically have had low pupil numbers, into their trusts so that they can lead school improvement. However, in order to address these concerns, we are consulting on whether maintained schools should also be able to access popular growth funding by basing their funding allocation on estimates. This would be through a case-by-case application process where local authorities can apply for this funding on behalf of particular maintained schools where there is clear evidence of expected significant popular growth, along with evidence of recent improvements in school performance through pupil assessment data.

**Question 8**

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

## Premises funding

In our first stage consultation, [Fair school funding for all](#), we asked for views on reforming “premises” funding under a direct NFF. The premises factors in the NFF include additional revenue funding for PFI schools, schools with split sites, and schools which face costs relating to exceptional circumstances (such as rental costs for their premises).

Currently, premises funding is based on historic spending at local authority level, rather than up-to-date data on costs and needs. Relying on historic spending leads to anomalies within the patterns of funding allocated to different local areas, and would become progressively less appropriate as a funding methodology in a direct NFF, given our underlying principles of fairness and consistency in funding between local areas.

In the Government’s response to the consultation, we recognised respondents’ concerns about the complexity of PFI contracts and plan to work closely with the sector to develop an appropriate approach to PFI schools under a direct NFF, to be consulted on at a later date.

We also confirmed our intention to develop a formulaic approach to split sites as part of the direct NFF. Respondents were generally supportive of our proposal to implement a split sites formula in the direct NFF, and pointed to the need for clear eligibility criteria that took into account a range of costs, regardless of distance. This approach will make funding for schools with split sites simpler, fairer and more consistent, taking into account the additional costs associated with having additional sites. We confirmed that we would consult on further details of our proposal for a split sites formula with the intention of implementation in the 2024-25 NFF. Further details on this follow below.

We also confirmed that we would continue to include an exceptional circumstances factor in the NFF, following feedback from respondents that there were exceptional premises costs faced by schools which needed to be met, although there needed to be greater clarity about what exceptional circumstances were. Further details on our proposed approach for exceptional circumstances are also below.

### Premises: Split sites

The split sites factor is intended to account for the extra costs associated with a school operating, and needing to duplicate services, across a number of separate sites. Extra costs may be incurred from requiring additional reception facilities, travel time for teachers, and travel costs for pupils.

Split sites has remained an optional factor for local authorities under the current funding arrangements. In the NFF, it is funded on the basis of spend in the previous year. In 2021-22, the factor was used by 107 local authorities, with 456 schools receiving split

sites funding. Split sites funding has held steadily at around £28 million for a number of years (£28.4 million in 2021-22). While split sites funding represents less than 0.1% of the overall schools NFF, it typically represents around 2% of overall NFF income for those schools that receive it.

There is a great deal of variation in the split sites criteria developed by different local authorities – in both the definition of a split site, and the level of funding provided to schools.

In their 2021-2022 local formulae, over half of local authorities (64%) using a split sites factor specify that sites must be separated by a road to receive split sites funding, and a number of these allocate additional funding where a school meets a distance threshold. Two-thirds (66%) of local authorities use a minimum distance between sites, ranging between 110 metres and 1.5 miles, as their eligibility criteria. A minority (17%) use a minimum percentage of students – most commonly 20% - who are educated at the second site.

The majority (60%) of local authorities who allocate split sites funding do so as a lump sum, with others allocating on a per-pupil basis or a points based system. The average amount of funding is around £58,000, although this ranges from £2,789 in Derbyshire to £213,690 in Torbay.

This variation across local authorities means that schools with split sites are funded in an inconsistent way. There is also little correlation between the amount allocated and the distance between sites. For example, a secondary school in Barking and Dagenham would be eligible for £200,000 of split site funding by virtue of having a public road separating two buildings, while a secondary school in Bracknell Forest with a second site over a mile away from its main site would attract £75,000 of split sites funding. The current system also means that academies within MATs spread across different local authorities can be allocated substantially different funding. In 2021-22, there were six MATs which had schools in different local authorities receiving split sites funding.

The current variation in funding is so large that we do not believe it can be based on genuine differences in the additional costs that schools face, especially given the range of eligibility criteria attached to different values. There is a clear case for a new NFF split sites factor that funds schools operating across multiple, separate sites on a fair and consistent basis.

Moreover, the current system would become steadily less suitable as we move to a directly applied NFF – as rolling forward local authorities' historic spend would become a less accurate reflection of real differences in schools' circumstances. Ultimately, with the full introduction of the direct NFF, we would cease to have any useable data.

Our proposals below for a formulaic approach to split sites could be implemented from 2024-25, and in advance of the final transition to the direct NFF. These reforms to the split sites factor are a key part of preparing for the direct NFF.

## Eligibility for split sites funding

Schools that operate across multiple, separate sites incur additional costs because of the need to duplicate services. These may be staff costs, such as additional reception, caretaking, catering, pastoral support or leadership staff costs. Broadly, the additional costs associated with split sites schools relate to additional fixed costs and overheads over the two site. We do not expect these to significantly vary with pupil numbers, and, as with the majority of current split sites factors, we propose additional funding uses a lump-sum. Schools with a second site that is at a distance from the main site may accrue further costs from a greater number of duplicated services, and the need for pupils and teachers to travel between sites.

We propose to develop a split sites factor which recognises these costs through a basic eligibility criteria that attracts a lump-sum payment, and a distance eligibility criteria that attracts an additional lump-sum payment.

$$\textit{Basic eligibility} + \textit{Distance eligibility} = \textit{Total funding}$$

### Equation 1 Funding through the split sites factor

## Basic eligibility

We propose that sites should be counted as ‘split’ where they are separated by a public road or railway as a clear marker of separateness. This again aligns with the majority of existing local authority split sites formulae.

We propose that to qualify as ‘split’, the sites must be used primarily for the education of 5-16-year-olds, and must share a single unique reference number (URN) – this ensures we would only fund shared premises once. We would exclude sites such as buildings which are owned and leased out full time by the school.

We also want to apply the criterion that a site must have a building, using the same definition as the CDC<sup>5</sup> in order to align with current data collection practices on schools. This includes rented premises where the school has maintenance responsibilities, but

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<sup>5</sup> The Condition Data Collection (CDC) collects data on buildings’ conditions as part of work to improve the school estate.



would exclude sites which only contain ‘ancillary buildings’, such as storage sheds, as they are not used primarily for the education of 5-16-year-olds.

The requirement for a building on the site would exclude playing fields from triggering eligibility for split sites funding. We do not believe playing fields incur the same costs as a building. This is also in line with the majority of local authority formulae.

## Distance eligibility

To meet the distance eligibility criterion, the site would have to meet the basic criterion and meet a distance threshold of 500 metres (0.3 miles) by road. The median and modal distance used by local authorities who applied a distance threshold in 2020-21 was 500m, and we propose to use the same. We believe that 500m is a reasonable distance for when regular travel between two sites becomes inconvenient and certain facilities need to be duplicated, both incurring additional costs.

This would therefore mean a site could trigger additional funding, on top of funding through the basic criterion, to reflect the additional costs of having a second site that is at a greater distance, such as travel time. We recognise that a 500m cut-off represents a “cliff edge” for any schools which just miss out on eligibility, and may consider the use of a taper to provide some additional funding, on a sliding scale, to those schools. However, we recognise that that would add considerable additional complexity to the formula. We would be interested to hear thoughts on this.

### Question 9

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

### Question 10

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

### Question 11

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

## Measuring distance

To determine eligibility for the distance eligibility part of the split sites formula, we would use school site address data to calculate road distances between school sites. We would calculate distances using the same data sets as we use for the sparsity factor in the NFF – that is, the Ordnance Survey AddressBase Plus and MasterMap Highways Network data sets.

When calculating road distances:

- Our start and end points would be the closest point on the road giving access to the site, as recorded by Ordnance Survey.
- We would calculate the shortest road distance between sites to ensure consistent treatment for all schools.
- We would not account for the impact of traffic restrictions such as one-way streets or “no right turns”. This ensures the distance between sites is the same irrespective of which is set as the start and end point.
- We would exclude some unsuitable road types such as farm tracks.

Like the sparsity factor, we would use road distances rather than travel times. Travel times vary day to day depending on external conditions and we cannot have an objective, data-driven formula if we use travel times.

## **Multiple split sites**

Where a school has more than two sites, they would receive a basic eligibility allocation for each additional site, and a distance eligibility allocation for each additional site which is over 500 metres from the ‘main’ site. The ‘main’ site is the address given on Get Information About Schools (GIAS). This would be capped to a maximum of three ‘basic eligibility’ payments and three ‘distance eligibility’ payments.

## **Allocation of funding**

Split sites funding would be a “lump sum” payment, rather than on the basis of pupil numbers, or other site factors. This would be linked to the size of the existing schools NFF lump sum that all schools receive, reflecting the ‘core’ costs the funding is allocated for, but recognising that a second site does not attract the same expenses as a main site. We propose to set the maximum amount schools can receive for a split site at 60% of the NFF lump sum. In 2021-22, this reflected the average 2021-22 local authority maximum funding for a split site at around £70,000. This would be split as 20% of the NFF lump sum allocated under basic eligibility, and 40% of the NFF lump sum allocated under distance eligibility. The factor values for 2024-25 have not yet been set, but if we assume similar annual increases in the lump sum, the maximum funding available would be around £75,000, with £25,000 allocated through basic eligibility and

an additional £50,000 allocated if the site meets the distance threshold.

### **Question 12**

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

### **Question 13**

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

## **Funding protection**

Introducing a national formula for split sites will lead to a reduction in funding for schools in local authorities with very generous split sites funding, whereas other schools will attract more split sites funding than they currently do. We will protect schools from losing funding through the minimum funding guarantee (MFG) (and, in advance of the full introduction of the direct NFF, the funding floor), to avoid excessive year-on-year losses. We will not, however, protect a school's split sites funding where they cease being a split site school, as they would no longer incur these costs.

## **Implementation and transition**

We propose to introduce the new split sites factor in the NFF in 2024-25. Local authorities would then need to use the NFF split site factor in their local formulae with immediate effect in 2024-25. This is in line with our approach to transition to a direct NFF, whereby local authorities will be required to use all NFF factors from 2023-24 (see roadmap below for details). Local authority split site factors should have the same structure as our approach, using both a basic and distance eligibility with lump sum payments. This would mean that all schools which are eligible for split site funding receive it in 2024-25.

## **Data collection**

### **Implementation**

We need to collect additional data to formularise the split sites factor. Our proposals require a list of split site schools and their addresses.

Specifically, we would collect data covering:

- Which schools meet our split site eligibility criteria.
- The full addresses of any additional sites. We will take the main site address as the one recorded on Get Information About Schools.

- The Unique Property Reference Number (UPRN) for any additional sites, where known.

We do not already hold suitable data. For example:

- Get Information About Schools records only schools' main addresses.
- Current data on split sites funding records schools' funding rather than site details.
- The Condition Data Collection records schools' sites at the point of their condition inspection. We cannot use these data because a) they do not identify whether sites are primarily used for the education of 5-16 pupils and b) they are out of date for some schools because they are not updated annually.

The new data requirements mean we can only formulaise the split sites factor from the 2024-25 NFF.

### **Collecting data as part of the APT**

Nationally, only a small proportion of schools have split sites. Asking all schools whether they have split sites would be burdensome: the majority would have to inform us they do not. Instead, we will ask Local Authorities for the data. This will make use of existing knowledge in areas currently operating a split sites formula.

As Local Authorities do not have full responsibility for Academy and Voluntary Aided school sites, we will ask all Local Authorities to engage with their Academy and Voluntary Aided schools before returning the data. We also encourage split site schools to proactively engage their Local Authority between now and October 2022.

We will request the data as part of the Authority Proforma Tool (APT). Once we have analysed consultation responses, we will issue advanced guidance on our requirements and how to supply any such data to allow preparatory work if desired. To formulaise the split sites factor from 2024-25, we will ask for data in the 2023-24 APT.

When we receive split site data returns, we will apply quality assurance. Our assurance process will ensure any issues with split site data do not interfere with local funding formula sign-off.

#### **Question 14**

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

#### **Question 15**

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

## Premises: Exceptional circumstances

The exceptional circumstances factor is intended to account for additional premises costs that the majority of schools do not face. Currently, local authorities can apply to the Education and Skills Funding Agency (ESFA) to use an exceptional circumstances factor in their local formulae. Funding is allocated to local authorities based on the previous year's spend. In 2021-22, 71 local authorities used the exceptional circumstances factor in their local formulae, with £19.6 million allocated across 327 schools. This ranged between £2,958 and £600,000, and from 1% up to 30.5% of a school's budget.

As with other premises factors, the existing approach to exceptional circumstances funding will quickly become inappropriate as we move to the direct NFF and local authorities' role in determining funding allocations is reduced. Under a direct NFF, we need to develop a national approach to exceptional circumstances. We think this is an opportunity to review and standardise our approach to ensure that we are funding exceptional, unavoidable and significant costs consistently, efficiently and fairly across the country. We propose to introduce the changes below at the same time as we introduce the direct NFF.

### Changes to criteria

#### Standardising what is funded under an exceptional circumstances factor

Currently, there are a wide range of circumstances funded through the exceptional circumstances factor as the only criteria which local authorities have to meet is that the cost is greater than 1% of the school's budget and affects fewer than 5% of schools in the area. Rather than eligibility being determined through the proportion of local schools affected, we seek to move to a system where discrete categories of costs can attract additional support.

First, we think that some costs currently being funded through exceptional circumstances arrangements are better funded through formula factors. Therefore we propose changes to the following categories:

- **Building Schools for the Future (BSF) school:** The BSF factors would be incorporated into a modified PFI factor.
- **Amalgamating school:** Local authorities can currently support schools with 85% of the combined lump sums of their predecessors as temporary support while cost structures adapt to the new arrangements. In our proposals, this would be automatically allocated through the lump sum factor. These schools may also become eligible for split site funding.
- **Super-sparse school:** Local authorities can also provide additional funding to very small, rural secondary schools, on top of existing sparsity funding to be viable. We propose to automatically incorporate this into the sparsity factor.

This would involve technical changes to the operation of these formula factors and would be a more appropriate and consistent approach to funding these circumstances. We would make the necessary modifications to these factors in time for the introduction of the direct NFF.

There are some exceptional circumstances which are included in local formulae by a minority of local authorities, which we do not believe should be included in the NFF. We propose no longer funding listed buildings through the exceptional circumstances factor. We also propose to no longer fund any costs that are not related to school premises through the exceptional circumstances factor, as we want to use the NFF pupil-led factors to fund schools on a consistent assessment of the needs of their cohorts.

Examples of categories which are currently funded through exceptional circumstances that we propose to retain therefore include:

- **Farm school:** Schools with a farm attached and used for its educational provision.
- **Rental agreements:** Schools which rent additional premises in order to deliver their curriculum because they have inadequate facilities.
- **Dual or joint use agreements:** Schools which share the use of a facility in order to deliver their curriculum because they have inadequate facilities.

We are interested in respondents views about any other circumstances that we need to consider.

### **Changing the minimum threshold value of the exceptional circumstance**

We propose that we raise the exceptional circumstances funding threshold to account for at least 2.5% of a school's budget, up from the current 1%. We want to significantly reduce the number of schools receiving exceptional circumstances funding so that we target funding only to schools where costs are exceptional and meaningful, and are not maintaining the significant differences in funding between local authorities which reflect historic decisions. We believe that this approach is the fairest way to ensure that schools receive funding to meet their costs, but in a way that is consistently applied.

### **Restricting funding to historic commitments**

We propose to restrict funding to where there are historic commitments for exceptional circumstances which have already been made by local authorities under the above three categories. We believe that the significant, unavoidable, exceptional costs which schools face are already being met by their local authority.

This means that, to apply the new criteria outlined above, we would invite reapplications under a new national process, with local authorities applying on behalf of maintained schools, and academy trusts applying on behalf of their constituent academies. All requests would need to be in respect of schools already in receipt of exceptional

circumstances funding, and would be reviewed against our updated criteria, ensuring that we provide a level of consistency and transparency across existing claims moving forwards. This will allow us to target funding to schools where costs have been recognised as exceptional and meaningful by the local authority, although schools which no longer meet our criteria would be protected from significant turbulence through the minimum funding guarantee.

To ensure that we are flexible to changing needs in future, we would accept new requests that meet our criteria where a school has clear, newly arising needs, which fall within our proposed criteria. We would expect this to apply very rarely.

**Question 16**

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

**Question 17**

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

## The minimum funding guarantee (MFG) under the direct NFF

Under the current funding arrangements, local authorities set a minimum funding guarantee (MFG) which protects schools from excessive year-on-year losses in per-pupil funding. The NFF funding floor mirrors the MFG in the local formulae, and is important for ensuring the affordability of the MFG in the local formulae.

As we move to a direct NFF, the NFF floor and the MFG in the local formulae will merge into one single protection mechanism – which we will continue to refer to as the MFG. The MFG in the direct NFF will continue to play a crucial role for ensuring sufficient stability for schools funded above their “core” formula allocations, so that they do not see sudden drops in their per pupil funding levels.

The interaction between the NFF and the local formulae complicates the current operation of the floor and the MFG. We plan to use the opportunity provided by the move to a direct NFF to both simplify and improve how the MFG operates.

### Using local formulae and GAG baselines when transitioning to the direct NFF

The NFF floor and the MFG both operate by guaranteeing a certain amount of funding in reference to the school’s “baseline”, which is calculated in respect of a school’s funding allocation from the previous year. When the NFF was introduced in 2018-19, the baselines for both the NFF floor and the MFG were calculated in reference to schools’ 2017-18 actual funding. However, with time the NFF and local formulae baselines have drifted apart, as the NFF baseline each year has been calculated in respect of the previous year’s NFF allocations, whereas the MFG baseline has been calculated in respect of the previous year’s actual funding from the local funding formulae.

What matters for schools as we move to the direct NFF is what their funding will be compared to what they received in the previous year – not compared to what their notional NFF allocation was. To ensure that schools continue to be protected against year-on-year losses as intended under the direct NFF, we therefore plan to use the local formulae baselines for the MFG in the year we introduce the direct NFF. For clarity, this means that for academies, their actual GAG allocation will be used as the baseline.

#### 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?



## Moving to a simplified pupil-led funding protection under the direct NFF

The NFF has both school-led and pupil-led factors. The school-led factors (the lump sum and sparsity funding) are determined by the school's characteristics, with one amount calculated per school through each factor. In contrast, the pupil-led factors (basic per pupil funding and funding for additional needs factors such as FSM, FSM6 and low prior attainment), are allocated in respect of the number of pupils, and their characteristics, in a school.

The aim of the NFF's funding floor, and the MFG, is to protect schools from sudden losses in their pupil-led funding, per pupil.

- It is a **per pupil protection** which allows funding to go up and down with pupil numbers;
- It **protects pupil-led funding only** (not total funding per pupil) as school-led funding should not increase or decrease with pupil numbers.

However, in the way the floor and the MFG currently operate, there is a complication whereby year-on-year changes in school-led funding are also included in the protection. The reason for this is that school-led factor values can increase or decrease quite significantly in local formulae as they move towards the NFF factor values. Without this feature in the MFG, schools in local authorities which decrease their school-led factor values would be "under-protected" whereas schools in local authorities which increase their school-led factor values would be "over-protected".

When we move to a direct NFF, this issue will disappear, since all schools will be funded directly by the NFF factor values: there will no longer be differences between the NFF school-led factor values, and local formula school-led factor values. We therefore plan to move to a fully pupil-led funding protection which does not take into account changes in school-led funding. Doing so would simplify the floor significantly, which will help improve the transparency of the funding system, and make it easier for schools to understand how their funding levels are calculated.

A further reason for moving to a fully pupil-led protection is that, under the current system, year-on-year increases to the lump sum and the sparsity factor results in a slight decrease in schools' baselines (a worked example of how the floor currently operates is set out in Annex B). This decreases the funding received by schools on the MFG. The larger the funding increase in the lump sum and the sparsity factors, the lower the baseline – and the less funding schools receive through the MFG. While this effect is typically very small, it affects a larger number of schools. Moving to a fully pupil-led funding protection would remove this issue altogether.

The current system also leads to undesirable outcomes when schools see significant changes in pupil numbers at the same time as their school-led funding is changing. That

is currently managed at a local level by allowing local authorities to submit disapplication requests where “the normal operation of the MFG would produce perverse results”. By moving to a simple pupil-led protection, we avoid these “perverse results” from occurring in the first place. The worked example in Annex B illustrates this point.

This change would only come into effect once the direct NFF has taken effect. Up to, and including, the year we implement the direct NFF, decreases in school-led funding resulting from the move towards the direct NFF will be protected by the MFG. The same protections will also be applied when the split sites and exceptional circumstances funding are formalised. This means that schools that lose split sites or exceptional circumstances funding as a result of the formalisation of these factors will be protected through the MFG.

## Adjusting the floor for changes in year-groups

### Question 19

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

The NFF floor is calculated on an overall per pupil basis. This can lead to undesirable effects if a school is changing its year-group structure. For example, if a secondary school expands to become an all-through school, the NFF floor – as it currently operates – would protect the funding for their primary pupils at the same per-pupil funding rates as for their secondary pupils. This would not be fair to other schools which are funded at lower levels for their year 6 pupils.

In contrast, subject to a successful disapplication request, local authorities can adjust the level of the MFG to take into account such changes to year-group structures. Under the direct NFF, we plan to make adjustments to the baselines such that schools that change their year-group structures will not be unfairly “overprotected” compared to other schools.

### Question 20

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

## **The annual funding cycle**

Key aspects of the annual funding cycle relate to when we announce the structure of the NFF and associated factor values; when and how we gather data to calculate funding allocations; and when we confirm final allocations to schools. Our aim is to provide early information to schools to support schools' budget planning, while ensuring enough time to gather and quality assure data and calculate allocations accurately.

This section is asking questions on the proposed high level timeline for the annual funding cycle under the direct NFF; what early information would be most helpful for schools to aid them in their budget planning; and the timing and nature of information we will continue to collect from local authorities.

The preceding proposals in relation to movements of funding to high needs, premises funding and growth funding will all have implications for the funding cycle in the direct NFF. Some of the detailed arrangements on the funding cycle will therefore depend on the outcome of the consultation in respect of those proposals.

### **A high level proposal for the annual funding cycle**

Under the current arrangements, we typically publish NFF factor values and any structural changes to the NFF for the subsequent year's NFF, in July. Local authorities then prepare their local formulae during the autumn, with final allocations confirmed – at the latest – by the end of February for maintained schools and end of March for academies.

Under a direct NFF, local authorities will no longer prepare local funding formulae, but we propose to keep other features of the cycle unchanged. The table below sets out key features of the current funding cycle and how we propose that these would change under a direct NFF.

Timing	Current arrangements	Proposed changes from the current system
Spring (usually)	DfE usually consults on any planned significant changes to the NFF in the spring before the NFF is published.	No change proposed to the current DfE-led consultation processes.
July	NFF structure and factor values published for the subsequent funding year, together with notional allocations and local authority primary and secondary units of funding (PUFs and SUFs).	We propose to keep the timing of the NFF publication on the structure and factor values unchanged, although what we publish alongside the formula will change. (See below for details.)
Autumn	Local authorities consult with their schools forums on local funding formulae, de-delegation and block-transfers.	Local authorities will still need to consult by autumn on de-delegation and transfers to high needs.
December	Local authorities' Dedicated Schools Grant (DSG) allocations published.	DSG allocations will no longer be published for the schools NFF, but they will still be published for early years, high needs and the CSSB.
December – January	Local authorities submit the "Authority Proforma Tool" (APT) with the local funding formulae as well as information on the school estate and pupil data.	Local funding formulae will no longer be produced. We will still need to gather some information from local authorities, but to a slightly different timescale from now. (See below for details).
February	Deadline for local authorities to confirm funding allocations for maintained schools	ESFA will issue the allocations under the direct NFF, and will try to get them out to all schools and academies as early as possible – and no later than current deadlines.
March	Deadline for mainstream academies to be informed of GAG allocations by ESFA	

**Table 2 Comparison of current annual funding cycle and proposed change**

## Providing early information to schools to help budget planning

Under the current arrangements, schools receive information to help them with their budget planning before they receive their final allocations in February/ March. Key pieces of information come through:

- Publication of next year’s national funding formula, typically in July, which informs schools and local authorities of next year’s factor values together with any structural changes to the formula.
- Also in July, publication of notional allocations which tell schools how much funding they would receive if (i) their pupil numbers and pupil characteristics remained unchanged from the previous year, and if (ii) their local authority’s formula mirrored the NFF.
- The draft APT which ESFA typically shares with local authorities between July and September. Based on these APTs, local authorities can share information with schools on their expected future budgets. In particular, once data on pupil numbers and pupil characteristics are known in the autumn, these numbers can be plugged into the draft APT, along with the local authorities’ proposed local formula, to give a good understanding of the funding the majority of schools will receive in the following year. (For academies whose funding agreements mean that they are funded on a different basis to other schools, this tool is less useful.)

We are proposing to **continue publishing the national funding formula in July each year**. Under a direct NFF, the published formula will apply directly to schools, so schools will have earlier knowledge of the final formula which will apply to them. Unlike now, primary and secondary units of funding (PUFs and SUFs) would not be published for local authorities, as they will no longer be needed.

In order to help schools understand what the formula will mean for them in practice, we have two options:

1. Continuing to publish notional allocations as we do now, showing what each school’s funding would look like the following year if their pupil numbers and pupil characteristics remained unchanged. And/or
2. Publishing a “calculator” tool which allows schools to plug in their own pupil numbers and pupil characteristics, to see what their funding would be.

The aim of the **calculator tool** would be to serve a similar function to what the draft APTs do now. It would be pre-populated with all the new factor values, so schools can see how their funding would change with pupil numbers and/ or pupil characteristics. If the tool is published before the start of term in September, schools could plug in their pupil data as soon as that becomes available.

Other information not captured by either notional allocations and a “calculator” tool would be:

- Any de-delegation which would be determined at local level and which local authorities would deduct from the amount maintained schools are allocated from the NFF.

- Any transfer to the high needs budget, where the Department would be adjusting mainstream school funding allocated from the schools NFF – subject to the outcome of this consultation on that question.
- Any Exceptional Circumstances funding, which would be subject to the separate application process which local authorities and Academy Trusts would undertake. However, as we would not expect significant year-on-year changes in exceptional circumstances funding, this should only affect a very small minority of schools.
- Any growth funding which would be provided separately later in the year. When and how growth funding will be provided depends on the outcome of this consultation.

This information will need to be provided to schools separately in order to support their budget planning.

### **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?

### **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?

## **Timing and nature of data collected from local authorities**

Under the current arrangements, ESFA pre-populates the APT with data on pupils and schools from the October census. Local authorities can then make amendments to this data when they send it back to ESFA.

Under the direct NFF, the October census will form the basis of most school and pupil data used to calculate allocations. Local authorities will no longer complete an APT, since they will not set a local formula, but we will still continue to need some additional information from local authorities.

We want to gather the required data as early as possible – without compromising the accuracy of the data – so that we can notify schools of their funding allocations ahead of the February/ March deadlines.

We propose to collect information related to:

## **PFI**

We plan to consult on the approach taken for PFI schools. We currently expect that local authorities would need to submit similar information as they currently provide. However, the timings and exact content for submission of the required information would be subject to the outcome of the upcoming PFI consultation.

## **Exceptional circumstances**

We propose that local authorities would submit requests for exceptional circumstances funding for local authority maintained schools only. Academy Trusts would be responsible for submitting such requests for their academies. Details of the information required will depend on the outcome of this consultation in respect of exceptional circumstances.

We propose that the deadline for these requests would be in October, in line with the current deadline for disapplication requests for exceptional circumstances for the local formulae.

## **Split sites**

The “premises: split sites” section includes details of the split sites data collection process we plan to undertake in advance of formularising the factor in 2024-25. We expect information about split sites schools to remain broadly stable. Until we introduce the direct NFF, we propose that local authorities would submit information on changes to split sites for both local authority maintained schools and academies as part of the APT. Details of the information required will depend on the outcome of this consultation regarding split sites.

Under the direct NFF, we propose that local authorities would submit requests for split site changes for local authority maintained schools only, whereas Academy Trusts would be responsible for submitting such requests for their academies. We propose that the deadline for submitting information on changes to split sites would be in October, at the same time as the deadline for submitting requests for exceptional circumstances.

## **Growth funding**

The information required, and timings of it, will depend on the outcome of this consultation.

## **Transfers to the high needs budget**

Subject to the outcome of this consultation in respect of transfers from the schools NFF allocations to the high needs budget, we envisage that local authorities would need to propose any such transfers to the high needs block to the DfE in the autumn, to give sufficient time for the Secretary of State to take decisions, and for ESFA to calculate the adjustments ahead of the publication of funding allocations.

### 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?

#### Planned school reorganisations and changes in pupil numbers

As local authorities will continue to be responsible for delivering the sufficiency duty, local authorities will need to inform ESFA of planned school reorganisations – similar to the information they currently supply through the APT. This includes information on planned changes to the school estate (compared to the October census of the previous year), such as mergers or closures. It also includes planned changes to the size of existing schools, including school expansions to meet basic need (either permanent or in the form of bulge classes) and changes in year-group intakes/ phases.

Local authorities will also need to inform ESFA of expected pupil number changes related to school reorganisations, as well as forecast pupil numbers for new and growing schools where funding does not fully rely on data collected from the October census. For academies, trusts will continue to be responsible for supplying information on forecast pupil numbers in respect of academies funded on estimates, and local authorities will need to provide information on forecast pupil number changes which relate to structural changes or basic need. This is in line with the current arrangements.

We currently collect information on planned school reorganisations and pupil number changes in the APT. In order to calculate allocations and issue them in a timely manner, we will need this data earlier than under the current system. There are two options for how we could achieve this:

- We could issue a request earlier than we currently do without the use of a pre-populated form. This means that local authorities would need to input data on, for example, planned pupil number changes without access to a form which includes the pupil-numbers recorded in the October census.
- We could issue the request in December as we currently do, using a form pre-populated with data from the October census. Local authorities would then need to return this form with a relatively short turnaround – by the end of the first full week in January at the latest. We would expect this should be manageable for local authorities since this pre-populated form would be significantly smaller in scope than the current APT, and it will only seek information on school reorganisations and changes in pupil numbers which is readily available to local authorities.



## De-delegation

ESFA uses information on de-delegation to make an adjustment to the general annual grant (GAG) funding academies receive for mid-year converters. While this information is currently collected through the APT, we recognise that local authorities may wish to wait with confirming the de-delegation budgets until after the NFF allocations have been announced. This leaves us with two options under the direct NFF:

1. We undertake a separate data collection in March to cover the amounts schools will pay for de-delegated services; or
2. We do not collect information on de-delegation as a matter of course from local authorities. Instead, we only collect information when needed for mid-year converters.

If we run a separate collection in March, we could continue to publish information on de-delegation, which would be beneficial for transparency purposes. Depending on the number of converters, it could also be simpler to do one single collection (option 1) than several bespoke collections for all mid-year converters (option 2).

### 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?

### 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?

## Annex A: forward timeline

The move towards the direct NFF constitutes a major structural change to our school funding system. To prepare for implementation, we are planning significant activity across different workstrands, including:

- Developing the schools NFF ahead of the implementation of the direct NFF, to ensure that the formula is as fair and targeted as possible, and to allow us to move effectively to a direct NFF;
- Transition arrangements, including new requirements on local authorities to bring their local funding formulae gradually closer to the NFF.
- Refining our plans for the “end state”, and the details around how the direct NFF will operate in practice. This consultation forms part of that process, with further consultations planned on related funding issues.
- Legislative changes, including reforms to primary legislation.

To help schools, local authorities and academy trusts plan ahead, the roadmap presented here sets out the different steps we plan to undertake across these workstrands.

To ensure a smooth transition, we are pursuing a gradual and carefully managed process. We have not as yet set a firm implementation date for the direct NFF, as we want to be guided by the impact of the initial transition towards the direct NFF, before deciding on the further pace of change. As such, the roadmap presented here will be refined as we move forward, and should be seen as a first version of an iterative process, reflecting our current thinking. We will be publishing updates alongside further consultation documents, to reflect our latest plans at each stage.

As noted in the introduction, we expect to have moved to the direct NFF within the next five years – that is, by the 2027-28 funding year. We hope that we may be able to move to the direct NFF sooner than this – but no later.

### Developing the schools NFF

- **Split sites:** Subject to the outcome of this consultation, we plan to make changes to the split sites factor in the 2024-25.
- **Exceptional circumstances:** Depending on the outcome of this consultation, we would propose to implement changes to the exceptional circumstances factor at the time of the introduction of the direct NFF.
- **Growth funding:** Depending on the outcome of this consultation, we could implement changes to the growth factor in 2024-25.
- **Area cost adjustment:** We plan to update the Area Cost Adjustment (ACA) methodology in light of the updated GLM data published by DLUHC, with changes coming into force in 2024-25.

- **Private Finance Initiative (PFI):** We plan to consult on options for reform to the PFI factor in advance of the introduction of the direct NFF.

## Transition arrangements

As announced on 28 March in response to the first consultation on the direct NFF, we will start transitioning towards the direct NFF in 2023-24 by requiring:

- Local authorities to use all, and only, NFF factors in their local formulae;
- All local formulae factor values to move at least 10% closer to the NFF, except where local formulae are already “mirroring” the NFF.
- Local authorities to use the NFF definition for the English as an Additional Language (EAL) factor (although flexibility over the sparsity factor methodology will remain in 2023-24).

The approach to transition in subsequent years will depend on the impact in the first year.

## Legislation

Moving to a direct NFF requires a change in legislation in order to allow the Secretary of State to determine schools’ funding allocations directly. This forms part of the [Schools Bill](#) which was introduced in Parliament on 11 May 2022. This legislation outlines that the Secretary of State will determine school funding under the new framework for school funding and reflects the conclusions of our first-stage consultation.

## Refining our plans for the “end state”

This consultation forms part of our work to prepare for the detailed implementation of the NFF, and how we operationalise the direct NFF in practice. We plan to publish the result of this consultation in the autumn. Depending on the outcome of this consultation, we may issue further consultations on specific details of the operation of the direct NFF, for example in relation to the funding cycle. We will provide an update of our forward timeline when we publish the response to this consultation.

We will also consult further on the interaction between the direct NFF and funding for high needs. Following consideration of the response to the ongoing consultation on the SEND and alternative provision green paper, we will undertake further consultations on the consequential reforms to high needs funding arrangements. This will include the operation of funding bands and tariffs to support the development of a national framework for SEND provision. Such developments will involve addressing a range of complex issues, and extensive consultation will be needed as we develop this framework, informed by the expertise of our stakeholders.

We also plan to consult on the funding for local authority services through the central school services block (CSSB), with particular consideration on how this funding might be reformed as we move to the direct NFF, and in light of the future role for local authorities as set out in the Schools White Paper, [Opportunity for all](#).

## Annex B: Worked example illustrating the operation of the NFF funding floor

The floor operates by guaranteeing a minimum increase in pupil-led funding per pupil vis-à-vis a school's "baseline". The baseline is calculated with reference to each school's funding allocation from the previous year.

A fully pupil-led funding protection would simply take the pupil-led funding from the previous year as the baseline. In contrast, under the current system the formula also takes into account the change in school-led funding. This is shown by the equation below, where funding in "Year 1" is used to calculate the baseline for the floor in "Year 2".

Where, PL = pupil led, SL = school led, PP = per pupil and Y = Year,

$$Y2 \text{ baseline PL PP} = \frac{Y1 \text{ PL} + (Y1 \text{ SL} - Y2 \text{ SL})}{Y1 \text{ Pupil Numbers}}$$

### Equation 1 The baseline if funding protection is fully pupil-led

The table below illustrates how the baseline is calculated using a theoretical example of a primary school with 200 pupils, receiving £5,000 per pupil in pupil-led funding and £200,000 in school-led funding in year 1, but £150,000 in year 2. (The example is highly theoretical. In practice, large decreases in school-led funding can occur in the current system where local authorities move their funding formulae closer to the NFF. Under the direct NFF, school-led funding would instead be expected to increase year-on-year. However, the same principles applies whether school-led funding increases or decreases.)

Y1 PL	Y1 SL	Y2 SL	Y1 SL – Y2 SL	Y2 Baseline PL PP Y1 PL + (Y1 SL – Y2 SL) Y1 pupil numbers
200 * £5,000 = £1,000,000	£200,000	£150,000	£50,000	(£1,000,000 + £50,000) / 200 = £5,000 + £250 = £5,250

**Table 3 Baseline calculation scenario**

As can be seen in this example, the school's pupil-led per pupil baseline is £5,250; £5,000 out of which comes from the pupil-led funding the school received in year 1, and £250 out of which comes from the decrease in the school's school-led funding between year 1 and year 2.

The table below looks at the amount of funding that is guaranteed through the floor in year 2, depending on how many pupils the school has in that year. (For simplicity the

example assumes that the floor is set at 0% - so the floor is set at the level of last year's baseline.)

Y2 Pupil Nos	Protection from Y1 PL	Protection from the change in SL funding
200	$\text{£}5,000 * 200 = \text{£}1,000,000$	$\text{£}250 * 200 = \text{£}50,000$
100	$\text{£}5,000 * 100 = \text{£}500,000$	$\text{£}250 * 100 = \text{£}25,000$
300	$\text{£}5,000 * 300 = \text{£}1,500,000$	$\text{£}250 * 300 = \text{£}75,000$

**Table 4 Floor funding by number of pupils**

Since the protection is expressed in per pupil terms, the amount of funding the school is guaranteed through the protection is scaled with pupil numbers. That is the case for both the part of the protection coming from the pupil-led funding, and the part of the protection coming from the change in school-led funding.

The scaling of the protection stemming from the pupil-led per pupil funding is in accordance with the policy objective. However, the scaling of the protection stemming from the change in school-led funding is not. If pupil numbers remain unchanged at 200, the school-led protection stays at £50,000. However, if pupil numbers decrease to 100, the school only receives a £25,000 protection from the change in school-led funding, whereas if pupil numbers increase to 300, the protected school-led element increases to £75,000. As such, for schools whose school-led funding is decreasing, an increase in pupil-numbers leads to an “over-protection” of that loss, whereas a decrease in pupil-numbers leads to an “under-protection”.

The same issue occurs when school-led funding increases instead of decreases. But for a school seeing an increase in school-led funding, the “over-protection” would occur when pupil numbers decrease, and “under-protection” would occur when pupil numbers increase.

If we move to a fully pupil-led funding protection instead, this issue of over- and under-protection would no longer occur.



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