

Durham County Council Schools Forum Meeting, 22 September 2021, Item No 8, Mainstream Primary and Secondary Formula Funding 2022-23

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Report of Jeff Garfoot, Head of Corporate Finance and Commercial Services

Purpose of the Report

- 1 To update members about Government announcements about mainstream primary and secondary formula funding for the coming financial year and the council's approach to setting the local formula.

Voting

- 2 All members are entitled to vote on the recommendation in this report.

Executive Summary

- 3 The Schools Block is part of the Dedicated Schools Grant and is the main source of funding for the mainstream primary and secondary funding formula, which provides the bulk of funding for these schools.
- 4 Mainstream primary and secondary funding formulas are set locally by each local authority. There is a single formula for both primary and secondary schools.
- 5 Funding regulations limit the discretion of local authorities to set local formulas and require that these formulas distribute the majority of funding through pupil-led factors.
- 6 Information about funding for 2022-23 was released on 19 July 2021.
- 7 Core school funding, which includes the Schools Block will increase by £2.3 billion from last year's funding.
- 8 Much of the increase in funding has been used to increase factor values in the NFF by between 2% and 4%.
- 9 The minimum per pupil funding guaranteed through the formula has increased to £4,265 per primary pupil and £5,525 per secondary pupil.
- 10 Funding in the NFF for small primary schools in sparsely populated areas, (known as sparsity funding), has been substantially increased and the eligibility criteria have been changed, which is likely to benefit more schools and allocate more funding through this factor. The changes will result in additional funding for the Schools Block.
- 11 Council's will continue to set local formulas for 2022-23.
- 12 The local formula in Durham in the current year is aligned to the National Funding Formula (NFF). The NFF is expected to replace local formulas in the future and the DfE is consulting about how to make progress with this.
- 13 The council is planning to use growth funding, to support a school experiencing basic need growth in pupil numbers.

Recommendations

- 14 Members of the Forum are recommended to:
- (a) Note the contents of this report.
 - (b) consider if it supports the use of the NFF sparsity factor in the local formula.
 - (c) Consider if it supports the continued alignment of the local formula to the NFF.
 - (d) Consider if it wishes to submit a response to the consultation about making progress towards replacing local formulas with the NFF.

Background

- 15 The Schools Block is part of the Dedicated Schools Grant and is the main source of funding for the mainstream primary and secondary funding formula. The formula provides the bulk of funding for these schools.
- 16 The formula is based on amounts per pupil, with additions for premises-related costs and an allowance for any growth adjustments. Growth adjustments are used to provide for basic need growth that is not reflected in the lagged pupil numbers otherwise used in the formula.
- 17 The DfE usually provides some details of funding during the summer: Units of Funding per pupil (UFs), premises-related funding and amounts per pupil for growth funding. Final allocations are not confirmed until December and use pupil numbers from the October school census.
- 18 UFs are calculated separately for primary and secondary pupils and are based on notional allocations to schools using the National Funding Formula, (NFF) and historic information about pupil numbers.
- 19 The Government's intention is to replace local formulas with the NFF and it is consulting about the next stage of its plans for this.
- 20 For the time being, mainstream primary and secondary funding formulas continue to be set locally by each local authority. Funding regulations limit the discretion of local authorities to set local formulas and require that these formulas distribute the majority of funding through pupil-led factors.
- 21 Pupil-led factors are a basic amount per pupil and formula factors for disadvantaged pupils. The factor also includes a lump sum per school and a lump sum for schools in sparsely populated areas (together known as school-related factors), and some premises-related costs. The formula factors used and the factor values (£/pupil or £/school) can be different for primary and secondary.
- 22 The formula also guarantees schools a minimum amount per pupil and includes protection to ensure minimum increases in funding per pupil year-on-year.

- 23 The same formula is used for both schools maintained by the local authority and for academies, but for maintained schools the year's formula funding takes effect from 1 April and for academies from 1 September. The difference in dates reflects the difference in financial years for maintained schools and academies. The funding allocated through the formula for academies is deducted from the DSG paid to local authorities and is provided direct to academy trusts by the DfE, as part of their General Annual Grant.
- 24 Formula funding uses data from the October school census and is not updated for changes in pupil numbers during the year. This means that the pupil numbers used for funding for maintained schools is seven months old and is eleven months old for academies.

Schools Block funding for 2022-23

- 25 Information about funding for 2022-23 was released on 19 July 2021. The main points are summarised below.
- (a) Core school funding, which includes the Schools Block and funding for High Needs provision, (for pupils with Special Educational Needs and Disabilities), will increase by £2.3 billion from last year's funding.
 - (b) Much of the increase in funding has been used to increase factor values in the NFF.
 - (i) The basic funding per pupil (AWPU: Age Weighted Pupil Unit) values have increased by 3%.
 - (ii) Other pupil-led factor values have increased by between 2.2% and 3.9%.
 - (iii) The lump sum has increased by 3%.
 - (iv) Sparsity funding has increased substantially and more detail is provided later in this report.
 - (c) The minimum per pupil funding guaranteed through the formula has increased by 2% to £4,265 per primary pupil and £5,525 per secondary pupil, compared to £4,180 and £5,415 last year.
 - (d) The NFF Funding Floor, which guarantees that pupil-led funding **per pupil** increases by a minimum percentage

year-on-year, remains at 2%. The Funding Floor is not part of local formulas, which use a Minimum Funding Guarantee (MFG) to guarantee an increase in pupil-led funding per pupil. The MFG in local formulas must guarantee an increase in the range 0.50% to 2.00%. This is the same range as for the current year; the local formula in Durham this year uses 2%, to align with the NFF Funding Floor.

Schools Block Funding for Durham

- 26 The main changes to funding for 2021-22 are in the UFs, and the changes are summarised in the table below:

Mainstream primary and secondary Units of Funding (UFs)	Financial Year 21-22	Financial Year 22-23	Increase £	Increase %
Primary Unit of Funding per Pupil	£4,730.80	£4,860.24	£129.44	2.74%
Secondary Unit of Funding per Pupil	£5,828.81	£6,012.58	£183.77	3.15%

- 27 Other changes are:

- (a) Funding for premises cost has reduced from £6.750 million to £6.063 million. This funding is based on the actual formula allocations for premises factors in the current year's formula, but the amount allocated is less than the £6.229 million that was expected, and this is the subject of a query to the DfE.
- (b) Growth funding per pupil has increased. Growth funding is allocated where pupil numbers have increased for a group of schools. Schools are grouped according to their Middle Super Output Areas (MSOA), which are areas used for statistical purposes and are defined by the Office for National Statistics. Funding is provided at a rate per pupil and the funding per pupil rates have increased by 2% for 2022-23:

Growth funding per pupil	Financial Year 21-22	Financial Year 22-23
Primary	£1,455	£1,485
Secondary	£2,175	£2,220

- 28 The allocation of growth funding compares growth between October School Censuses and the DfE will not provide funding allocations until the October 2021 School Census data is available.

Sparsity Funding

- 29 The NFF includes a sparsity factor, to provide a lump sum to small schools in sparsely populated local areas. Eligibility criteria for this funding are:
- (a) the average distance to the next nearest school must be above a Minimum Distance Threshold; and
 - (b) there is an upper limit on the size of the school that can be eligible. Size is measured by the average number of pupils per year group.
- 30 The average distance is the average for those pupils for whom a school is the nearest school in its phase, regardless of whether they attend that school.
- 31 In the NFF, the sparsity lump sum is tapered so that schools receive progressively less funding as they get nearer to the maximum size.
- 32 For 2022-23, the NFF lump sums have increased:

Sparsity funding lump sums per school	Financial Year 21-22	Financial Year 22-23	Increase £	Increase %
Primary	£45,000	£55,000	£10,000	22.22%
Secondary	£70,000	£80,000	£10,000	14.29%

- 33 Local formulas can use smaller lump sums but cannot exceed the NFF values.
- 34 Other changes for 2022-23 are:
- (a) the method of measuring the average distance to the next nearest school has changed from being as the crow flies, to being based on distance by road; and
 - (b) a Distance Taper Threshold has been introduced, which provides a proportion of sparsity funding to schools whose

average distance is up to 20% less than the Minimum Distance Threshold. This is designed to allow funding to gradually increase, so that schools do not experience a sudden change in funding when they cross the threshold.

35 The NFF sparsity thresholds are set out below:

Sparsity thresholds	Primary	Secondary
Maximum average year group	21.4	120
Minimum Distance Threshold (miles)	2.0	3.0
Distance Taper Threshold (miles)	1.6	2.4

36 The maximum average year group and Minimum Distance Threshold values are the same as in 2021-22.

37 For a primary school with pupils in seven year groups, the maximum average year group is equivalent to just under 150 pupils on roll. For a secondary school with pupils in five year groups, the maximum average is equivalent to 600 pupils on roll.

38 Local formulas have the option to make the criteria more restrictive, (i.e. reduce the number of schools that are eligible for funding), through lowering the maximum average year group, increasing the Minimum Distance Threshold, or not using the Distance Taper Threshold.

39 A further option is in respect of the taper. As noted, the NFF uses a taper and local formulas can use one of three options:

- (a) No taper, so that all eligible schools get the full lump sum.
- (b) A taper that reduces funding on a straight line, but only begins to taper funding when schools exceed half the maximum average year group, (so a secondary school with 300 pupils would get the full lump sum and a secondary school with 150 pupils would get 50% of the lump sum). This is the taper used in the NFF.
- (c) A taper that reduces funding on a straight line for all schools, so that a secondary school with 300 pupils would get 50% of the lump sum and a secondary school with 150 pupils would get 75% of the lump sum).

- 40 There is also an option to apply to provide an additional £50,000 of sparsity funding for very small secondary schools. This applies to schools with less than 350 pupils, pupils in Years 10 and 11, and an average distance above 5 miles. On the basis of last year's data, none of the secondary schools in Durham would qualify for this funding.
- 41 In 2021-22 the local formula in Durham used the NFF values and taper, in accordance with the overall policy of aligning the local formula as closely as possible to the NFF. Only schools in the Dales were been eligible for funding.
- 42 For 2022-23, it is likely that more schools will be eligible, because of the changes to the method of measuring distance and the Minimum Distance Threshold. The DfE have published notional NFF allocations for schools using 2021-22 data, which support this. Appendix A shows notional sparsity allocations calculated by the DfE using the 2022-23 NFF sparsity factor and 2021-22 school data. This is what schools would have received in the current year with the new sparsity arrangements and for comparison the appendix also shows the sparsity funding actually provided in the formula for 2021-22.
- 43 The table in Appendix A includes 30 schools to which the DfE has notionally allocated funding, one of which, Fyndoune Community College, has now closed. The number of schools that actually received funding in 2021-22, was 13; Fyndoune was not eligible for sparsity funding in 2021-22.
- 44 The total value of the notional allocations is £1.2 million, £700,000 more than the actual allocation in 2021-22. These notional allocations were taken into account in determining the Units of Funding (UFs) for 2022-23 and so the overall Schools Block allocation for Durham will be higher than it would have been without the sparsity changes. The actual number of schools that qualify for sparsity funding will be determined by the outcome of the October 2021 Schools Census.
- 45 As already noted, the council does have the option to use smaller lump sums, make the eligibility criteria more restrictive, and also can choose not to use the Distance Taper Threshold.
- 46 The council's view is that the changes to the sparsity factor are an improvement that better targets funding to schools affected by

sparsity and the council is minded to continue to align the sparsity factor to the NFF and not apply any of the options that would reduce allocations to this factor. The reasons why the council believes that the changes are an improvement are:

- (a) The use of distance by road rather than as the crow flies is a better indicator of the implications for families of having to travel to an alternative school.
- (b) The Distance Taper Threshold provides for a gradual increase in funding as the average distance to the second nearest school increases and does not result in an abrupt change when a school crosses the threshold.

- 47 The changes will increase the amount of funding allocated to sparsity funding, but as noted, the overall allocation of funding will increase in line with the increase in notional allocations through the UFs.
- 48 The Forum is recommended to consider if it supports the use of the NFF sparsity factor in the local formula.

Local funding formula for Durham

- 49 The local formula is determined by the council's Cabinet, following consultation with schools and the Schools Forum.
- 50 From 2018-19 to 2020-21, the local formula in Durham was a transitional one, intended to provide a smooth transition from the old local formula to the NFF, in anticipation of the replacement of local formulas by the NFF.
- 51 The local formula in 2021-22 was aligned to the NFF. This means that the factor values were as close to the values in the NFF as possible. It is not possible to use the same factor values, because the values must be adjusted so that the overall allocation to schools through the formula matches the total funding available through the Schools Block.
- 52 In considering setting the local formula for 2022-23, it is important to take account of the DfE's consultation about replacing local formulas with the National Funding Formula (NFF).
- 53 The DfE's policy since 2011 has been that local formulas should be replaced by the NFF and since 2013 it has made changes to

the funding regulations to reduce local discretion and reduce the difference between local formulas and the NFF. However, the replacement of local formulas has been delayed on a several occasions. The DfE has now issued a consultation about making further progress towards replacing local formulas. The proposals do not give a definite timetable for the replacement of local formulas but propose requiring local formulas to move towards alignment with the NFF from 2023-24.

- 54 The proposals set out an ambition to increase the rate of convergence in future years, but do not commit to this; future convergence will be subject to a review of the impact of the change on schools.
- 55 The main consideration about the timetable for replacing local formulas is the potential for turbulence in funding. However, there is no indication of the point at which the DfE might think that local formulas were sufficiently close to the NFF that local formulas could be replaced without turbulence.
- 56 This proposal does not require any changes next year but does make clear that the DfE intends to replace local formulas and that any divergence from the NFF in the local formula for 2022-23 would be temporary. Any decision not to use any of the NFF factors in the local formula would have to be reversed in 2023-24 and any changes in formula values to diverge from the NFF values would not have a long-term effect. It is possible that any such divergence would increase turbulence for schools in future years as the rate at which local formulas were required to move towards the NFF accelerated.
- 57 Bearing in mind these considerations, the council is not minded to change its policy of aligning the local formula to the NFF and the Forum is recommended to consider if it supports the continued alignment of the local formula to the NFF.
- 58 The consultation on replacing local formulas is open until 30 September and can be accessed online:
<https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>
- 59 More information about the consultation, including the council's views, is included in Appendix B.

- 60 The Forum is recommended to consider if it wishes to submit a response to the consultation.

Growth funding

- 61 This funding is provided to local authorities to recognise that they need to provide additional funding to schools who are experiencing basic need growth, because of increases in pupil numbers. Basic need increases in pupil numbers are not included in the school census numbers used for formula funding and this means that schools with an increase in pupil numbers from September do not receive any funding for these pupils for the seven months after these pupils are admitted.
- 62 Growth funding cannot be used for increases in pupil numbers arising from increased popularity with parents, nor is there any adjustment to funding where pupil numbers are reducing because a school is becoming unpopular with parents.
- 63 Growth funding is part of the Schools Block and the amount added to the Schools Block is determined by changes in pupil numbers from one October census to the next. Funding is only provided where there is a net increase in either primary or secondary pupil numbers for schools in a Middle Super Output Area (MSOA). MSOAs are defined by the Office for National Statistics and usually contain a number of primary schools, but often just one secondary school.
- 64 The growth allocation in the Schools Block is not ring-fenced and if not used for growth forms part of the overall amount available for allocation through the formula.
- 65 In 2021-22 growth funding was provided to Framwellgate Primary School, following its agreement to a request from the council to increase its Published Admission Number in 2018 from 30 to 45. This means that for each year for the first seven years of the increased PAN, it is funded for fewer pupils than the number used in the formula, providing that it is admitting at its increased PAN. The school's numbers on roll from the May 2021 School Census are shown below:

	R	Y1	Y2	Y3	Y4	Y5	Y6	Total
Framwellgate Moor Primary	45	45	45	32	31	31	31	260

- 66 Note that the numbers in the first three year groups, (those admitted since the increase in the PAN) are equal to the PAN. The school has offered places equivalent to its PAN for September 2021 admissions. The net change from 31 Year 6 leavers and 45 Reception admissions is an increase in the number on roll of 14.
- 67 The capacity of schools in the planning area is 1,155 and the forecast number on roll is 1,071. This means that there are spare places in the planning area, but had Framwellgate not increased its PAN, the capacity would only be 1,050 and there would be a shortage of places in the local planning area from September:

Planning Area 35: Framwellgate Moor	PAN	Number of year groups	School capacity (PAN x year groups)	School capacity if no increase in PAN from Framwell- gate	Forecast numbers on roll from September 2021
Newton Hall Infant	60	3	180	180	149
Finchale Primary	30	7	210	210	210
Framwellgate Moor Primary	45	7	315	210	274
St. Godric's RC Primary	30	7	210	210	211
Blue Coat CE Junior	60	4	240	240	227
Total			1,155	1,050	1,071

- 68 For a forecast increase of 14 pupils, the appropriate adjustment to numbers on roll is 7/12s of the increase, which would be 8.17. The council therefore intends to increase the October 2021 School Census pupil numbers for Framwellgate Moor Primary School by 8.17 for the purposes of determining the mainstream primary and secondary funding formula for 2022-23.
- 69 This adjustment is for one year only and the position will be reviewed again for 2023-24.

Conclusion

- 70 The DfE has provided information about Schools Block funding for 2022-23. The Schools Block is used to funding the mainstream primary and secondary funding formula, which is currently a local formula set by each local authority. The allocations to local authorities will not be finalised until December,

but the information provided allows local authorities to start planning for next year.

- 71 For a number of years Government policy has been that local funding formulas should eventually be replaced by the National Funding Formula (NFF), which is already used in determining funding for each local authority. The local formula in Durham is aligned to the NFF and the DfE is consulting about making changes to require all local formulas to comply more closely to the NFF as part of making progress towards the replacement of local formulas. More information about the consultation is provided in an appendix to this report.
- 72 There are significant changes to how sparsity funding is allocated. This is funding to help small schools in sparsely populated areas. The changes will increase the number of schools that are eligible for this funding and the amount to be allocated in this way. This change will result in additional funding being provided and the council's view is that sparsity funding will be better allocated as a result of these changes.
- 73 The council proposes to adjust pupil numbers, for formula funding purposes, for one school that is admitting additional pupils following a request to increase its Published Admission Number to accommodate a basic need for places.

Contact

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Appendix A: Sparsity Funding Notional NFF Allocations

School Number	School	Total pupils	Average distance to next nearest school (miles)	Average year group size	Lump sum percentage applied for NFF taper	Lump sum percentage applied for Distance Taper Threshold	Overall Sparsity Lump Sum Percentage Applied	Funding using 22-23 NFF and 21-22 data £	Funding in 2021-22 £
3303	Bowes Hutchinson's CE	62	4.9	8.86	100.00%	100.00%	100.00%	55,000	45,000
2261	Burnhope Primary	89	1.9	12.71	81.18%	75.50%	61.29%	33,708	-
2413	Butterknowle Primary	49	1.9	7.00	100.00%	73.00%	73.00%	40,150	-
2351	Byers Green Primary	85	2.1	12.14	86.52%	100.00%	86.52%	47,583	-
2440	Cockfield Primary	88	1.8	12.57	82.51%	46.00%	37.96%	20,875	-
2185	Cotherstone Primary	50	4.2	7.14	100.00%	100.00%	100.00%	55,000	45,000
4192	Durham Community Business College	294	3.4	58.80	100.00%	100.00%	100.00%	80,000	-
3063	Ebchester CE Primary	91	1.8	13.00	78.51%	42.50%	33.36%	18,350	-
2399	Fishburn Primary	126	1.7	18.00	31.78%	14.25%	4.53%	2,490	-
2410	Forest of Teesdale Primary	3	5.5	1.00	100.00%	100.00%	100.00%	55,000	45,000
2319	Frosterley Primary	37	2.9	6.17	100.00%	100.00%	100.00%	55,000	45,000
4052	Fyndoune Community College	85	3.0	21.25	100.00%	100.00%	100.00%	80,000	-
3131	Gainford CofE Primary	71	2.9	10.14	100.00%	100.00%	100.00%	55,000	45,000
2301	Hamsterley Primary	37	2.9	5.29	100.00%	100.00%	100.00%	55,000	-
2509	Hesleden Primary	91	1.8	13.00	78.51%	47.50%	37.29%	20,509	-

School Number	School	Total pupils	Average distance to next nearest school (miles)	Average year group size	Lump sum percentage applied for NFF taper	Lump sum percentage applied for Distance Taper Threshold	Overall Sparsity Lump Sum Percentage Applied	Funding using 22-23 NFF and 21-22 data £	Funding in 2021-22 £
3183	Hutton Henry CE Primary	70	2.0	10.00	100.00%	100.00%	100.00%	55,000	-
3134	Ingleton CE Primary	53	2.7	7.57	100.00%	100.00%	100.00%	55,000	45,000
2374	Kelloe Primary	108	1.6	15.43	55.81%	5.50%	3.07%	1,688	-
2472	Ludworth Primary	83	1.8	11.86	89.19%	53.50%	47.71%	26,243	-
2430	Middleton-in-Teesdale Primary	107	5.7	15.29	57.14%	100.00%	57.14%	31,429	25,714
2321	Rookhope Primary	11	4.7	2.20	100.00%	100.00%	100.00%	55,000	45,000
2322	St John's Chapel Primary	13	2.8	2.60	100.00%	100.00%	100.00%	55,000	45,000
3441	St Michael's CE Primary	107	2.4	15.29	57.14%	100.00%	57.14%	31,429	-
4008	Staindrop Academy	370	6.2	74.00	76.67%	100.00%	76.67%	61,333	53,667
3087	Stanhope Barrington CfE Primary	134	2.8	19.14	21.10%	100.00%	21.10%	11,602	9,493
4007	Teesdale School	593	7.4	118.60	2.33%	100.00%	2.33%	1,867	1,633
4006	UTC South Durham	217	2.9	108.50	19.17%	82.50%	15.81%	12,650	-
2324	Wearhead Primary	20	2.9	2.86	100.00%	100.00%	100.00%	55,000	45,000
2328	Witton-le-Wear Primary	94	1.9	13.43	74.50%	69.50%	51.78%	28,477	-
2428	Woodland Primary	30	2.5	4.29	100.00%	100.00%	100.00%	55,000	-
	Total							1,210,384	495,507

Appendix B: Response to NFF Consultation

Summary

1. This consultation is about moving to a hard National Funding Formula (NFF) to replace local formulas.
2. The proposals apply to the mainstream primary and secondary funding formula and the Central School Services Block.
3. There are no proposals for the Early Years or High Needs Blocks, although there are implications for the latter in respect of whether funding can be transferred between blocks and there are likely to be implications for the way in which mainstream primary and secondary schools are funded for pupils with SEND.
4. The main proposal is to start to reduce the difference between local and national formulas from 2023-24, but there is no definite timetable for when local formulas will be replaced.
5. The proposals state that current year-on-year protections will remain in place so that no school sees a reduction in its per pupil funding.
6. The proposals do not include any changes to the NFF factors or values. They will continue to be reviewed on an annual basis.
7. Responses have to be provided by 30 September 2021. The consultation can be accessed online:
<https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/>
8. The consultation questions are listed below with comments.

Question 1: Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further local adjustment through local formulae?

9. This is the council's current policy. The council is minded to make the point that the replacement of local formulas makes it more important that there is a regular consultation over the NFF itself,

to allow interested parties to raise concerns about the way that it allocates and prioritises funding.

Question 2: Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?

10. The proposals include plans to review premises-related factors, where and funding is allocated to local authorities' Schools Blocks on a historic basis and the NFF does not include a method for allocating funding for these factors. These factors are:
 - PFI
 - Exceptional costs
 - Split-sites.
11. When local formulas are replaced by the NFF there will need to be a basis for allocating funding to schools, so it is sensible that this is considered.
12. The council is minded to respond that funding allocations for these factors through the NFF should be based on information that is as up-to-date as possible, and takes account of local information about how costs are incurred.

Question 3: Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

13. For growth funding, the DfE are proposing to use a national approach to identifying which schools should get funding. As part of this, local authorities will be expected to provide forecasts of pupil numbers in maintained schools and academies where they are growing to meet basic need.
14. The DfE's view is that this would use data that local authorities already record, but there would be two data collection exercises each year, so that more up-to-date data could be provided where this became available.
15. School funding would be adjusted if there was a significant shortfall in pupil numbers compared to the forecast or significantly

different information was provided by local authorities through the second annual collection exercise.

16. Local authorities would also have to provide information about schools where they were forecast to suffer a significant reduction in pupil numbers but were likely to recover numbers in the next three years. This would be used to fund schools to maintain staffing capacity in the interim (known as falling rolls funding). Such funding would only apply from the second year that numbers had reduced and would only apply to schools that were rated Good or Outstanding by Ofsted.
17. The council is minded to respond that for both growth and falling rolls, it would be appropriate to use national criteria if there is no funding made available for local authorities to use at their discretion.
18. National criteria would need to be able to distinguish between growth due to a basic need and growth due to changes in the popularity of schools.
19. There would also need to be a recognition that schools that are growing because of basic need are likely to require support for several years and that eligibility for funding needs to take account of what the capacity would be in a local area if a school had not previously agreed to increase its PAN.

Question 4: Do you have any comments on our proposed approach to growth and falling rolls funding?

20. The consultation refers to funding for academies that are growing because they are more popular than other schools. The DfE are proposing to continue this, but the proposal refers to this in the context of schools that recently became sponsored academies and whose popularity is increasing as a result.
21. This proposal begs the question of the role of parents; if they prefer a maintained school (or a well-established academy), why should funding not follow their preference?
22. The council is minded to question why this funding should be restricted and not available to all popular schools, regardless of their status.

Question 5: Do you agree that, in 2023-24, each LA should be required to use each of the NFF factors (with the exception of any significantly reformed factors) in its local formulae?

23. The council already does this and does not have any objections to this requirement.

Question 6: Do you agree that all LA formulae, except those that already 'mirroring' the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the hard NFF for schools?

24. The DfE proposes that local formulas with factor values within 1% of NFF values are categorised as mirroring the NFF and would not be required to increase their convergence with the NFF. Durham's local formula pupil-led factor values are 1.46% of the NFF values in 2021-22 and its school-led values matched the NFF exactly.

25. The council is minded to respond that if the DfE's policy is to eventually replace local formulas, then it would be appropriate to make progress with reducing the differences in values.

26. The DfE could choose to replace local formulas at any time but is concerned about turbulence in funding if there are significant differences between local formulas and the NFF. The transitional protection of the Funding Floor and Minimum Funding Guarantee would protect schools from significant reductions in their formula funding, but this would be an additional cost to the DfE, unless the protection was paid for by capping increases for other schools. Capping would mean that these schools would not see the full benefit of the NFF whilst the transitional protection reduced turbulence for other schools.

Question 7: Do you agree that LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23? If you do not agree, can you please explain why?

27. Something that needs to be clarified about the proposed arrangements is the implications for funding. The factor values in the local formula in Durham are based on the NFF, but the

pupil-led values are adjusted to make the total allocated through the formula match the total funding available, which is usually more than is required for the NFF.

28. In 2021-22 there would have been a surplus of £5.4 million in the Durham local formula after allocating funding using the NFF values and this was resolved by increasing the pupil-led factor values by 1.46% above the NFF values.
29. (This situation arises because the Schools Block funding uses pupil data that is one year older than the data used in the formula).
30. It would be of concern if surplus funding was lost because factor values could not be increased sufficiently to absorb the excess funding. If the DfE clarifies that this is what would happen, then it would be in the interests of schools in Durham to reduce the percentage change from 10% to a figure less likely to result in a loss of funding.
31. Accordingly, the council is minded to request clarity about how this proposal could affect funding and suggest that if there is a risk of loss of funding then the percentage should be lower.

Question 8: As we would not require LAs to move closer to the NFF if their local formulae were already very close to the NFF, do you have any comments on the appropriate threshold level?

32. A higher rate would reduce the risk discussed in response to the previous question. For example, if the threshold was 2% then there would be risk of losing funding.
33. The percentage difference between the local formula and the NFF isn't something that can really be predicted in advance and is a product of applying the formula to the funding and schools' data provided by the DfE and not something that the council determines.
34. Accordingly, the council is minded to suggest that a higher percentage threshold is used.

Question 9: Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24?

35. This is about taking away an option that is available for the English as an Additional Language factor.
36. The NFF allows funding for all pupils first recorded as having had English as an Additional Language at any time in the last three years, which means that such pupils only attract EAL funding for three years, after which it is assumed that their English is good enough not to need additional support.
37. Local formulas can restrict access to either one or two years and the DfE is proposing to require all local formulas to use three years. The local formula in Durham already uses three years, as part of alignment with the NFF.
38. The DfE has said in the past that it will review this factor, because not all pupils with English as an Additional Language need additional support, but reviewing the factor is not part of this consultation.

Question 10: Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

39. This is discussed in the main body of the report and refers to the options to make the eligibility criteria more restrictive. As stated, the council is not minded to use these flexibilities.

Multi Academy Trusts (MATs)

40. The consultation refers to the ability of MAT's to top-slice (pool) funding from their academies. This is currently allowed and the DfE intend to continue this.

Question 11: are there any comments you wish to make on the proposals we have made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS?

41. The DfE is proposing to review the provision of central services by schools and depending on the outcome, could decide to fund

these services through the Local Government Finance Settlement instead of the Central School Services Block.

42. The council is considering its view about this proposal.

Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

43. This refers to funding for specific categories of historic commitments for the use the Dedicated Schools Grant which were made prior to 2013. Since 2013 local authorities have not been able to use DSG for new commitments in these categories, but the DSG continued to include funding for existing commitments. The DfE expected that these commitments would gradually come to an end and for the last two years has been reducing this form of funding.

44. The DfE has acknowledged that some commitments will continue for some time. For Durham this applies to the funding of prudential borrowing costs in respect of the Building Schools for the Future project, which were for 25 years and will not come to an end until the early 2030s.

45. The DfE proposes to provide a separate grant for these costs, a proposal which is supported by the council.

46. (Durham does not have any historic commitments in respect of termination of employment costs, but these are probably in respect of commitments to pay enhanced pensions or contributions to the Local Government Pension Scheme for ongoing costs associated with enhanced pensions on early retirement of support workers).

Special Education Needs and Disabilities

47. The DfE does not propose to allow transfers from the Schools Block to the High Needs Block when the NFF replaces local formulas but will continue to review how High Needs provision should be funded.

48. This is expected, because when there is a national formula there will not be a local Schools Block allocation from which to transfer funds to the High Needs Block.
49. There is also likely to be a consultation about how much mainstream schools contribute to the cost of High Needs provision for their pupils and any limits on how much they should be expected to contribute.

Schools Forums

50. The DfE expects Schools Forums to continue to have a role in local decision-making and engagement, particularly for Early Years and High Needs, but apparently not the NFF:

“Under a hard NFF, there will no longer be local funding formulae for mainstream schools – and so schools forums’ role in being consulted on such formulae will clearly fall away.” (Consultation document page 41)

51. The Forum may wish to consider if it would still wish to have a role in scrutinising the NFF and contributing to national debate about the NFF.

Question 13: How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

Question 14: Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis that you feel we should be aware of?

52. The DfE proposes that maintained schools continue to operate on an April to March financial year, but that their funding is allocated for a year starting September 1, so their funding for April to August would be based on one formula and September to March on the following year’s formula.
53. At present these schools are funded from 1 April on the basis of pupil numbers from the preceding October School Census, but if they were funded from September, the delay between changes in pupil numbers and a consequent change in funding would increase to eleven months. This would benefit schools with falling

rolls, because reductions in funding would be delayed by five months, but it would mean that schools with increasing rolls would have to wait a further five months to get increased funding.

54. The council is minded to respond that this change would be of no benefit to maintained schools and as such is not supported.