



Fair School Funding for All

This briefing sets out London Councils' position in relation to the Department for Education's Fair School Funding For All consultation which outlines its plans to move towards the hard formula of the National Funding Formula removing any local flexibility from the school funding system. London Councils has worked closely with the London boroughs to inform our consultation response.

Background

The Department for Education (DfE) introduced the National Funding Formula (NFF) for schools in 2018/19 through which it determines centralised allocations for schools in England. The current 'soft' formula involves Schools Forums, which comprise local head teachers and local authorities, deciding collectively whether to adjust the NFF allocations for local schools to address any local issues or characteristics which haven't been taken into account by the DfE. The DfE is now consulting on moving to a hard formula, thereby removing any local flexibility from the allocations process, in order to introduce what the DfE believes to be more transparency and fairness into the funding system.

Since the introduction of the NFF many local authorities have moved their local funding formulae towards it. The DfE consultation document states that 105 local authorities in England, out of a total of 150, have moved all of the factor values in their local formula to the NFF over the past three years. Of these, 73 local authorities are now mirroring the NFF funding factors almost exactly. These local authorities have made the decision to move towards the NFF in consultation with local schools via Schools Forums.

Analysis

The DfE is proposing to require each local authority in 2023/24 to bring each of its local formula factors at least 10 per cent closer to the NFF, compared to the NFF value in 2022/23. After an initial 10 per cent movement closer to the NFF in 2023/24, and subject to the impact of this movement, the DfE then aims to move at least 15 per cent closer to the NFF in 2024/25 and at least 20 per cent closer in 2025/26. The DfE has committed to ensuring that the national funding floor and local minimum funding guarantee (MFG) protections will remain in place, so that schools will not lose funding in cash per-pupil terms as a result of moving towards a hard NFF.

While a phased approach and implementation of the MFG will help to protect many schools from dramatic changes in their allocations, London local authorities are very concerned about the impact that these changes could have on some schools in London. In particular concerns have been raised about the future for many small primary schools, for whom a small funding

decrease could cause significant disruption.

Growth and falling rolls

The DfE has proposed a new approach to funding growth and falling rolls, which consists of:

- **Growth funding, and new and growing schools:**
The DfE proposes collecting data from local authorities on forecast pupil numbers in maintained schools and academies that need to grow to meet basic need. They will use national standardised criteria to determine which schools are eligible for funding. The main criterion for this will be size, with only areas with significant growth eligible for funding. If not, the DfE would expect schools to cope until the next year when lagged data will kick in.
- **Falling rolls funding:**
The DfE proposal is to request local authorities inform them about which schools are forecasting a significant decrease, as well as provide evidence that spare capacity is likely to be needed again within 3 years. DfE will only provide funding to schools which had already experienced at least one year's decrease in demand.
- **Funding start up costs of new schools:**
Where a new school is needed due to basic need, and no free school is planned via the central route, then the DfE is proposing to enable local authorities to choose to open a new school via the presumption route (as a proposer of a new free school). Such schools receive a Project Development Grant of £25k and any additional start up funding would be determined by the local authority's growth criteria. DfE plans to standardise this via the hard NFF.
- **Popular growth funding:**
When a school experiences significant increases in demand due to popularity the DfE is considering make funding available for expansion, where the school is an academy. The DfE plans to make the funding consistent with basic need growth funding allocations.

London is facing considerable changes in terms of demographics, with many primary schools now facing falling rolls after a decade of unprecedented demand for places. It is uncertain how long this period of decreased demand will last and it is vital that the school funding system is able to respond to this challenge swiftly to ensure that schools are not destabilised financially. Forecasting accurate roll numbers while the long term impact of both Brexit and Covid-19 is still uncertain is very difficult. London Councils has urged the DfE to include some flexibility in its growth and falling rolls funding to be able to act swiftly to support schools in the face of sudden increases or decreases in demand.

On popular growth funding, London has many very popular maintained schools, particularly at primary level, which could benefit from this funding to expand places and increase parental choice. It is not clear why the DfE is proposing to only allow academies to benefit from popular growth funding.

Central Schools Services Block (CSSB)

The DfE is proposing to undertake a review of the Central School Services Block (CSSB) to look at which services should be funded via the CSSB, de-delegated or traded services. In addition, the DfE is consulting on moving the funding from this block to the Local Government Finance Settlement (LGFS) rather than continuing with a potentially reduced CSSB. The DfE is proposing to follow up this consultation with a more technical consultation on the CSSB in due course.

London Councils has argued that it is important that the CSSB continues to sit within the DSG and that local authorities are funded appropriately to deliver these essential statutory

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services, such as admissions. If the DfE decided to move the core schools funding to the LGFS it is vital that it passes the same level of funding per local authority to the Department for Levelling Up, Housing and Communities (the previously named Ministry for Housing, Communities and Local Government) to cover the costs of these services. Reducing the funding available via the CSSB would make it challenging for local authorities to continue to deliver their core statutory services to schools.

Multi Academy Trusts' (MAT) ability to continue to pool resources

The DfE is proposing to allow MATs to continue to pool resources to enable them to provide common services across their academies, but not local authorities and maintained schools. Maintained schools can benefit from the economies of scale of pooling resources in the same way as MATs. Many local authorities have established federations of maintained schools in many areas with unifying structures to support local schools and rely on pooled resources to deliver key support services. We would like to see a consistent approach to the school funding system for all schools, irrespective of their structure.

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High Needs and Early Years funding

To fully understand the implications of the proposals set out in this consultation that relate to the Schools and Central Schools Services Blocks of the Dedicated Schools Grant (DSG), it is vital to look at the other two blocks of the DSG: the High Needs and Early Years blocks.

London local authorities are currently grappling with huge deficits in the DSG largely due to significant shortfalls in the high needs funding allocations from government. Demand for services for children with Special Educational Needs and Disabilities (SEND) has grown substantially since the introduction of the Children and Families Act 2014. The government high needs funding allocations have not kept up with this increase in demand. The DfE is due to publish a SEND review to address some of the current issues with the SEND system, but the publication of this has been delayed. It is difficult to respond fully to the consultation questions on the Schools and Central Schools Support Block when we don't yet know the full implications of the recommendations of the SEND review.

There are also pressures facing the early years block of the DSG, with many providers facing an uncertain future due to Covid and a lack of financial security in the funding allocations for maintained nursery schools.

Currently Schools Forums are allowed a small degree of flexibility to move funding between the blocks of the DSG to address any particular local challenges. In particular, the ability of local authorities to transfer funds between the DSG blocks to top up the high needs block has been a helpful way of mitigating some of the impact of spiralling high needs budgets. London Councils is very concerned about the impact that moving to the hard formula will have on local authorities' ability to manage high needs and early years budgets with local flexibility removed. It is vital that the DfE publishes plans urgently on how it will replace the ability to transfer between blocks with an alternative mechanism to help provide top ups where needed.

Commentary

London Councils has consistently argued against the implementation of a hard national funding formula (NFF) which removes any local flexibility from the school funding system. The current 'soft' formula enables head teachers and local authorities, via the Schools Forum, to address any local issues through a local formula applied on top of the NFF in a fair and transparent way. Local decision-making has supported many London schools through difficult financial periods, such as a sudden change in leadership or growth.

Moving schools' funding allocations closer to the NFF will be destabilising for some London schools, particularly small primary schools, and we are concerned about the impact that this will have on children's learning.

We have urged the government to give all schools access to the same freedoms and flexibilities that they are proposing for academies in the consultation document. On the proposal to allow only academies to access popular growth funding, London has many very popular maintained schools, particularly at primary, which could benefit from this funding to expand places. Similarly in relation to the proposal to allow academy trusts to continue to be able to pool funding, local authorities or federated groups of maintained schools could equally benefit from the economies of scale that pooling funding enables. By not giving all schools access to the same flexibilities there will be an inconsistency in the system that will make it more complex to manage.

London Councils is concerned about the ongoing impact on London's schools of the Government's levelling up agenda. London's schools received the smallest percentage increase of the additional school revenue allocations in 20-21 and 21-22, despite having some of the highest levels of deprivation, mobility and English as an Additional Language (EAL) in the country. The NAO recently reported that between 2017-18 and 2020-21 83.6 per cent of schools in Inner London and 55.4 per cent in the rest of the country saw a real-terms decrease in per-pupil funding¹. It is vital that London's schools receive funding allocations that meet the full cost of running a school and enable them to continue to thrive. Levelling up should mean that every school is brought up to London's standards but not at the cost of London's own performance.

London Councils does not support the overarching proposal to move towards a hard formula but does recognise within the proposals the commitment towards a smooth transition, addressing any issues during the process. We will continue to engage with London local authorities on next steps with the implementation of the hard formula and other proposals set out in the consultation, as well as any further consultations on school funding, to minimise the impact of any changes on London's schools.

¹ School-funding-in-England.pdf (nao.org.uk) p. 12

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Links:

[London Councils' consultation response in full](#)

This member briefing has been circulated to:

Portfolio holders and those members who requested policy briefings in the following categories: Children and Young People; Local Government Finance