

## Implementing the Direct National Funding Formula

### Response of the Association of School and College Leaders

#### A. Introduction

1. The Association of School and College Leaders (ASCL) represents over 21,500 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million children and young people across primary, secondary, post-16 and specialist education. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
2. ASCL welcomes the opportunity to contribute to this consultation.

#### B. Key points

3. ASCL welcomes the direct national funding formula (NFF) as supporting the principles of fairness, transparency, and predictability. We acknowledge the steps taken to address distribution inequities since 2018, and we accept that local flexibilities were sensible during the first stage of implementation of the NFF. However, we did not anticipate that this would be a feature of a direct NFF.
4. We are disappointed that proposals for a direct NFF allow provision for movement between blocks. This continues to facilitate concealment of the inadequacy of the dedicated schools grants (DSG) at national level. In the funding year 2022/23 around half of all Local Authorities (LAs) plan to move funding from the schools block to the high needs block. Block transfers undermine the basic principle of the NFF that all schools with the same characteristics will receive the same funding.
5. We think that the formula needs to be functioning well before the direct NFF can be fully implemented. Evidence from the [National Audit Office \(NAO\)](#) indicates that, in the funding year 2020/21, 15.6% of all schools required top-up funding to meet the government's own minimum per pupil funding levels (MPPL). In other words, this is not yet a formula that is functioning well. The need for and use of MPPL top-up undermines the basic principle of the NFF – that all schools with the same characteristics will receive the same funding.

#### C. Answers to specific questions

**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?**

6. No. We are disappointed to note that this flexibility remains a requirement under the direct NFF. We do not accept this as an alternative to providing sufficient and equitable levels of funding to meet the needs of vulnerable pupils.
7. Whilst this flexibility remains, the current arrangements should also be maintained. The increased centralisation of this flexibility risks diminishing the power of local consultation.
8. The proposals, sensibly, indicate the need for further review of how the role of schools forums will develop alongside proposals for SEND partnerships and SEND standards, as set out in the SEND Green Paper. We think that the current arrangements for block transfers should remain until the outcome of the Green Paper is known and a scheduled and costed delivery plan is available.
9. We don't think there should be a need for block transfers. This is an indication of the inadequacy of the quantum to meet increasing high needs demands and the poor functionality of the high needs block distribution formula. Despite increased DSG funding delivered by SR21 and the implementation of the [Safety Valve Programme](#), the number of LAs moving funds from the schools block to high needs has increased in 2022/23 (from 67 LAs 2021/22 to 76 in 2022/23). If an LA's high needs costs rise, e.g. an increase in the costs of high-needs top-ups for pupils in EHC plans in mainstream schools, the LA should be able to access an increase in high needs funding. It makes no sense to take the money from schools, which will also be facing increased costs as EHCPs rise, as schools are responsible for the first £6,000.

**Question 2: Do you agree that the direct NFF should include an indicative SEND budget, set nationally rather than locally?**

10. If the direct NFF includes an indicative SEND budget, we agree that it should be set according to a national methodology. The current inconsistency of approach to calculation of notional SEN means that it does not function as intended.
11. However, we are not convinced by the claim that feedback to the DfE's 2019 call for evidence was that the notional SEND budget was helpful. We cannot see where this evidence has been published and we call on the government to publish in the interests of transparency.
12. ASCL believes that notional SEN budgets are unhelpful. Instead, there should be more emphasis on adequate basic funding. It is our view that the basic per pupil amount must be sufficient to avoid funding allocated to additional needs factors subsidising core provision, which is currently the case.
13. However, it remains our view that the profile of demand and distribution of pupils with SEND means that it may be unachievable to improve the accuracy of the notional SEN calculation to the point where there is a good fit between notional SEN budgets and underlying need. Instead, the government should focus on the sufficiency and weighting of factors in the NFF methodology in order to ensure that schools have sufficient funding in the core budget so that funding for additionality can be targeted entirely to supporting those pupils who are eligible.
14. We look forward to a future consultation on indicative SEND budgets. If we acknowledge that a direct NFF must adequately provide for a mainstream inclusive school, we must understand what that costs. We would consider a clear definition of Ordinary Available Provision as a better way of defining what a school should be spending and demonstrating that this is affordable for all schools.

**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?**

15. Whilst we agree with the premise of consistency, we are unsure how effective the funding will be if broadly the same proportion of the schools block is allocated to these factors. We would like to see modelling on the impact of this. We would also seek assurance that factor values will be based on evidence of effectiveness, and not just affordability.

**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?**

16. Yes . This restriction is not helpful to any type of school. In particular, those schools judged below good need stability to properly embed school improvement strategies.

**Question 5: Do you have any comments on how we propose to allocate growth and falling rolls funding to local authorities?**

17. There is a downward future trend in pupil numbers . We need assurance that falling rolls funding will be maintained to support strategic management of this trend.
18. [Government statistics](#) indicate that pupil numbers are declining more quickly than previously thought. Over the next ten years, primary numbers will fall by about a fifth. By 2032, secondary numbers are set to be 6% lower than now, having peaked in the next couple of years.
19. We think it may be necessary to build in some restrictions on how LAs support falling rolls longer term. We must guard against a scenario where the financial risk associated to falling rolls is transferred to the school.
20. Where falling rolls protection is available now, it is based on the expectation that it is a short/medium term fix. We look forward to further consultation on this .

**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?**

21. Unsure. We support the principle of being able to use funds for repurposing and removing space. However, we do not think the proposals are sufficiently clear on what this expansion could include.
22. We would recommend that local consultation is a requirement of this process. This might be a role for schools fora.
23. To be effective, timely access to capital would also be required.
24. It is likely that the most significant revenue costs of repurposing or removing space will be staffing. Whereas it is likely that current growth fund policies will cover wider costs including staffing, the proposals are not clear that this would be the case when capacity is being reduced. Will falling rolls funds cover redundancy costs?

**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?**

25. Yes, we agree that the government should favour a local, flexible approach. ASCL believes that the principle of subsidiarity should apply to the distribution of education funding, and that for the most part this means school level. However, we also think that in some cases the LA, with its capacity for local decision making, is the most appropriate level for allocation of funds. Growth and falling rolls funding is an example of this.
26. However, we are unsure that the level of flexibility suggested in the proposals will be able to deliver on the principles of the direct NFF, particularly national consistency.
27. We are also unsure about the proposed timescale. The consultation does not provide details or an impact assessment; therefore implementation timescales should be considered following a more detailed assessment of the consequences.
28. Whilst we support the local approach, we seek reassurance that sufficient safeguards will be required locally, to ensure that the financial risks associated with falling rolls are not transferred in full to the school. We would look to national policy to provide the necessary protections.

**Question 8: Do you have any comments on the proposed approach to popular growth?**

29. We are strongly supportive of ensuring equity of access to funding to support popular growth. However, we require more detail to be reassured that this will be the case.
30. For example, proposals indicate that academies may be eligible for popular growth funding having increased in popularity after being sponsored by a MAT. Popular growth funding should be available to all academies.
31. Pupil growth as a result of school improvement is driven by high-quality school leadership and teaching. This can be in place irrespective of a school's governance structure, so should be accessible to all schools. Changes to the NFF should be driven by funding policy, rather than seek to further other government policy objectives.
32. Decisions on funding popular growth should always include an assessment of the impact on other local schools and considering whether additional places are actually needed. Horizon scanning, particularly in the context of trends in pupil numbers nationally, will be a necessary tool in mitigating financial risk in future years.

**Question 9 : Do you agree that we should allocate split site funding on the basis of both a schools' basic eligibility and distance eligibility?**

33. Yes.

**Question 10: Do you agree with our proposed criteria for split site 'basic eligibility'?**

34. Yes.

**Question 11 : Do you agree with our proposed split site distance criterion of 500m?**

35. We agree that there should be a distance criterion and that median and modal distance used by LAs is a helpful benchmark. However, we also think that a tapered approach should be modelled before this proposal is implemented.

**Question 12: Do you agree with total available split sites funding being 60% of the NFF lump sum factor?**

36. We can neither agree or disagree without modelling to consider impact. The proposals refer to significant inconsistency at the moment, and whilst MFG protection would be available we would be keen to understand the extent to which this would be required. A heavy reliance on MFG protection by a significant proportion of eligible schools would indicate that this proposal is not effective.

**Question 13: Do you agree that distance eligibility should be funded at twice the rate of basic eligibility?**

37. No. Fixed costs associated to split sites will tend to be constant regardless of distance. The weightings should reflect that. We tend to think that basic eligibility criterion should deliver the higher weighting. In the consultation example this would mean 40% of the lump sum allocated under basic eligibility and 20% under the distance eligibility criteria.

38. Funding associated with the distance criteria will support variable costs associated to movement of staff and pupils between sites. Costs associated to the movement of staff and pupils will be less where a school does not meet the distance criteria.

39. The fixed costs associated to premises, compliance, and curriculum resources are likely to be similar even when a split site does not meet the proposed distance criteria.

**Question 14: Do you agree with our proposed approach to data collection on split sites?**

40. Yes. Given the proportion of schools nationally that attract this funding, the burden across the whole estate should be minimal.

**Question 15: Do you have any comments on our proposed approach to split sites funding?**

41. We think that permanent traffic restrictions should be accounted for in distance measurement.

42. Consideration should be given to including multiple split sites which exceed the proposed cap in the exceptional circumstances factor.

43. We would like to see some modelling on the impact compared to current local arrangements, including an assessment of the efficacy of the range of local formulae. Proposals indicate significant variance in allocations but not the adequacy and effectiveness.

**Question 16: Do you agree with our proposed approach to the exceptional circumstances factor?**

44. We agree that use of this factor should be subject to broad national criteria. This supports the principles of transparency, predictability and fairness. However, see response to Question 17 below.

**Question 17: Do you have any comments on the proposed approach to exceptional circumstances?**

45. Increasing the minimum threshold value to 2.5% (currently 1%) of budget could be problematic for some schools. We note that the consultation includes provision under the MFG for protection during the transition phase.
46. It is right that pupils attending schools which do not have sufficient outside space – for a playing field for example – are not disadvantaged.
47. We do not agree that listed buildings should be removed from the eligibility criteria. Classroom dimensions have a direct impact on the cost of curriculum delivery and achievable average class size. In a listed building, restrictions limit adjustments to the building layout and, where these are possible, capital costs will be greater than in building that are not listed.
48. We look forward to further consultation on the modified PFI factor.

**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?**

49. Yes. During the transition it is important that the most recent and relevant data is used in baseline calculations.

**Question 19: Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?**

50. We agree with the principle that the MFG is necessary to protect schools from losses in their pupil-led, per-pupil funding.
51. We also agree that simplification of MFG methodology adds transparency in a direct NFF where school-led factor values are no longer subject to fluctuations.
52. We acknowledge that proposals indicate that this policy change cannot be made until the direct NFF has taken effect. During the progression phase, it is important that schools can continue to rely on the MFG to protect against per-pupil losses caused by a mix of both pupil-led and school-led factors.

**Question 20: Do you have any comments on our proposals for the operation of the minimum funding guarantee under the direct NFF?**

53. We look to the department to continue to monitor impact of this policy change to ensure fair outcomes at individual school level. In particular, we seek reassurance that schools subject to fluctuation in sparsity funding and exceptional circumstances funding will be properly protected in future years. These are both school-led factors which we think could flex at individual school level under a direct NFF.

**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?**

54. Both could be useful to schools. However, we think that there are some inherent risks to the effectiveness of either option. We would welcome further consultation on how these risks can be mitigated.

55. Notional allocations cannot take account of DSG block transfers and de-delegation costs. This is a risk.
56. A calculator tool can be time consuming to complete and, as ever, the quality of output (and therefore usefulness) will be ultimately determined by the quality of input. This is a risk. Mitigation might include locked-in calculation formulae for the technical aspects of the NFF. This would include, for example minimum funding guarantee, minimum per pupil funding levels, sparsity, and split site funding – but there will be more. It would also be useful to have a base year sheet for pre-populating with current actual allocation details. This is useful as a ‘check for sense’ and also scenario-planning.

**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?**

57. We welcome the proposal to support the budget planning process at school level. However, there are systemic problems that need to be addressed before the proposed approach will be highly effective. ASCL believes that aligning publication of information and collection of data would be a step in the right direction.
58. Provision of NFF indicative allocations before July would lead to better-informed three-year budget forecast returns (3YR BFR).
59. In recent years, the academies’ 3YR BFR submission date has coincided with the teachers’ pay award announcement. This is unhelpful and undermines the strategic planning process.
60. It is very hard for schools to plan their budgets when staff costs (typically 80% of total spend) are not known before sign-off. Particularly for maintained schools, this is not until a significant portion of the financial year has actually already passed.
61. There is an inequity in the funding cycle whilst there are two funding years. For example, in 2022/23 academies have the same funding to implement a 5% pay rise for twelve months as maintained have to implement it for seven months.

**Questions 23- 25 are not applicable for ASCL.**

**D. Conclusion**

62. Progression towards full implementation of the direct NFF must include consideration of the decline in pupil numbers nationally. Recently published [national pupil projections](#) indicate that primary pupil numbers will decline more quickly than previously thought. Secondary pupils are projected to fall by 6% over the next ten years. We need reassurance that funding will be available to support this trend and the impact on school income.
63. This is important because the majority of available funding is distributed according to pupil-led factors. Small changes in pupil numbers can have a significant impact on income, but not on costs.
64. We also need reassurance that place planning is coherent across the maintained and academies sector.

65. Implementing the direct NFF puts greater responsibility on the DfE as local power is diminished. In assuming that responsibility, DfE has an obligation to monitor the impact of any existing or amended policies to ensure it continues to achieve a fair outcome at individual school level.

66. I hope that this response is of value to your consultation. ASCL is willing to be further consulted and to assist in any way that it can.

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6 September 2022