



THE LONDON BOROUGH  
www.bromley.gov.uk

BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333 CONTACT: Philippa Gibbs  
*philippa.gibbs@bromley.gov.uk*

DIRECT LINE: 020 8461 7638  
FAX: 020 8290 0608 DATE: 30 June 2022

To: Members of the  
**SCHOOLS' FORUM**

- |                                 |   |
|---------------------------------|---|
| David Dilling (Chairman)        | Primary Academy Governor (Charles Darwin Academy Trust)                                     |
| Andrew Ferguson (Vice-Chairman) | Non-School Representative (Church of England)(Aquinas Trust)                                |
| Claire Bessa                    | Secondary Academy Head Teacher (E21C)   |
| Tracey Davies                   | Non-Schools Representative (14-19 Partnership) (Bromley Academy Trust)                      |
| Patrick Foley                   | Primary Maintained Head Teacher (Southborough Primary School)                               |
| Clare Grainger                  | Non-Schools' Representative (Joint Teacher Liaison Committee) (Connect Multi Academy Trust) |
| Chris Hollands                  | Primary Academy Head Teacher (Aquinas Trust)  |
| Neil Miller                     | PRU Head Teacher/Governor Academy (Bromley Trust Academy)                                   |
| Andrew Rees                     | Secondary Maintained School Head Teacher (St Olaves Grammar School)                         |
| Brid Stenson                    | Non-School Representative (Early Years)   |
| Ian Travis                      | Special Head Teacher/Governor Academy (Glebe School)  |
| Steve Whittle                   | Secondary Academy Head Teacher (Impact Multi Academy Trust)                                 |
| David Wilcox                    | Secondary Academy Governor (Darrick Wood School)  |
| 1 x Vacancy                     | Special Head/Governor Maintained  |
| 1 x Vacancy                     | Non-School Representative (Catholic Church)   |
| 1 x vacancy                     | Primary Academy Governor  |
| 1 x vacancy                     | Primary Academy Head Teacher  |
| 1 x vacancy                     | Secondary Academy Governor  |
| 1 x Vacancy                     | Primary Academy Governor  |

A meeting of the Schools' Forum will be held at the Virtual Meeting via WebEx on **THURSDAY 7 JULY 2022 AT 4.30 PM** \*

**\* PLEASE NOTE STARTING TIME AND VENUE**

TASNIM SHAWKAT  
Director of Corporate Services & Governance

**A G E N D A**

**1 APOLOGIES FOR ABSENCE**

- 2 **MINUTES OF THE MEETING HELD ON 20 JANUARY 2022** (Pages 3 - 8)
- 3 **IMPLEMENTING THE DIRECT NATIONAL FUNDING FORMULA - GOVERNMENT CONSULTATION** (Pages 9 - 110)
- 4 **SPENDING BY MAINTAINED SCHOOLS IN 2021/22** (Pages 111 - 118)
- 5 **CEF OUTTURN 2021/22** (Pages 119 - 132)
- 6 **HIGH NEEDS FUNDING BANDING REVIEW** (*to follow*)
- 7 **ANY OTHER BUSINESS**
- 8 **DATE OF NEXT MEETING**  
29 September 2022

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## SCHOOLS' FORUM

Minutes of the meeting held at 4.30 pm on 20 January 2022

### Present:

David Dilling (Chairman)	Primary Academy Governor (Charles Darwin Academy Trust)
Andrew Ferguson (Vice-Chairman)	Non-School Representative (Church of England)(Aquinas Trust)
Claire Bessa	Secondary Academy Head Teacher (E21C)
Chris Hollands	Primary Academy Head Teacher (Aquinas Trust)
Neil Miller	PRU Head Teacher/Governor Academy (Bromley Trust Academy)
Andrew Rees	Secondary Maintained School Head Teacher (St Olaves Grammar School)
Brid Stenson	Non-School Representative (Early Years)
Ian Travis	Special Head Teacher/Governor Academy (Glebe School)
Sally Weekes	Primary Maintained Head Teacher
Steve Whittle	Secondary Academy Head Teacher (Impact Multi Academy Trust )
David Wilcox	Secondary Academy Governor (Darrick Wood School)

### Also Present:

Carol Arnfield	Head of Early Years, School Standards and Adult Education
Julie Crew	Head of Schools' Finance Support
Philippa Gibbs	Democratic Services Officer
David Bradshaw	Head of Children, Education and Families Finance
Jared Nehra	Director of Education

## 23 APOLOGIES FOR ABSENCE

Apologies for absence were received from Gareth Walters, Claire Grainger and Patrick Foley. Mrs Sally Weekes attended as alternate for Patrick Foley.

Richard Baldwin, Director of Children, Education and Families also sent apologies for the meeting.

## 24 MINUTES OF THE MEETING HELD ON 4 NOVEMBER 2021

The minutes of the meeting held on 4<sup>th</sup> November 2021 were approved, and signed as a correct record, subject to a minor amendment.

Matters Arising

In response to a question the Head of Children, Education and Families Finance confirmed that predictions indicated that by the end of the financial year there would be a £3-4m deficit in the Dedicated Schools Grant (DSG), primarily in the High Needs Block. The Local Authority would be asked by the DfE to set up a deficit recovery plans.

**25 2022/23 DEDICATED SCHOOLS GRANT  
Report CEF22009**

The report provided an outline of the final DSG allocation for 2022/23 and an overview of how this would be spent.

The overall position of the DSG was summarised as follows:

2022/23 Dedicated Schools Grant					
	High Needs Block	Early Years Block	Schools Block	Schools Central Block	Total
Gross Grant Funding	£67,378,913	£21,748,109	£245,142,018	£2,090,559	£336,359,599
Recoupment adjustment	- £10,272,000		-£1,742,295		-£12,014,295
Net Grant Allocation	£57,106,913	£21,748,109	£243,399,723	£2,090,559	£324,345,304

Strict guidelines were in place concerning how the DSG was spent.

Schools' Central Block

There had been a reduction of 2.5% in this block. There would continue to be a year-on-year reduction of 2.5% until the block reached the level considered to be appropriate by DfE. The reduction had been slightly compensated by pupil numbers although overall there had been a reduction of £43,000.

The Council continued to provide funding to address the gap between expenditure and grant received. Expenditure had been reviewed with some changes in the amounts allocated through the DSG, but broadly expenditure remained the same.

In response to a question, the Head of Children, Education and Families Finance confirmed that the contribution made by the Council in 2021/22 was £410,000 with the contribution increasing by £50,000 for 2022/23.

The Forum noted that expenditure in the Schools' Central Block related to areas within the Education Department such as access and admissions, licenses and pupil support.

### Early Years Block

Funding for Early Years had reduced by £1.6m year-on-year due to a reduction in pupil numbers. Pupil numbers had dropped considerably and there were various reasons for this. The risk regarding the way the block was funded was that if pupil levels began to increase between January and April 2022, the increases would not be funded for the first five or six months of the year and this could lead to a further deficit in the DSG.

The DfE had increased rates for 2022/23 by 21p for 2-year-olds and 17p for 3- and 4-year-olds. LBB was proposing to increase rates by 6p for 2-year-olds and 12p for 3- and 4-year-olds. Consequently, grant funding for 2-year-olds would be approximately £6.03 per hour with the funding provided by LBB being £6.64 per hour. The grant funding for 3- and 4-year-olds would be £5.22 per hour with the funding provided by LBB being £5.10 per hour. This would be reviewed later in the year when it was hoped numbers would stabilise. The Local Authority was required to pass through 95% of the grant funding and continued to more than meet these requirements set by DfE.

The Schools' Forum noted that there was the potential that low numbers in Early Years Setting could feed through and impact funding for the Schools' Block in future years. It was agreed that further information would be circulated following the meeting. The Director of Education reported that it was still too early to analyse the impact on future Reception rolls. The September 2021 intake had been slightly down, and the position was being closely monitored. More would be known about the September 2022 intake once preference data had been analysed. Further information could be provided once the data was available.

### Schools' Block

The Schools' Block had increased by £7.3m primarily due to increases in per pupil funding and a slight increase in pupil numbers. The Local Authority tried to follow the National Funding Formula (NFF) and funding was broadly at NFF levels or slightly above. When the DfE started to fund schools direct their intention was to do a "hard" NFF where the national formula would be followed exactly.

The Minimum Funding Guarantee (MFG) level had been set at 1%. 29 schools (all primaries) were in receipt of MFG and 19 schools (all primaries) received minimum pupil funding protection from the DfE.

The Schools' Forum noted that the DfE had announced an additional £7.1m for Bromley schools, although this was not included as part of the DSG calculation. The funding would be passported straight to schools and was to acknowledge further costs for aspects such as the National Insurance health and social care levy and other costs that the DfE considered needed to be funded. The intention was that the funding would be included in the DSG in future years but, as yet, the grant determination had not been released.

Concerns were raised that currently there was no detailed information about additional funding for specialist settings. It was noted that specialist settings faced the same cost pressures in terms of National Insurance contributions, increased energy costs and increased staffing costs. It was suggested that a further update should be provided at the next meeting once the grant determination details had been received.

The Forum noted that the issue of lagged funding for Free Schools was not having as big an impact as it had in previous years and a further update could be provided at the next meeting. The Local Authority continued to lobby around the issue of funding as Bromley received a comparatively low level of funding across the board.

### High Needs Block

Funding for the high Needs Block had increased by £7.5m - £5.1m of this was due to increases in funding of which the Local Authority was already aware as well as pupil number increases. The additional £2.4m supplementary funding had been added to cover additional costs being incurred such as the National Insurance levy. In the case of the High Needs Block the funding had been added to the DSG.

There were still high levels of demand for high needs services and this demand continued to grow at a very fast rate. Whilst there were mitigations in place, pressures continued to manifest themselves in the High Needs Block and the rate of growth in demand was outstripping the funding available. There was currently a deficit of approximately £1m in the High Needs Block, although predictions were that this would significantly increase to £3-4m by the end of the year. In due course, the Local Authority would be asked by DfE to deliver a deficit recovery plan.

The Forum noted the high costs for SEN out-of-borough fees, noting that they were estimated to further increase in 2022/23. The Head of Children, Education and Families Finance confirmed that mitigations were in place for in-borough placements however the mitigations would not have an immediate effect. The Director of Education highlighted that the pressures seen from the growth in demand for EHCPs was unsustainable and this was a national issue around the statutory and legislative framework for SEND. It was hoped that change at a national level would be delivered through the Government's SEND Review. One key driver was that of tribunals. The Local Authority was consistently seeing the impact of tribunal decisions. In many cases the Local Authority was being effectively forced, through decisions overturned by a tribunal at appeal, to place a child in independent non-maintained out of borough high-cost provision where professional advice did not support that as being necessary to meet the needs of the child. There were multiple examples of where this had happened and was a key factor in increases in pressures on the High Needs Block. This issue was replicated across a number of Local Authorities. Another driver in terms of the pressures on the High Needs Block was the extension of EHCPs to 19-25 year olds. This cohort was the fastest growing due to the extension of the obligations placed on the Local Authority.

The Local Authority was seeking to increase the number of SEN places within the Borough. A new Special Free School was being established and was going through the feasibility stage. The timescales for opening the Free School were dependant on the DfE although the aim of the Local Authority was that the School would open in September 2023. The Local Authority was also having conversations with existing specialist providers, including some mainstream schools, to seek to increase capacity within borough wherever possible.

In relation to therapies, the Local Authority was seeking to increase the capacity of mainstream and specialist settings in the Borough through delivering an enhanced and improved contribution for therapies. There was an Integrated Therapies Project being led by Integrated Commissioning Colleagues which was seeking to enhance the provision of therapies however, it was a very challenging landscape with a lack of available therapists within the local area.

The Director of Education confirmed that as a proportion of the overall growth in the high needs funding block, increases in expenditure on out-of-borough placements were less than increases in expenditure on in-borough provision. In terms of the fees being set by independent non-maintained provisions, local authorities were seeing significant increases in the fees being set and this was having a significant impact on both the DSG and social care budgets and needed some form of regulation as budgets were under significant pressures from these increases.

**RESOLVED: That the proposals presented be supported.**

## **26 VERBAL UPDATE: SCHOOL IMPROVEMENT GRANT**

The Schools' Forum noted that in October 2021 the DfE conducted a consultation on the provision of school improvement and monitoring grants issued to Local Authorities. Proposals were to remove the grant entirely, phased over a two-year period. Despite receiving significant opposition through the responses received, the DfE had taken the decision to go ahead with the proposals. For the financial year 2022/23, 50% of the normal grant would be received and from 2023/24 onwards no separate grant for school improvement activity would be received. This would mean that local authorities would be required to go to Schools' Forums to request de-delegation to ensure sufficient funds were available to carry out school improvement duties. A new definition of the activities considered by the DfE to be 'core school improvement monitoring duties' was awaited as well as a new definition of 'schools causing concern'.

Bromley expected to be able to manage the reduction in the grant for the next financial year, although it would mean slightly less activities. A further update would be provided when the DfE released more information about the new definitions and the core school improvement activities to be delivered that may require de-delegated funding.

**27 ANY OTHER BUSINESS**

Training

The Chairman thanked the Head of Children, Education and Families Finance for the training that had been provided following the last meeting. It was likely that further training would be provided when the current vacancies on the Schools' Forum were filled.

**28 DATE OF NEXT MEETING**

The date of the next meeting would be confirmed in the coming weeks.

The Meeting ended at 5.55 pm

Chairman



# Agenda Item 3

Report No.  
CEF22045

London Borough of Bromley

PART ONE - PUBLIC

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**Decision Maker:**        **SCHOOLS FORUM**

**Date:**                    **7<sup>th</sup> July 2022**

**Decision Type:**        Non-Urgent                    Executive                    Non-Key

**Title:**                    **IMPLEMENTING THE DIRECT NATIONAL FUNDING FORMULA (NFF) - GOVERNMENT CONSULTATION**

**Contact Officer:**        David Bradshaw, Head of Finance, Children, Education and Families  
Tel: 020 8313 4807    E-mail: David.Bradshaw@bromley.gov.uk

**Chief Officer:**            Director, Children, Education and Families

**Ward:**                    (All Wards);

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1.    Reason for report

- 1.1   This report provides details of the National Funding Formula consultation and the proposed approach.
- 

2.    **RECOMMENDATION(S)**

2.1   **The Schools Forum are asked to:**

- (i)    **Review the consultation and make any comments**
- (ii)   **Agree to set up a working group to formulate a response back to the Department for Education (DfE).**

### Corporate Policy

1. Policy Status: Not Applicable
  2. BBB Priority: Health and Integration
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: CEF Portfolio
  4. Total current budget for this head: £62.6m
  5. Source of funding: CEF approved budget
- 

### Staff

1. Number of staff (current and additional): 1,154 Full time equivalent
  2. If from existing staff resources, number of staff hours: N/A
- 

### Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2021/22 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### 3. COMMENTARY

- 3.1 On the 7<sup>th</sup> June 2022 DfE announced a consultation seeking views on the implementation of the National Funding Formula. The consultation document is attached in Appendix 1.
- 3.2 This follows on from the first consultation held in 2021
- 3.3 The consultation ends on the 9<sup>th</sup> September 2022.
- 3.4 The set of response question are in Appendix 2
- 3.5 Appendix 3 is a copy of a recent DFE factsheet regarding the NFF which links into this consultation.
- 3.6 The Schools Forum are asked to review the documentation and give any comments. The Forum are asked to set up a small sub group to discuss this further, if required. This should happen before the submission date of the 9<sup>th</sup> September 2022. The submission can then be a joint Forum/Council response to the document.

<b>Non-Applicable Sections:</b>	Legal Implications Financial implications Personnel Implications Customer Implications
Background Documents: (Access via Contact Officer)	Appendices 1,2 and 3

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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.

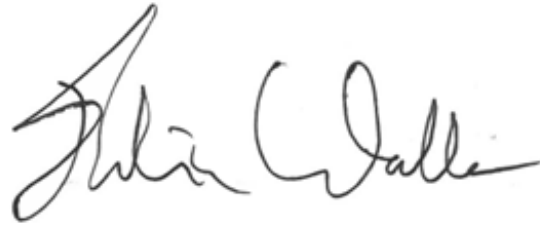
Effective implementation of reform is vital for success, and we are committed to continuing to engage closely with school funding stakeholders to ensure that the direct NFF is implemented as effectively and smoothly as possible – drawing on their expertise and experience. This consultation forms part 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, reading "Robin Walker". The signature is written in a cursive style with a large initial 'R' and 'W'.

**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 formularise 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 formularise 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 assurances 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.

<b>Timing</b>	<b>Current arrangements</b>	<b>Proposed changes from the current system</b>
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.



Department  
for Education

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## Appendix 2

### Introduction

In 2021 we held our first-stage consultation on the direct national funding formula (NFF) for schools. Following the feedback to that consultation, the Government confirmed our commitment to introduce the direct NFF.

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.

This consultation asks for views on how the direct NFF will work in practice, which includes:

- The interaction between the direct NFF and funding for high needs,
- How funding for schools experiencing significant growth in pupil numbers, or falling rolls, could operate under a direct NFF
- How the minimum funding guarantee - which protects schools against excessive year-on-year changes in their per-pupil funding – will continue to operate
- 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

What is your name?

Name

What is your email address?

If you enter your email address then you will automatically receive an acknowledgement email when you submit your response.

Email

Are you responding as an individual or on behalf of an organisation?

Individual  Organisation

What is the name of your organisation?

Organisation

What type of organisation is this?

Please pick the organisation you belong to.

What local authority area are you or your organisation based in?

Please

select

Would you like us to keep your responses confidential?

### **Confidentiality**

Information provided in response to this consultation, including personal data, may be subject to publication or disclosure under the Freedom of Information Act 2000, the Data Protection Act 2018, or the Environmental Information Regulations 2004. If you want all, or any part, of a response to be treated as confidential please explain why you consider it to be confidential. If a request for disclosure of the information you have provided is received, your explanation about why you consider it confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

### **Privacy Notice**

The personal data (name and address and any other identifying material) that you provide in response to this consultation is processed by the Department for Education as a data controller in accordance with the UK GDPR and Data Protection Act 2018, and your personal information will only be used for the purposes of this consultation. The Department for Education relies upon the lawful

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Yes  No

Reason for confidentiality (optional)



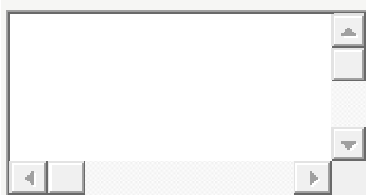
## Interaction between the direct NFF and funding for high needs (1)

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. The Government response to that consultation included a commitment to continue some form of flexibility to transfer funding to local authorities' high needs budgets, by adjusting mainstream schools funding, so we are not consulting on the principle of such transfers at this stage. Pages [10-13] of the consultation document proposes how such flexibility could work under the direct NFF. Please read that section before answering the question below and giving your comments on the operation of this flexibility.

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?

Yes  No  Unsure

If you have any comments on this question or on other aspects of the operation of transfers of funding from mainstream schools to local authorities' high needs budgets, please give these below. Please limit your answer to 200 words.



## Interaction between the direct NFF and funding for high needs (2)

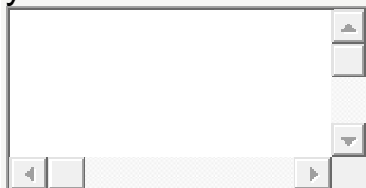


The SEND and alternative provision green paper sets out proposals for an inclusive system, starting with improved mainstream provision for pupils with special educational needs and disabilities (SEND). Those proposals include the development of national standards for SEND provision, and that there should be a national expectation on how mainstream schools support their pupils with SEND and contribute to the costs from their formula funding. Proposals on the threshold of this contribution (currently up to £6,000 per pupil) will follow at a later stage, following the green paper consultation. At this stage we are seeking views on replacing the notional SEN budget, currently calculated by local authorities using appropriate factors in their local funding formula, with a national indicative SEND budget for each mainstream school, calculated under the direct NFF. Our reasons for proposing this, rather than alternative approaches, are set out in pages [13-15] of the consultation document. Please read this section before answering the question below.

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

Yes  No  Unsure

If you wish to explain your answer, please do so here. Please limit your answer to 200 words.



## Growth and falling rolls funding

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, ensuring that local authorities are supported to carry out their role as champions of the child and in place planning. We set out more detail on our proposals for how this will operate in the direct NFF in pages [17-29]. Please read this section before answering the questions below.

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?

Please limit your answer to 200 words.

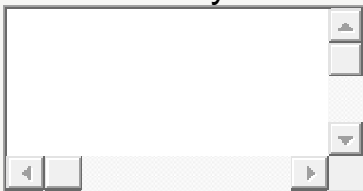


4. Do you believe that the restriction that falling rolls funding can only be provided to schools judged “Good” or “Outstanding” by Ofsted should be removed?

Yes  No  Unsure

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

Please limit your answer to 200 words.



6. Do you agree that we should explicitly expand the use of growth and falling rolls funding to supporting local authorities in repurposing and removing space?

Yes  No  Unsure

7. Do you agree that the Government should favour a local, flexible approach over the national, standardised system for allocating growth

and falling rolls funding; and that we should implement the changes for 2024-25?

Yes  No  Unsure

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

Please limit your answer to 200 words.



## Premises funding

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 pages [30-39] of this consultation, we set out more detail on our proposals for how this will operate in the direct NFF. Please read this section before answering the questions below.

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

Yes  No  Unsure

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

Yes  No  Unsure

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

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

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

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

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

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

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

Yes  No  Unsure

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

Please limit your answer to 200 words.



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

Yes  No  Unsure

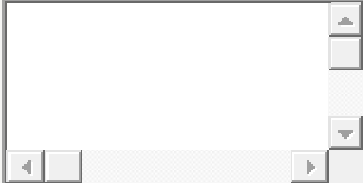
17. Do you have any comments on the proposed approach to exceptional circumstances?

Please limit your answer to 200 words.



- **The minimum funding guarantee (MFG) under 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 pages [40-42] of the consultation we set out a proposal on how this will operate. Please read this section before answering the questions below.

- 18. Do you agree that we should use local formulae baselines (actual GAG allocations, for academies) for the minimum funding guarantee (MFG) in the year that we transition to the direct NFF?  
 Yes  No  Unsure
- 19. Do you agree that we should move to using a simplified pupil-led funding protection for the MFG under the direct NFF?  
 Yes  No  Unsure
- 20. Do you have any comments on our proposals for the operation of the minimum funding guarantee under the direct NFF?  
Please limit your answer to 200 words.  


## The annual funding cycle

We set out proposals on how the funding cycle should operate in the direct NFF in pages [43-49] of the consultation— 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. Please read this section before answering the questions below.

21. What do you think would be most useful for schools to plan their budgets before they receive confirmation of their final allocations: (i) notional allocations, or (ii) a calculator tool?

Notional allocations  Calculator tool  Unsure

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?

Please limit your answer to 200 words.



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?

Please limit your answer to 200 words.

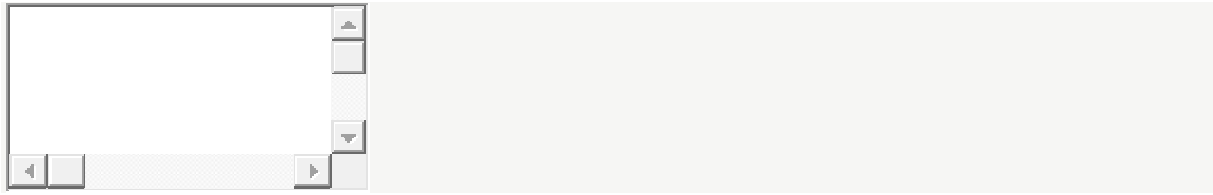


24. Regarding de-delegation, would you prefer the Department to undertake one single data collection in March covering all local authorities, or several smaller bespoke data collections for mid-year converters?

One single data collection  Several smaller bespoke data collections  Unsure

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?

Please limit your answer to 200 words.



## Almost done...

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Department  
for Education

# National Funding Formula Reforms

## Schools Bill Factsheet

May 2022

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# Schools Bill Factsheet: National Funding Formula Reforms

## What is the government's policy objective?

In our 2016 consultation on the national funding formula (NFF), we consulted on the principles which should underpin a new school funding system. The majority of the sector supported the principles of a funding system for mainstream schools that:

- **supports opportunity** – every child is given the same opportunities, based on a consistent assessment of their needs
- **is fair** – each mainstream school should be funded on the same objective measures of need, wherever it is in the country
- **is efficient** – a single national formula through which funding is matched to relative need means that resources can be distributed across the system as efficiently as possible
- **gets funding straight to schools** – empower school leaders to drive up academic standards by maximising the resources available for teaching and learning
- **is transparent** – a single national formula will mean that the funding an individual school receives and the basis on which it was calculated will be transparent to all in the system
- **is simple** – one national formula is simpler to understand and engage with than 150 different local formulae
- **is predictable** – a single national funding approach will create greater predictability in funding, supporting the system to make best use of resources

The directly applied NFF is the only way to ensure that schools funding fully reflects all these principles.

## What does this measure do?

This measure places a duty on the Secretary of State to determine funding for all mainstream schools (both academies and maintained schools) in England through a single, directly applied national funding formula. The government will use the schools NFF to decide how much core funding to allocate for 5–16-year-old pupils (reception through to Year 11) in mainstream state-funded schools in England. This will make funding fairer and more consistent for mainstream schools, no matter which local authority they are in.

## The introduction of the NFF

The introduction in 2018-19 of the NFF for mainstream schools was a crucial step towards a fairer funding system and replacing the postcode lottery of the past. The schools NFF calculates an allocation for each school, based on pupil numbers and characteristics from the school census (a data collection that happens three times a year – we currently use the October census).

At present, the NFF is made up of 14 ‘factors’ that relate to pupil or school-led characteristics. Each factor has a ‘factor value’ which determines how much funding a particular characteristic attracts (for example, £3,217 for every primary age pupil; and an additional £1,060 for each pupil entitled to free school meals<sup>1</sup> in 2022-23). Factors and their associated factor values are subject to change each year to respond to changing priorities and circumstances.

The NFF was introduced as a “soft” NFF, whereby a formula calculates a notional allocation for every school in England, which the government aggregates for all the schools in each local authority to create a total allocation for that local authority. Local authorities then set their own local formulae to distribute their total allocation between all the schools in their area. Schools (both maintained schools and academies) receive their budget allocation based on their local authority’s formulae. This means that while the NFF determines how much money a local authority receives, it is the local authorities’ own formulae that determine how much each school finally receives. Therefore, an individual school’s funding can, and often does, vary from that which the NFF itself allocates, resulting in continued differences in individual funding levels across the country.

## The “direct” NFF

Our intention since the introduction of the NFF has always been to move in time to a “direct” NFF in England where every school’s final funding allocation is determined by the same, national formula, and no longer be subject to further adjustment from one of 150 local authority formulae.

This measure will allow the government to fulfil the commitment to move to a direct NFF, ensuring that funding is distributed solely on the basis of schools’ and pupils’ characteristics and not affected by which local authority the school happens to be in. This will mean the funding system is fair for every school, with funding matched to a consistent assessment of need.

This measure allows for local authorities to continue to allocate some aspects of schools’ funding where the government judges that is necessary because local authorities have

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<sup>1</sup> This includes both current FSM and Ever6 FSM entitlement.

the most detailed knowledge about the needs of their local schools. We expect this supplementary funding to be limited to use where the local authority has a Private Finance Initiative (PFI) contract for that school, or where the local authority asks a school to provide additional school places to meet its sufficiency duty.

## Local education funding

This measure will also provide for the Secretary of State to continue to fund local authorities for other education provision, alongside the funding local authorities receive for mainstream schools through the direct NFF, and the supplementary funding they receive to distribute to maintained schools and academies. This is funding for high needs, central school services and early years, allocated for the following:

- local authorities use high needs funding to provide for pupils with SEND in special and independent settings (including alternative provision), as well as to top up funding for pupils with SEND who attend mainstream schools
- local authorities receive funding for central school services for their ongoing responsibilities for both maintained schools and academies such as admissions, or monitoring school attendance
- local authorities receive early years funding to provide the early years entitlements for 2–4-year-olds

## Consultations

We have consulted with stakeholders in the education sector at every stage of the process of implementing a soft NFF and as we transition to a direct NFF:

- **Schools national funding formula government consultation response (2016)**  
We set out the principles and approach for our funding system.  
([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577357/Schools\\_national\\_funding\\_formula\\_government\\_consultation\\_response\\_stage\\_1.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/577357/Schools_national_funding_formula_government_consultation_response_stage_1.pdf))
- **Analysis of and response to the schools national funding formula consultation (2017)**  
We outlined our approach to a schools NFF and the factors that would be used to determine funding.  
([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/648553/Schools\\_national\\_funding\\_formula\\_consultation-response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/648553/Schools_national_funding_formula_consultation-response.pdf))
- **Fair school funding for all: completing our reforms to the National Funding Formula (2021)**  
We consulted on the implementation of a directly applied NFF and how we would

transition from the current system to achieve this.

([https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting\\_documents/Fair%20Funding%20For%20All%20Consultation.pdf](https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf))

- **Completing the reforms to the National Funding Formula (2022)**

In this government response to the 2021 consultation, we confirmed our approach to transitioning to a direct NFF, requiring local authorities to use all NFF factors, and bring their factor values 10% closer to the NFF.

([https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1062107/Completing\\_the\\_reforms\\_to\\_the\\_National\\_Funding\\_Formula\\_-\\_government\\_consultation\\_response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1062107/Completing_the_reforms_to_the_National_Funding_Formula_-_government_consultation_response.pdf))

Before Summer 2022, we will be publishing a second stage consultation detailing how the direct NFF will be implemented.

## Why is legislation needed?

Under a direct NFF, there will be new roles and responsibilities for the Secretary of State and local authorities in relation to school funding. The legislative framework will place a duty on the Secretary of State to determine a funding formula for mainstream schools, with the freedom and flexibility to modify this formula annually as needed. The legislation will fund academies and maintained schools on a consistent legal basis, replacing the existing provisions in the 1998 School Standards and Frameworks Act which only apply to maintained schools.

Legislation will replace some of the existing provisions in the School Standards and Framework Act 1998, so far as they apply in England, and will make some consequential changes to sections of the 1998 Act that will remain in place to make sure these sections continue to work alongside our new framework in England. The Secretary of State will also have flexibility to include other types of schools in future. This will allow the Secretary of State to fund special and alternative provision schools directly, through their own formula, in future, should that be appropriate.

## What is the effect of the legislation?

The measure will mean that the Secretary of State in relation to England:

- must determine funding for all mainstream schools through a single, national funding formula
- must pay this funding to academy trusts and to local authorities for maintained schools
- has the power to request information from local authorities and academies, such as pupil numbers, information on school reorganisations (planned school closures)

and mergers), planned school expansions, and information on whether a school has split sites

- has the ability, on application of the local authority, to reallocate funding from the NFF allocations to local education budgets in order to meet local funding pressures (most likely relating to high needs), in place of the current “block transfer” mechanism

This measure will mean that local authorities:

- will have a local education budget (“locally-determined education budget”) in order to deliver their education responsibilities, which will be provided by the Secretary of State
  - this includes providing any supplementary funding provided to schools (“locally-determined supplementary funding”) where the Secretary of State determines that local authorities are best placed to determine funding in line with their other duties
  - and includes spending on and other local education expenditure, covering high needs, early years, and central school services
- can continue ‘de-delegation’, which is where local authorities can deduct funding from maintained schools’ budgets to fund central services for those schools

This measure will mean that Schools Forums:

- will retain their responsibilities around local education spending, with both supplementary school allocations and other locally-determined education expenditure (early years, high needs, central school services)
- will no longer advise on setting local formula for core schools funding

This measure involves making some changes to existing legislation (Chapter 4 of Part 2 of the School Standards and Framework Act 1998).

## How will this work in practice?

### Nationally-determined funding

The Secretary of State will determine how much funding each mainstream school will receive, calculated through the schools NFF.

The formula will be reviewed each year. The Secretary of State will publish the formula with the values attached to each factor and notify schools in advance of the funding period which the funding relates to.

In the current NFF, the vast majority of funding is distributed on the basis of pupil numbers and pupils’ characteristics, which ensures that resources are delivered where they are needed most. In 2022-23, 75.4% of the schools NFF was allocated through basic per pupil funding, which every pupil attracts. A further 17% (£6.7bn) of all funding was allocated through additional needs factors based on deprivation, low prior



attainment, English as an additional language and mobility, because evidence shows that pupils with additional needs are more likely to fall behind and need extra support. Small and remote schools attract additional funding through the sparsity factor. The NFF also includes funding protections - a minimum per pupil level to target funding to the lowest funded schools, and a funding floor to protect schools against excessive losses in their per-pupil funding, compared to the previous year. The Secretary of State will have flexibility to amend the formula annually to ensure the government can adapt to changing circumstances and priorities.

Schools funding, as determined by the Secretary of State, will then be allocated to academies by the Education and Skills Funding Agency (ESFA) and to maintained schools by their local authorities.

Local authorities and those in charge of schools will be required to provide information to the Secretary of State as requested to enable schools NFF funding to be determined. This replaces the existing Authority Proforma Tool (APT) process where the government collects data required for schools funding in addition to the school census. This may include pupil numbers, particularly in cases of new and growing schools; information on school reorganisations such as planned school closures and mergers; planned school expansions to meet basic need; and information on whether a school is split over more than one site, to underpin the provision of additional “split sites” funding.

As set out in the SEND Review ‘Right Support, Right Place, Right Time’ Green Paper, the government is committed to further support and reform to the SEND system so that local authorities’ high needs budgets can reach a position of financial sustainability. We recognise that, in advance of the SEND Review reforms realising their full impact, some local authorities face a mismatch between their high needs funding and the pressures on their high needs spending (for example because of the particular nature of SEND provision in their local area). Currently, local authorities can have flexibility to transfer funding from mainstream schools funding to high needs – this is known as a “block transfer”. This legislation provides a new mechanism, in place of the current block transfers, that will allow for the Secretary of State to reallocate funding from schools’ national funding allocations to local authorities’ high needs budgets, on application of the local authority. We will be consulting on the implementation of this mechanism in the second stage direct NFF consultation.

Additional funding streams that schools may receive, such as the Pupil Premium (additional funding for disadvantaged pupils) or PE and Sport Premium, are distributed separately to the schools NFF and therefore not in scope for this measure. Moreover, there is a separate post-16 national funding formula, which also is not in scope of this measure.

In our 2021 consultation, ‘Fair school funding for all: completing our reforms to the National Funding Formula’<sup>2</sup>, we set out our approach to implementation of a direct NFF. We proposed to take a measured approach to transition, and at this stage we are not setting an “end date” for full implementation until we have reviewed the impact of moving local authorities’ local formulae progressively closer towards the NFF. We believe this will allow us to achieve greater fairness and consistency in funding, but also providing the opportunity to consider the impact of each step before making the next move.

## **Locally-determined funding**

The Secretary of State will allocate funding to local authorities to spend on their other education provision (“locally-determined education budget”). One element of this could be school supplementary funding, to be provided to schools as determined by local authorities (“locally-determined supplementary funding”), in circumstances where the Secretary of State believes local authorities are better placed to determine the amount of funding each school should receive, and which local authorities must pass on to schools. While the vast majority of funding for schools will be allocated through the nationally-determined funding, in some cases, it may be appropriate for the Secretary of State to require local authorities to provide schools with supplementary funding linked to their existing duties and responsibilities. Examples may include funding for schools have significant in-year increases in pupil numbers, linked to local authorities’ sufficiency duty, or funding for PFI, linked to local authorities’ role in managing existing contracts.

In addition, local authorities will allocate other local education funding (“other locally-determined education expenditure”) which funds early years, high needs (covering both special schools and high-needs top ups in mainstream schools) and central school services. We will retain regulations and restrictions on how local authorities can spend this funding.

Schools forums will continue to play an advisory role in determining this funding.

## **Key questions and answers**

### **What does this mean for high needs funding?**

Local authorities will continue to be responsible for funding high needs in England. This funding supports provision for children and young people with special educational needs and disabilities (SEND) from ages 0-25 years. It also supports alternative provision (AP) for pupils of compulsory school age who, because they have been excluded or

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<sup>2</sup> [https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting\\_documents/Fair%20Funding%20For%20All%20Consultation.pdf](https://consult.education.gov.uk/funding-policy-unit/completing-our-reforms-to-the-nff/supporting_documents/Fair%20Funding%20For%20All%20Consultation.pdf)

suspended, or because of illness or other reasons, cannot receive their education in mainstream or special schools.

Funding for high needs will continue to be allocated to English local authorities through the high needs national funding formula (NFF). The formula consists of 12 factors designed to indicate the level of need within a local authority.

The measure provides flexibility to bring other types of schools in scope, creating the possibility of a directly applied high needs NFF in future. We will be reviewing how high needs funding is allocated, in light of the SEND Review Green Paper, and this measure will allow us to implement the outcomes of that consideration.

### **What does this mean for early years funding?**

The current early years system will remain in place in England, with early years funding for local authorities' 2–4-year-olds education entitlements calculated through an early years national funding formula, which includes the following:

- the 3-4-year-olds formula is made up of a universal hourly base rate factor and funding supplements, including a mandatory deprivation supplement, and discretionary rurality or sparsity, flexibility, quality, and English as an additional language supplements; there is a separate formula that sets the hourly funding rates for 2-year-olds
- maintained nursery schools (MNS) receive supplementary funding to enable local authorities to protect their 2016 to 2017 funding rates for the universal 15-hour entitlement used prior to the introduction of the EYNFF
- the disability access fund (DAF) supports eligible disabled children's access to the entitlements for 3 and 4-year-olds. Funds could be used to support providers in making reasonable adjustments to their settings for example
- the early years pupil premium (EYPP) gives providers additional funding to support disadvantaged 3 and 4-year-old pupils, if a child receives the universal 15 hours entitlement and meets the eligibility criteria (such as their family receives income support or they are a looked after child)

### **What does this mean for central schools services funding?**

Central School Services are the ongoing services that are delivered for all schools, such as admissions and attendance monitoring. They will continue to be provided by local authorities and funded through central school services government funding in England. This is calculated using a simple per-pupil formula where 90% of funding is distributed through a basic per-pupil factor, and 10% of funding through a deprivation factor based on the proportion of pupils eligible for free school meals within the past six years (FSM6) in mainstream schools. Both elements are adjusted for area costs.

We plan to review the services funded through the ongoing responsibilities element of CSSB and will include further details in our second stage consultation due to be published in Summer 2022.

## **How does the schools NFF determine funding for mainstream schools?**

Details of the national funding formula for England can be found here: [National funding formula for schools and high needs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/national-funding-formula-for-schools-and-high-needs). The majority of funding that goes through the schools NFF is 'pupil-led', meaning that it is calculated based on the number of pupils in the school and their characteristics. Pupils attract funding to their school for all the factors for which they are eligible. All schools get a basic amount for each pupil (with different amounts for different ages), and attract extra funding for pupils with additional needs, including disadvantage, low prior attainment, English as an additional language and pupils who have joined at a non-standard point in the school year (mobile pupils).

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site (split sites), a school with a PFI contract, a school with certain exceptional circumstances, or a school that is particularly small and remote.

An area cost adjustment (ACA) is applied to funding allocations to reflect higher costs in some parts of the country, due to differences in salary costs.

Finally, the formula offers two different forms of protections for schools. The minimum per pupil level guarantees a minimum amount of funding for every pupil – if a school's allocation is below the minimum per pupil level, they receive a top up to reach the minimum level. The funding floor protects schools from excessive year-on-year funding decreases in funding.

## Part 2: Additional detail on delegated powers

### Overview

This section outlines the delegated powers required to operate the new funding framework that delivers our reforms to achieve fairer funding for schools. The approach to delegated powers is largely based on the existing primary legislation on school funding (in Chapter 4 of Part 2 to the School Standards and Framework Act 1998 or 'SSFA 1998') that relies on parameters and controls set out in secondary legislation. This approach allows us to establish a long-term and flexible funding framework for schools in England. The delegated powers this note will cover are:

1. [The power to apply a national funding formula to non-mainstream schools \(which would otherwise be funded locally\)](#)
2. [The power for the Secretary of State to fund schools outside the NFF in exceptional circumstances](#)
3. [The power to require local authorities to provide schools with supplementary funding](#)
4. [The power to require local authorities to determine and administer other locally determined education expenditure](#)
5. [The power for local authorities to apply to the government to move funding from schools' national formula allocations to locally determined education budgets](#)
6. [The power for local authorities to make budget adjustments for excluded pupils](#)
7. [The power to allow deductions from maintained schools' core budgets for pooled education expenditure](#)

Some of these powers (such as adjustments for excluded pupils, or controls on how local authorities can use their funding) are similar to delegated powers relating to maintained school funding in the SSFA 1998, and we anticipate continuing to make broadly similar annual regulations to those made by School and Early Years Finance Regulations (SEYFRs). While other delegated powers relate to the Secretary of State's new funding duty, including the power to add in other types of school to the scope of this duty.

This approach allows the Secretary of State to adjust and adapt the operation of the funding system to respond to changing situations and policy. As is current practice, we would continue to make one set of funding regulations and consult on any significant changes to the funding system. This will allow experts – such as local authorities and school business professionals – to effectively scrutinise the implications of these technical changes and updates.

## **The power to apply a national funding formula to non-mainstream schools (which would otherwise be funded locally)**

### **What does this delegated power do?**

The government is committed to funding mainstream schools through the NFF determined by the Secretary of State as this will make funding fair, simple and transparent. This delegated power enables this to be extended to a wider group of schools. If used, it would place a duty on the Secretary of State to determine, through a national formula, allocations of funding to certain types of school that are not mainstream maintained schools or academy schools (specifically, maintained and non-maintained special schools, special and alternative provision academies, and pupil referral units). The Secretary of State would be able to determine different formulae for non-mainstream schools to the formula determined for mainstream schools.

Otherwise, where the Secretary of State does not determine funding allocations for such schools, the schools would be exclusively funded locally, through local authorities' locally determined education budgets, albeit in accordance with the regulations that limit how that budget is spent.

### **How does the government intend to use this power?**

The government does not currently have specific plans to introduce a similar schools NFF for types of schools other than mainstream schools. The SEND and Alternative Provision Green Paper, Right support, right place, right time, published on the 29 March 2022 (SEND Green Paper), however, proposes a national framework covering standards and funding for provision. This power would support the implementation of a new funding system that includes the determination of special and alternative provision schools' allocations using a national formula, should that be one of the outcomes of the current SEND Green Paper consultation.

Before exercising this power, one or more separate national funding formulae would need to be developed for the different categories of school. The development of such formulae would include public consultation including with the schools affected, as well as local authorities and other stakeholders (as occurred, for example, with the development of the NFF for mainstream schools).

The inclusion of this power in the Bill is therefore to ensure that the new funding framework can accommodate reforms that may come about as a result of the SEND Green Paper, and that the benefits from directly funding schools could be applied to a wider range of state-funded schools in the future.

Further information about the implementation of the SEND Green Paper proposals will be published after the conclusion of the consultation.

## **Will there be any further consultation on this issue?**

In the event that the government develops firm plans to use this power, as noted above, we would do so through careful consultation with the affected schools and other interested bodies, including on the design and detail of the funding formula for determining schools' allocations of funding.

## **Key questions and answers**

### **Why don't you apply clause 33 to special schools from the outset? After all they currently receive £10,000 per place.**

It will be vital that the funding system for special schools properly supports the wider reforms we will make to SEND and alternative provision, and it is important that we do not pre-empt the decisions that we will be making following the SEND Green Paper consultation.

### **Why haven't you included independent special schools in Part 2 on school and local education funding?**

The SEND Green Paper makes a number of proposals that could impact on independent special schools, in particular that national funding bands and tariffs would apply across the breadth of education provision in the SEND system, including places in independent specialist provision. Following the SEND Green Paper consultation, there will be more work to do to understand how the wider SEND and alternative provision system changes should apply to independent schools, and whether further legislative changes might be appropriate. For now, we do not intend to bring independent schools into the scope of this part of the legislation.

## **The power for the Secretary of State to fund schools outside the NFF in exceptional circumstances**

### **What does this delegated power do?**

The NFF exists to ensure that schools are fairly funded according to pupils' and schools' need. However, there may be instances when the NFF would not be suitable to fund a school, as their special circumstances cannot appropriately be addressed in the formula.

This power allows the Secretary of State to calculate the national formula allocation for a school, outlined in Regulations, on a different basis than the NFF, where the Secretary of State considers there are exceptional circumstances that mean that the NFF would not be an appropriate way to determine the school's allocation for a funding period.

### **How does the government intend to use this power?**

Currently, there are a small number of schools which are not funded by the NFF but rather specific arrangements which satisfy the special circumstances of these schools. We would want to continue to fund some of these schools outside the NFF if the schools' circumstances and the scope of the NFF stay the same. Below we set out the exceptional circumstances of three schools which we would currently expect this power to apply to.

- The Five Islands Academy on the Isles of Scilly is a small all-through school (including both primary and secondary provision) which serves the five islands, with primary bases on four islands and boarding facilities for secondary pupils who attend the secondary base on one of the islands. This is a unique situation in England.
- There are two City Technology Colleges (CTCs), Thomas Telford School and Emmanuel College CTC that are funded in accordance with their specific funding agreements, which pre-date and are different from the NFF. The government will continue to fund these schools outside the NFF for the foreseeable future, unless agreement is reached with the schools themselves that we should start funding them through the formula.

In almost all instances the government would continue to fund mainstream schools through the NFF, as this will achieve fair and consistent funding. This may not be appropriate in exceptional circumstances relating to the specific pupil and school characteristics of a particular school. We will not use this power to impact the funding of specific regions or local areas, nor as a systematic mechanism of providing funding to existing types of schools (beyond these two specific CTCs).

As above, in the future the Secretary of State may make regulations that extend the scope of national formula allocations to non-mainstream schools which would mean that the Secretary of State would be under a duty to determine the national formula allocations for these schools. It may be the case that a special school or alternative provision funding formula would not be suitable for a particular school due to the



exceptional circumstances of that school, and the government may need to fund that school on an alternative basis. As with mainstream schools, there would be a strong presumption towards funding all schools through the appropriate NFF, with alternative funding being reserved for a school with special circumstances.

## **Will there be any further consultation on this issue?**

It is standard practice for the schools not currently funded by the NFF to be consulted on their funding allocation. Under the new funding arrangements, this practice of consultation will continue and will be a statutory requirement. Before making regulations in relation to a school under this power, there is a statutory requirement for the Secretary of State to consult the relevant school and (if a maintained school), the local authority.

The government would continue to review the special circumstances of the school, and whether the NFF would be a more appropriate funding mechanism.

## **Key questions and answers**

### **Will you only ever calculate schools' allocation on a different basis in the case of the small number of schools you have named above?**

The schools listed are those it may be appropriate for the Secretary of State to fund on an alternative, exceptional basis, unless and until their particular circumstances change in the future. The power is linked to a funding period and so the government will need to regularly review these schools. These also provide examples of the types of special circumstances where it might be appropriate for the Secretary of State to use this power.

We expect that these special circumstances will continue to arise in relation to a very small number of schools. In the future there may be other instances, where the Secretary of State considers that there are exceptional circumstances that make it appropriate for a school to be funded on a different basis to the formula in order to receive sufficient funding for those circumstances. We cannot at this stage say what circumstances those would be since it would depend on the specifics of the case, and the government needs the flexibility to adapt to any changing circumstances.

### **Why do you not just allow an adjustment to the formula for these schools?**

The government has considered whether it would be viable simply to make an adjustment to the NFF for these schools, but it would not be possible to reflect the calculations which are made. For example, in the case of the two CTCs, their funding allocation is calculated for a wider age cohort than the NFF and covers their post-16 pupils as well as their 5-16 pupils.

**Will this result in the Secretary of State being able to choose schools he would like to underfund?**

The NFF will only be disapplied to ensure schools receive sufficient funding to address their specific, special circumstances. It will not be used to fund schools less than their NFF allocation would otherwise have been.

## **The power to require local authorities to provide schools with supplementary funding**

### **What does this delegated power do?**

The government intends for schools' NFF allocations to be determined, as far as is possible, by the Secretary of State at a national level. However, there may be some instances where the government is not be able to do this: for example, where this is related to specific roles and duties of local authorities, or where local authorities have better access to information that would allow them to determine the funding more accurately.

This delegated power gives the Secretary of State the ability to specify that, for schools which receive national formula allocations, some elements of their funding must be determined and administered by local authorities rather than by the Secretary of State. The Secretary of State can set limits and constraints in the regulations including requiring local authorities, to apply and/or disapply factors and criteria, to make certain determinations, and to set out the consultation process that local authorities must follow.

### **How does the government intend to use this power?**

The government will use this power so that, where local authorities are best placed to determine a particular element of schools' funding, the Secretary of State can require them to do so.

The government has consulted extensively on the factors currently used within the NFF. Our recent consultation *Completing the Reforms to the NFF: Fair Funding for All Schools* included proposals for how specific factors within the NFF would need to change and develop in order to be allocated nationally. However, we recognise issues raised by respondents in relation to two elements of the formula, that are currently allocated at a local level, where it may not be appropriate for the Secretary of State to determine funding allocations for schools directly: funding for Private Finance Initiatives (PFI) contracts, and funding for schools seeing significant growth or falling numbers.

### **Funding for Private Finance Initiative (PFI) Schools**

Currently, local authorities can use a PFI factor in their local funding formulae to support schools that have unavoidable extra premises costs because they are a PFI school, and to cover situations where the PFI 'affordability gap' is delegated to the school, and paid back to the local authority.

In our consultation *Completing the Reforms to the NFF*, we focused on improving the PFI factor so that allocations can be based on a consistent, objective assessment of current need. We recognise that a number of respondents raised concerns about the complexity of PFI contracts and the additional costs PFI schools incur. We are committed to ensuring that we fund PFI schools appropriately and will look at developing a new approach to PFI funding for schools, working closely with the sector, that reflects the variety of contracts and issues. Local authorities may be best placed to continue to

allocate funding in respect of the additional costs associated with PFI, as local authorities, as PFI signatories, have access to detailed contract information.

## **Funding for growth and falling rolls**

Currently, local authorities can allocate ‘growth funding’ to schools who face a significant increase in the number of pupils they will educate that year, to bridge the gap before the school receives greater core funding the following year which takes into account the increase in pupil numbers. In addition, local authorities can allocate “falling rolls” funding for schools with declining pupil numbers, where local planning data shows that the surplus places will be needed within the next three financial years. More information on how the government currently allocates growth funding, and how local authorities can determine funding allocations to schools can be found in the NFF policy document for 2022 to 2023.

Local authorities may be best placed to continue to provide this funding, due to their role in local pupil place planning to ensure there are sufficient school places. In our response to the Completing the Reforms to the NFF consultation we said that we would consult further on a proposal to allow local authorities to retain their role in growth and falling rolls allocations – while still achieving greater fairness and consistency than the current system. In this case, the government would expect local authorities to determine and administer growth and falling rolls funding, but would place further regulations on the amount and criteria local authorities should use to ensure greater consistency in the allocation of growth funding.

Local authorities will be able to place terms and conditions on the funding made available to schools to ensure that it is spent appropriately.

## **Will there be any further consultation on this issue?**

Yes. In line with current practice, the government will continue to consult extensively on the structure and factors within the NFF.

Our second stage consultation, Implementing the Direct NFF, will contain detailed proposals for our approach to growth funding, including a proposal to allow some continued local flexibility on how this funding is allocated to individual schools. The government also intends to consult on the approach to PFI in advance of implementation.

## **Key questions and answers**

### **Will the duty to determine elements of schools funding apply to all local authorities?**

Any duty on local authorities to determine and administer elements of schools’ funding would apply to all local authorities – the Secretary of State would not be able to specify certain local authorities that this would or would not apply to under this power. In practice, some local authorities will not need to determine additional funding, for example, if none of their local schools are subject to PFI contracts.

## **What about special and alternative provision schools?**

As above, in the future, the Secretary of State may make regulations that add non-mainstream schools to the scope of national formula allocations; this would require the Secretary of State to determine the funding allocation for these schools through a formula. It may be the case that some aspects of funding for special or alternative provision schools would best be determined at a local level. This would be based on similar principle to the mainstream NFF, for example, where local authorities have better access to information that would allow them to determine the funding more accurately.

## **The power to require local authorities to determine and administer other locally determined education expenditure**

### **What does this delegated power do?**

This power enables the government to continue the current funding arrangements for high needs provision, early years provision and central services for schools.

This power gives the Secretary of State the ability to require that local authorities determine and administer education expenditure for 'other locally determined education expenditure'. This is education expenditure of a class or description set out in regulations and will include:

- funding for children and young people with special educational needs and/or disabilities (SEND) or who are in alternative provision
- funding for non-mainstream schools not receiving nationally determined funding
- funding for early years providers and nurseries
- other expenditure by local authorities for education purposes

The Secretary of State will be able to place regulations around how this budget can be spent, but it can also allow a local authority's schools forum (or equivalent) and/or the Secretary of State to 'disapply' limits and conditions set out in the regulations where local circumstance demands it.

### **How does the government intend to use this power?**

Funding will continue to be provided to local authorities through a grant, as currently through the relevant 'blocks' of the Dedicated Schools Grant (DSG). This power broadly replaces the provision within s45A of the SSFA 1998 for local authorities to determine planned expenditure in accordance with regulations.

Broadly, we intend this expenditure to continue to be subject to provisions similar to those we currently have in place in the SEYFRs. In the current system, local authorities can determine the amount to be spent from its schools budget on areas of provision set out in regulations. In the 2022 SEYFRs, this expenditure is set out in regulation 6 and Schedule 2.

The Secretary of State will retain the ability to place limits and conditions on expenditure in regulations – for example, the requirement that local authorities pass-through at least 95% of their 3 and-4-year-old early years funding from the government to early years providers.

### **High needs funding**

The government provides local authorities with a block of funding within their DSG for children and young people with high needs – both those with SEND and those requiring alternative provision. Using this block of funding (and other funding sources as necessary), current regulations require the local authority to provide an amount per place

for its maintained special schools and other categories of specialist provision, comprising those schools' budget shares, and permit the authority to incur expenditure on a range of other items, as set out in schedule 2 to the SEYFRs.

The government issues guidance giving more detail on the operation of the current high needs funding arrangements, and this is updated each year: [High needs funding: 2022 to 2023 operational guidance – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/high-needs-funding-2022-to-2023-operational-guidance).

The SEND Green Paper proposes a number of changes to the funding arrangements, and to the wider SEND and alternative provision system, which may require adjustments to the distribution of high needs funding and the regulations governing how local authorities spend their high needs budgets, but these will be subject to further consultation in due course. This includes, as above, that the government may fund some or all special and alternative provision schools via national formula allocations.

## Early years funding

The government provides local authorities with 6 relevant funding streams to make the early years block of the DSG. These include funding for funding for early years entitlements for childcare, and for the early years pupil premium (EYPP) and the disability access fund (DAF).

As set out in the SEYFRs, local authorities are required to set a local early years funding formula in consultation with their schools forum and in accordance with those regulations. We expect to continue with key features of the current regulations, for example: that local authorities have a deprivation supplement for 3 and 4 year-olds.

Further information can be found here: [Early years entitlements: local authority funding of providers operational guide 2022 to 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/early-years-entitlements-local-authority-funding-of-providers-operational-guide-2022-to-2023)

## Central services

The government also provides local authorities with DSG funding through the Central Schools Services Block (CSSB), which local authorities use to provide central functions on behalf of both maintained schools and academies. These are set out in Schedule 2 of the SEYFRs. This includes, for example, local authority functions in relation to admissions, the operation of schools forums, and other functions where the local authority has a statutory duty to deliver for all pupils in maintained schools and academies.

In our consultation on 'Fair funding for all schools' we consulted on the future of Central Schools Services funding. The government plans to review funding for local authorities' ongoing responsibilities to ensure it aligns with the roles and responsibilities outlined for local authorities in the recent Schools White Paper. We will ensure the outcome of that consultation is factored into any changes to the operation of central services. In addition, we will retain the regulations and legacy funding provided for local authorities who have historic commitments (such as prudential borrowing commitments) as part of CSSB. We will also keep under review whether this funding would be better provided through the local government finance settlement.

## **The power for local authorities to apply to the government to move funding from schools' national formula allocations to locally determined education budgets**

### **What does this delegated power do?**

This will give the Secretary of State the ability, on application from a local authority, to move funding from the national formula allocations for schools in a local authority area (determined via the NFF) to the local authority's locally determined education budgets – which includes funding for high needs. The exercise of this power, in individual cases, could therefore help local authorities meet cost pressures due to provision for complex SEND.

### **How does the government intend to use this power?**

#### **Background**

In the current funding system, local authorities have flexibility to transfer funding between the notional blocks of their 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 block. Local authorities' local funding formulae then determine how the schools block funding (after any transfers) is distributed to mainstream schools. As set out in the DSG Conditions of Grant, local authorities can transfer up to 0.5% of their schools block with schools forum approval – 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 in the current system, to help local authorities manage pressures due to high needs costs. In particular, it allows adjustments to be made where the allocations of mainstream schools and high needs funding would otherwise be 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 Green Paper aim to establish a more consistent approach to provision standards and funding, which should help to address some of the causes of the current cost pressures, and 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.

We therefore envisage a continuing need for such a flexibility, though with the expectation that it will be used with decreasing frequency, as local systems change in accordance with the national reforms envisaged by the Green Paper, and as financial sustainability is achieved. While we are clear that this flexibility should be retained, it will need to operate differently from the current system, once we move to the new system of funding mainstream schools under this part of the Schools Bill.



## **How we envisage the new system will operate**

Local authorities would have responsibility for submitting applications to the Secretary of State for funding to be transferred to their high needs (or other centrally held education) budgets, via an adjustment to the national formula allocations for mainstream schools in their area. The Secretary of State would make the final decisions, on the basis of the applications submitted. This differs from the current system, where local authorities can take certain decisions themselves on the transfer of funding to their high needs budgets, within set limits and with the agreement of the local schools forum.

Regulations would cover the local authority application process, timing and other aspects of the operation of the funding transfers. For example, as in the current system, we propose that local schools forums should continue to have a role in giving their views on a local authority's proposal to transfer funding from mainstream schools.

## **Will there be any further consultation on this issue?**

In the government response to the first stage of the direct national formula consultation, we committed to retaining the facility for a transfer of funding from mainstream schools to local authorities' high needs budgets. Our second stage consultation, Implementing the Direct NFF, will include proposals on the technical detail of how such transfers will be made, and this will enable us to develop the content of the regulations that will prescribe the operation of this facility. There would then be further consultation before regulations under this power are made.

## **Key questions and answers**

### **The whole purpose of the legislation is to take away from local authorities the responsibility for determining schools' funding allocations, so isn't this provision effectively giving local authorities a veto over the national formula?**

No. The Secretary of State will still retain the responsibility for determining the national formula allocations, including any adjustments required on account of local funding transfers. We believe that some limited local flexibility will still be needed, and this provision will allow us to place clear limits on that.

### **Isn't this in direct contradiction to the aim of funding mainstream schools on a consistent basis?**

We expect that this flexibility will be used in exceptional cases only – the majority of schools will have their NFF allocations without adjustment due to funding transfers.

Where there is an adjustment to NFF allocations because of an agreed funding transfer, the Secretary of State will be the decision maker in all cases, in order to ensure a consistent approach.

# The power for local authorities to make budget adjustments for excluded pupils

## What does this delegated power do?

This gives the Secretary of State the ability to make regulations that require local authorities to make in-year adjustments to schools' funding allocations where pupils are permanently excluded and move to a new school within the school's funding year. This is a continuation of existing policy: where pupils are excluded, funding should flow in-year from the school that has excluded the pupil to the provision that takes responsibility for the pupil.

This power replaces the powers in section 47(2)(c) of the SSFA 1998, that allows local authorities to make adjustments to maintained schools' budget shares. This power within the new funding framework will also allow local authorities to make adjustments to academies' (alongside maintained schools') funding allocations. Previously local authorities have relied on provisions in academies' funding agreements which required academies to make the same adjustments to their budgets if requested to do so by their local authority. This will put the adjustments on a consistent statutory footing across the sector.

## How does the government intend to use this power?

Regulation 29 of the SEYFRs currently require that local authorities determine the reduction to a schools funding by calculating how much money the excluded pupil would attract under the formula – not just the basic entitlement the child attracts, but also the relevant amounts attracted under other, per pupil funding factors, for example, for pupils in receipt of free school meals, or who have English as an additional language – as set out in the [Schools operational guide: 2022 to 2023 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101441/schools_operational_guide_2022_to_2023.pdf). This is reduced pro-rata dependant on when in the financial year a pupil is excluded. The equivalent amount of funding is then added to the nationally determined formula of the school that is receiving the pupil. It aligns with the principle that schools should not be better off financially from excluding pupils – and correspondingly that schools who receive previously permanently excluded pupils in-year should not be financially worse off. Under the new funding framework, we will follow the same principle and approach through this delegated power.

## Will there be any further consultation on this issue?

No. This continues the policy that is set out in section 47(2)(c) of the SSFA 1998 and regulation 29 of the SEYFRs and therefore there are no plans for further consultation on this at this stage. If there was a substantial change to the policy on exclusion and funding, there would be further consultation.

## **Key questions and answers**

### **Does this power allow local authorities or the government to ‘fine’ schools for excluding pupils?**

No. This power allows a continuation of regulation 29 in the SEYFRs to reallocate funding allocated through the school formula, and so this does not allow for any fining mechanism.

There is no legal basis for local authorities to impose a levy on schools that permanently exclude pupils, regardless of whether the school is maintained or an academy.

### **Is the government considering fining schools for excluding pupils?**

No. The government backs headteachers in using suspension and permanent exclusion as a sanction where warranted as part of creating calm, orderly, safe and supportive environments where both pupils and staff can thrive and reach their potential in safety and dignity. However, we are clear that permanent exclusion should only be used when absolutely necessary as a last resort and this should not mean exclusion from education.

The financial adjustment to the local authority provides a balance between the additional costs of arranging alternative provision for permanently excluded pupils or if it chooses, pass the amount of the financial readjustment to the pupil's new school.

## **The power to allow deductions from maintained schools' core budgets for pooled education expenditure**

### **What does this delegated power do?**

This delegated power is intended to enable local authorities to continue to fund some services for maintained schools (only) from their school funding allocations. This enables maintained schools and local authorities to manage their resources more effectively, in circumstances local authority provision of services on behalf of maintained schools in their area can achieve economies of scale and so reduce costs.

This clause enables regulations to authorise local authorities in England in certain cases to deduct funding from their maintained schools' funding allocations to pay for the provision of certain services for those schools. Regulations may provide that deductions can only be made with the agreement of the local authority school's forum, the Secretary of State or another specified person.

### **How does the government intend to use this power?**

The power is similar to an existing power contained in section 47(2)(dd) of the School Standards and Framework Act 1998 (the SSFA 1998).

Local authorities can currently provide services and administrative functions relating to their maintained schools, which are set out in schedule 2 to the SEYFRs . Examples include expenditure relating to the provision and administration of clothing grants, or their landlord responsibilities in relation to maintained schools. The regulations may allow expenditure to be deducted only where it is authorised by the local authority's schools forum, the Secretary of State or another specified person.

This practice is often currently known as 'de-delegation', reflecting the fact that funding for these services is initially delegated to schools, and the "de-delegated" to be retained by the local authority. The government's presumption is that the local authority will additionally offer such services on a buyback basis to those schools and academies in their area not covered by the de-delegation. De-delegation does not currently apply to special schools, nursery schools, or pupil referral units (PRUs).

### **Will there be any further consultation on this issue?**

This delegated power is similar to an existing power contained in the SSFA 1998 and it is expected that regulations made under this power will reflect regulations that set out the current practice. The government will continue its longstanding approach to consulting on any changes to the nature of services which can be funded through a deduction from maintained schools' core budgets.

## Key questions and answers

### **This applies to local authority maintained schools, what about academies?**

Academy trusts also have an equivalent process known as ‘top-slicing’ in order to provide similar services to their individual academies. This also helps trusts deliver services across their academies efficiently.

As we set out in the recent ‘Schools White Paper, Opportunity for All: Strong schools with great teachers for your child’, we will work with academy trusts to identify changes to trusts’ financial reporting arrangements to ensure the financial health of academies within trusts is transparent and introduce new transparency measures to ensure it is always clear to academies and parents how this flexibility is being used.



Department  
for Education

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Report No.  
CEF22033

## London Borough of Bromley

### PART ONE - PUBLIC

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Decision Maker: **Schools' Forum**

Date: **7<sup>th</sup> July 2022**

Decision Maker: **Children, Education and Families Policy Development and Scrutiny Committee**

Date: **13<sup>th</sup> September 2022**

Decision Type: Non-Urgent Non-Executive Non-Key

**TITLE: SPENDING BY PRIMARY, SECONDARY AND SPECIAL MAINTAINED SCHOOLS IN 2021/22**

Contact Officer: Julie Crew, Schools Funding Manager  
Tel: 07918 334 930 E-mail: Julie.Crew@liberata.com

Chief Officer: Jared Nehra, Director of Education

Ward: Boroughwide

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1. Reason for report

- 1.1 This report provides information on all revenue and capital balances held by Primary, Secondary and Special Maintained Schools as at 31 March 2022, and also provides a comparison to the balances held at the same time in the previous year.
- 

2. **RECOMMENDATION(S)**

- 2.1 **The Committee is invited to consider the financial position of Primary, Secondary and Special Maintained Schools at the end of the 2021/22 financial year and to identify any matters for specific comment and referral to the Portfolio Holder.**
- 2.2 **The Schools' Forum is asked to note the balances for information.**

### Corporate Policy

1. Policy Status: N/A
  2. BBB Priority: Children and Young People
- 

### Financial

1. Cost of proposal: N/A
  2. Ongoing costs: N/A
  3. Budget head/performance centre: Dedicated Schools Grant 2021/22
  4. Total current budget for this head:
  5. Source of funding: Dedicated Schools Grant
- 

### Staff

1. Number of staff (current and additional) – N/A
  2. If from existing staff resources, number of staff hours – N/A
- 

### Legal

1. Legal Requirement: Non-statutory - Government guidance:
  2. Call in: n/a
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected) - N/A
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments:



### 3. COMMENTARY

- 3.1 This report highlights the financial position of Primary, Secondary and Special Maintained Schools as at 31 March 2022 the end of the 2021/22 financial year.
- 3.2 Balances are reported in accordance with the DfE Consistent Financial Reporting (CFR) Regulations. This is the framework for reporting income and expenditure and balances. It provides schools with a benchmarking facility for comparison between similar schools to promote self-management and value for money. A CFR return is produced for all schools maintained by the Local Authority as at 31 March 2022
- 3.3 The CFR framework consists of five balances, which provide an overall picture of a school's resources available from one year to the next, and gives information on balances carried forward. The balances are categorised as follows:
- BO1 Committed Revenue Balances
  - BO2 Uncommitted Revenue Balances
  - BO3 Devolved Formula Capital Balances
  - BO5 Other Capital Balances
  - BO6 Community Focused Extended Schools Balances

To be noted, **BO4 Other Standard Fund Capital Balances** has been deleted as it related to Standards Funds which no longer exist.

The average level of revenue balances (BO1 and BO2) both committed and uncommitted for Maintained Primary School stands at 13% of School Budget Shares which represents no increase from the previous year. Secondary School balances have remained the same at 4%. Special School balances have reported no increase from previous year at 13%.

- 3.4 There are seven Maintained schools remaining. These can be further split into 3 separate groups:-
- (i) There is one Community school. This is maintained by the Local Authority, but they have their own budgets and manage their own affairs. Religious education and worship is non-denominational and in accordance with an agreed syllabus.
  - (ii) There is one Voluntary Aided (VA) school. These were originally provided within the borough by voluntary bodies such as the Church of England and the Roman Catholic Church. These are now maintained by the Local Authority, but manage their own budgets and affairs. Religious education will conform to the agreed syllabus and to the school's trust deed. Voluntary Aided Schools set up by voluntary bodies continue to accept most of the costs of maintaining the school, and manage their own affairs. The Governors of the school exercise control over religious education and it will follow the teachings of the denomination set up within the school.
- 3.5 There are five Foundation schools. These have opted out of Local Authority control and the Governors have accepted full responsibility for running the school. Their funding comes via the Local Authority
- 3.6 A comparison of the levels of school balances as at 31 March 2022 compared to the previous year is shown in the table below.

	Primary Schools £000	Secondary Schools £000	Special Schools £000
<b>Revenue balances only as at: 31.03.22</b>			
Committed Revenue Balances (BO1)	112(2%)	0 (0%)	408 (4%)
Uncommitted Revenue Balances (BO2)	800 (11%)	229 (4%)	959 (9%)
	912 (13%)	229(4%)	1,366(13%)
<b>Revenue balances only as at: 31.03.21</b>			
Committed Revenue Balances (BO1)	191 (3%)	28 (0%)	182 (2%)
Uncommitted Revenue Balances (BO2)	724 (10%)	206 (4%)	1,116 (11%)
	916 (13%)	233 (4%)	1,298 (13%)

- 3.7 Full details of schools balances can be seen at **Appendix 1**
- 3.8 All schools with un-committed balances in excess of 8% have been asked to complete a pro-forma detailing the reason for holding a high balance and their plans for reducing the balance in year.
- 3.9 The DfE also require further analysis to be undertaken in relation to this data. LAs are required to provide information on how they are proposing to address the issue if an:
- A:** LA has overspent its Dedicated Schools Grant by 2% or more (i.e. it is 2% or more in deficit)
  - B:** LA has underspent its Dedicated Schools Grant by 5% or more (i.e. it is 5% or more in surplus)
  - C:** LA has 2.5% of its schools that have been in deficit of 2.5% or more for the last 4 years and their individual deficit must have been at least £10,000 each year. We will only ask LAs for more information where at least three schools in the LA meet the criteria
  - D:** LA has 5% of schools that have had a surplus of 15% or more for the last 5 years and their individual surplus must have been at least £10,000 each year. LAs will only be asked for more information where at least three schools in the LA meet the criteria.

Schools that would fall into these categories have been highlighted on the table at **Appendix 2** – for 2021/22 none of the schools fall into this category.

- 3.10 This report also provides information on those schools with a deficit revenue balance. As at 31 March 2022, there is one school with a deficit balance.
- 3.11 In accordance with DfE requirements the SFT will work with schools with high balances to ensure that they are being used effectively. Schools are advised that revenue funding is allocated on an annual basis to support the cost of education for their current pupils and therefore it is not acceptable for schools to retain high levels of revenue funding to protect against possible funding reductions in future years.

3.12 Those schools with high balances have been requested to provide evidence of future expenditure to justify high balances.

#### 4. FINANCIAL IMPLICATIONS

4.1 Whilst this report provides details of school balances, there are no financial implications to be considered.

<b>Non-Applicable Sections:</b>	Policy, Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	

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	2021-2022									2020-2021			
	BO1 Committed Revenue Balances	BO2 Uncommitted Revenue Bal 31/03/2022	B02 Rev Bal as % of 2022/23 SBS	BO1 & B02 Rev Bal as % of 2022/23 SBS	School Budget Share 2022/23	BO3 Devolved Formula Cap Balances	BO5 Other Capital Balances	BO6 Community Focussed Ext Schools	Total Balance C/fwd as at 31-Mar-22	BO1 Committed Revenue Balances	BO2 Uncommitted Revenue Bal 31/03/2021	B02 Rev Bal as % of 2021/22 SBS	BO1 & B02 Rev Bal as % of 2021/22 SBS
	£	£			£	£	£	£	£	£	£		
<b>Primary Schools</b>													
Downe Primary		-12,993	-3%	-3%	499,201	15,874			2,881		55,155	10%	10%
Edgebury Primary		312,715	18%	18%	1,765,247	97			312,812		268,012	16%	16%
Poverest Primary	73,189	266,248	11%	14%	2,481,227		12,412	-4,833	347,016	137,497	196,000	7%	13%
Southborough Primary	38,318	234,370	12%	13%	2,034,671	17,623			290,311	53,992	204,853	9%	12%
<b>Sub-total</b>	<b>111,507</b>	<b>800,340</b>	<b>12%</b>	<b>13%</b>	<b>6,780,346</b>	<b>33,594.46</b>	<b>12,412</b>	<b>-4,832.97</b>	<b>953,020</b>	<b>191,489</b>	<b>724,020</b>	<b>10%</b>	<b>13%</b>
<b>Secondary Schools</b>													
St. Olaves		229,449	4%	4%	5,991,276	0		0	229,449	27,714	205,501	4%	4%
<b>Sub-total</b>	<b>0</b>	<b>229,449</b>	<b>4%</b>	<b>4%</b>	<b>5,991,276</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>229,449</b>	<b>27,714</b>	<b>205,501</b>	<b>4%</b>	<b>4%</b>
<b>Special Schools</b>													
Marjorie Mcclure	171,297	287,971	10%	17%	2,754,120	33,459			492,727	181,829	250,145	9%	15%
Riverside	236,571	670,684	9%	12%	7,412,269	0	31,487	196,057	1,134,799		865,695	12%	12%
<b>Sub-total</b>	<b>407,868</b>	<b>958,655</b>	<b>9%</b>	<b>13%</b>	<b>10,166,389</b>	<b>33,459</b>	<b>31,487</b>	<b>196,057</b>	<b>1,627,526</b>	<b>181,829</b>	<b>1,115,839</b>	<b>11%</b>	<b>13%</b>
<b>TOTAL</b>	<b>519,375</b>	<b>1,988,444</b>	<b>9%</b>	<b>11%</b>	<b>22,938,011</b>	<b>67,054</b>	<b>43,899</b>	<b>191,224</b>	<b>2,809,996</b>	<b>401,032</b>	<b>2,045,361</b>	<b>9%</b>	<b>11%</b>

Appendix 2

	<b>2021-2022</b>		<b>2020-21</b>		<b>2019-20</b>		<b>2018-19</b>		<b>2017-18</b>	
	<b>BO1 &amp; B02 Combined Rev Bal</b>	<b>BO1 &amp; B02 Rev Bal as % of 2022/23 SBS</b>	<b>BO1 &amp; B02 Combined Rev Bal</b>	<b>BO1 &amp; B02 Rev Bal as % of 2021/22 SBS</b>	<b>BO1 &amp; B02 Combined Rev Bal</b>	<b>BO1 &amp; B02 Rev Bal as % of 2020/21 SBS</b>	<b>BO1 &amp; B02 Combined Rev Bal</b>	<b>BO1 &amp; B02 Rev Bal as % of 2019/20 SBS</b>	<b>BO1 &amp; B02 Combined Rev Bal</b>	<b>BO1 &amp; B02 Rev Bal as % of 2018/19 SBS</b>
<b>Primary Schools</b>										
Downe Primary	-£12,993	-3%	£55,155	10%	£0	0%	£53,290	11%	£28,224	6%
Edgebury Primary	£312,715	18%	£268,012	16%	£80,515	16%	£185,736	15%	£76,655	7%
Poverest Primary	£339,437	13%	£333,496	13%	£205,265	14%	£235,349	14%	£204,820	13%
Southborough Primary	£272,688	13%	£258,845	12%	£266,015	11%	£163,263	9%	£144,077	8%
<b>Secondary Schools</b>										
St. Olaves	£229,449	4%	£233,215	4%	£247,820	5%	£3,267	0%	£361,248	7%
<b>Special Schools</b>										
Marjorie McClure	£459,268	17%	£431,974	15%	£268,629	0.10	£226,972	9%	£201,536	8%
Riverside	£907,255	12%	£865,695	12%	£422,988	0.06	£501,166	8%	£564,502	9%

Report No.  
CEF22044

London Borough of Bromley

PART ONE - PUBLIC

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**Decision Maker:**        **SCHOOLS FORUM**

**Date:**                    **7<sup>th</sup> July 2022**

**Decision Type:**        Non-Urgent                    Executive                    Non-Key

**Title:**                    **CEF PROVISIONAL OUTTURN REPORT 2021/22**

**Contact Officer:**        David Bradshaw, Head of Finance, Children, Education and Families  
Tel: 020 8313 4807    E-mail: David.Bradshaw@bromley.gov.uk

**Chief Officer:**         Director, Children, Education and Families

**Ward:**                    (All Wards);

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1.    Reason for report

1.1   This report provides the CEF provisional outturn position for 2021/22.

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**2.    RECOMMENDATION(S)**

**2.1   The Schools Forum are invited to:**

**(i)    Note that the projected position of the CEF Portfolio.**

### Corporate Policy

1. Policy Status: Not Applicable
  2. BBB Priority: Health and Integration
- 

### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: CEF Portfolio
  4. Total current budget for this head: £62.6m
  5. Source of funding: CEF approved budget
- 

### Staff

1. Number of staff (current and additional): 1,154 Full time equivalent
  2. If from existing staff resources, number of staff hours: N/A
- 

### Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
- 

### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2021/22 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services
- 

### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:



### 3. COMMENTARY

3.1 This report provides an extract of the CEF Portfolio 2021/22 outturn position as reported to the Executive of the Council on the 29<sup>th</sup> June 2022.

3.2 Details are contained in Appendix 1

3.3 The Schools Forum are asked to note this report for information.

<b>Non-Applicable Sections:</b>	Legal Implications Financial implications Personnel Implications Customer Implications
Background Documents: (Access via Contact Officer)	2021/22 Budget Monitoring files in ECHS Finance Section

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## Comments from the Director of Childrens Services

The overall financial position continues to be very challenging and it is likely that these demand pressures will continue into 2022/23. Like many other Local Authorities, we continue to see the impact of Covid 19 in both the volume of demand and the level of complexity.

In order to mitigate these pressures we have developed proposals to more effectively manage demands and costs for SEN Transport, if approved these will come into effect and will assist delivery of these services from September onwards.

We also continue to work with partners to deliver stronger early identification of Mental health concerns for young people which is aimed to reducing the number of cases that escalate into higher cost interventions.

We continue to promote recruitment and retention of permanent staff as the most effective way of reducing reliance on agency staff. Greater promotion of vacancies on social media, and seeking to keep caseloads manageable for staff will be the most effective ways of ensuring consistency and quality of practice as well as reducing costs.

The Children, Education and Families Portfolio has an overspend of £4,056,000 for the year.

The Education Division has an overspend of £771k. This figure has partially been offset by using one off COVID funding to reduce the in year overspend. The overspend is mainly to do with SEN transport

Initial analysis indicates that there are two main causal factors resulting in the forecast overspend position on transport:

Increase in number and complexity of Special Educational Needs and Disabilities - The national increase in EHCPs is widely acknowledged as unsustainable and the rate of increase is accelerating across the country. In Bromley, despite gatekeeping measures, the increase in EHCPs has now reached 17%, higher than the projected increase of 14% used to produce Growth funding assumptions. Additionally, the complexity of children and young people's needs is increasing, particularly Covid-related acute social, emotional and mental health needs, which require specialist provision which is typically costly independent provision outside of Bromley. Transport is often required and although officers seek to minimise costs, transport is often required to meet children's needs.

Transport provider pressures arising from the Covid-19 pandemic - The number of children requiring transport has increased by circa 17%, but this only accounts for part of the increase in costs. The outgoing Transport Manager reports that the unavailability of drivers has resulted in more expensive providers having to be used from the call off framework. Anecdotally, there are reports from across the UK and in Bromley that a large number of former minicab drivers have moved to delivering parcels and takeaway deliveries which were a significant growth area in the pandemic, resulting in drivers and smaller vehicles not being available. In addition, during the pandemic single transport was required for those vulnerable children attending schools and shared cross-Borough arrangements ceased and this further impacted on the cost. Whilst children are now expected to be in school settings post the lockdown the number of drivers available to pick this up has reduced and forced costs up.

Immediate management action was taken on the notification of the forecast budget overspend position. A specialist external transport adviser has undertaken a review of SEN transport arrangements, including benchmarking analysis and a full review of processes and eligibility criteria to identify potential savings. This has enabled significant mitigation proposals to be identified as part of the MTFS process, which would offset the forecast pressures on SEN Transport. In addition work has been undertaken by our AD Strategic Performance resulting in predictive work for the next few years. This work will feature in the regular budget challenge with the Chief Executive and the Director of Finance. We have also recently purchased new software that will assist us to review transport routes and seek to reduce and optimise existing routes so that taxi costs can be reduced.

This is an area of complexity involving children transitioning from pre-school to primary schools and from primary to secondary schools and onward to colleges. Route planning can only take place in September once school places have been confirmed hence the reporting timetable of November.

There is a current projected overspend in DSG of £6,003k. This will be added to the £1,139k carried forward from 2020/21. This gives us an estimated DSG deficit balance of £7,142k into the new financial year. Adjustments relating to the Early Years DSG funding for 2021/22 and a backdated DSG adjustment for 2020/21 have had an impact. Although there are some underspends to offset these in early years they do not cover the whole reduction in grant. There has also been increases in SEN placements and top up funding that have had an impact. We have recently met with the DfE to set out our plan to manage down the deficit, and they were accepting of these plans.

The impact of additional legal duties from the SEND Reforms, has led to unsustainable financial pressures on High Needs costs within the DSG. An increase in Government funding (>£5m in 2021/22) is not sufficient to meet the increased costs. We understand that Bromley is one of the last London Boroughs to incur a deficit in the DSG, with some local authorities having deficits in excess of £20m. The legal framework is heavily weighted in favour of parental preference, which is often for independent day and residential provision. Outcomes from Tribunals on the basis of cost are often unsuccessful, incurring further legal additional costs to the Local Authority. A further review will be undertaken over the next few months to look at the panel decisions and a greater onus on parents to make use of mediation before moving to tribunals. The review will also consider the quality of assessments and consideration of what successful challenges the Local Authority may make to the tribunals.

The number of children and young people requiring an Education, Health and Care Plan and the increase in the complexity of needs is the key driver for increased cost pressures in the SEN placement budget. At 17%, the current growth in EHCPs exceeds the forecast used to project growth funding. In the 2020 calendar year, 453 new EHCPs were issued, up from 274 in 2018 and 352 in 2019. We have sought to commission additional local specialist provision, including a new special free school due to open in 2023, but the needs and tribunal challenges are such that we have no choice but to continue placing children in more costly provision to ensure we are not in default of our legal statutory duties.

The unsustainability of the SEN system is a national issue and there are high expectations being set for the DfE's SEND Review which has continually been delayed and has again now been pushed back further into 2022. Nevertheless, officers are seeking to further reduce costs, within the tight constraints of the legal framework. Officers are working on a deficit recovery plan ahead of this being required by the DfE.

A review of High Needs Funding Bands has commenced, with oversight from the SEND Governance Board and CEF PDS. This will consider how the funding bands can be simplified and to identify where any savings can be made. We continue to work on increases to local specialist provision, including the special free school and increases in Additionally Resourced Provisions, which are specialist classes within mainstream schools.

In Children's Social Care the overspend is £3,285k. This figure has partially been offset by using one off COVID funding to reduce the in year overspend.

The ongoing impact of C19 on Children Services continues especially in respect of contacts into our MASH – these continue to remain consistently around 1,000 contacts per month with little sign of a reduction. This compares to around 600 in April 2020 and it is the complexity of need from the families and children that have an added dimension. The courts are still working to fully recover from the backlog and final hearings are now being scheduled for later in 2022 resulting in children remaining in the care system until that decision is made. The courts are only now returning to face to face tribunals since the pandemic but with little court space and Judges there is still pressure to reduce the backlog. The courts continue to be risk averse in making supervision orders even for those Special Guardianship orders, in usual circumstances no order would be expected to be made if an assessment was completed. Such moves result in social work time and increased caseloads restricting the flow as we have done pre pandemic.

There are currently 88 children waiting court outcomes which is slight reduction from 102 previously. Many of these children's final care plans for permanency are either SGO or Adoption resulting in around 28 children who should come out of the system and would be closed to the LA. The fallout from this pandemic will continue for some considerable time to come particularly in relation to the increasing referral rate and complexity of the children coming into care and we have seen an increase in care for children with disabilities resulting in double the number to 29 which is included in the total number of CLA. The increase in mental health and wellbeing amongst young people has resulted nationally in an increase in suicide and suicidal ideation and with the lack of CAMHS and adult mental health services the risk and support is falling to the Local Authority. To ameliorate this because the Local Authority has no option, we have used the Covid funding to recruit two mental health practitioners to support our children.

We continue to see the significant impact on the most vulnerable families and our efforts to safeguard them but the cost of supporting them through the last year and what will inevitably be the ripple effect throughout 2022/23. We continue to concentrate on ensuring that children are safeguarded throughout the current crisis and as we move forward over the next year to 12 - 18 months. Of course, if children come into the system and are unable to be reunified within 6 months the likelihood is that these young people will remain long term and move through to increase the numbers and cost as care leavers up until the age of 25 years.

We have returned to face to face visits for some while now. Our Early intervention service for the first time ever has seen waiting lists of 60 plus and as such have pivoted to develop a light touch assessment for some families to ensure that they are supported, preventing crisis and routes into the statutory services.

We are still experiencing families being referred who have not previously been known to the Local Authority. This is an indication of the impact of Covid where prior they would be reliant on families, friends, networks and community – such referrals are not light touch and have resulted in immediate escalation through to the courts particularly where immobile babies and young children are being harmed. CLA numbers remain high and are at higher levels than were budgeted.

There continues to be increased requests for support particularly in CWD which has meant a rise in demand for our short break provision. In response we have sought to increase the number of nights available for the number of families requiring this. Whilst These continued pressures have meant an increase in our looked after population in CWD despite the innovative and expensive care packages put in to support with health provision short breaks. The resilience for some families is now being significantly tested following two years of Covid challenges. This is primarily seen in families for children with profound and complex health and challenging sometimes aggressive behaviour. We review annually the contribution from the CCG and completed this this exercise in November to ensure that we obtain the appropriate contribution from partners to meet the costs of these support packages.

During the height of the pandemic we were cautious in relation to closing cases which was acknowledged as good practice by Ofsted, and where children in ordinary circumstances may have been removed from plans multi agency professionals and families have a heightened anxiety requesting the LA to remain involved. We continue to review all CIN cases open over 9 months via our CIN Panel to ensure that we are either able to close or step down. However, as we now move back towards a position where “living with Covid” will be the expectation, we will be reviewing how best to respond to continuing needs and demands and to explore how we might support families in a wider range of ways that will also involve partners and early help services.

Throughout the Autumn we experienced a higher number of positive cases within the younger generation and whilst the increasing numbers of infection do not necessarily warrant hospitalisation it continues to place strain on families. With the roll out of the vaccine to children 12 years and above it is hoped this will stem some of the issues.

The risks in the Children, Education & Families Portfolio are:-

- i) Recruitment and retention of permanent staff/ ability to recruit skilled staff for the posts vacant and competitive salaries being paid at this time
- ii) Limited supply and increasing costs of residential placements – including the specialist placements for very complex young people. For example Bromley has had in the last 2 years reduced its use of residential mother and baby placements but we have seen an increase in this area with the courts directing such placements which impacts on the cost of our placements budget. The cost of such placements is high and then with the delay to final hearing families are being retained in these placements beyond the assessment.
- iii) Increase in the Looked After Population due to C19 and families being unable to cope.
- iv) Increased complexity of children (SEND).
- v) Impact of Social Work Act 2017 implementation.
- vi) Whilst we have seen partner agencies returning to their usual practice there is still high anxiety amongst them in relation to referrals and hesitancy in ownership around cases being closed to the statutory services and the universal services being responsible.
- vii) Long term closure of short breaks throughout 2020/21 resulting in demand and cost pressures.
- viii) Shortage of local school places.
- ix) Increasing High Needs Block expenditure not matched by a commensurate increase in Government Grant
- x) Continuing impact of 2014 Children and Families Act extending the age range to 25 for Education, Health
- xi) Responsibility of Virtual School (VS) in relation to supporting any child adopted living within Bromley entitled to support – this support can be requested from families and schools and with the Covid this has increased significantly stretching the VS team. We will not know the impact of this change for up to 12 months.

Children, Education and Families Portfolio Budget Monitoring Summary

2020/21 Actuals	Service Areas	2021/22 Original Budget	2021/22 Latest Approved	2021/22 Projected Outturn	Variation	Notes	Variation Last Reported	Full Year Effect
£'000		£'000	£'000	£'000	£'000		£'000	£'000
<b>EDUCATION CARE &amp; HEALTH SERVICES DEPARTMENT</b>								
<b>Education Division</b>								
Cr 423	Adult Education Centres	Cr 448	Cr 445	Cr 461	Cr 16	1	87	0
644	Schools and Early Years Commissioning & QA	735	741	694	Cr 47	2	Cr 25	0
6,827	SEN and Inclusion	7,707	7,860	9,217	1,357	3	2,026	3,666
126	Strategic Place Planning	103	116	99	Cr 17	4	0	0
Cr 30	Workforce Development & Governor Services	Cr 27	Cr 27	49	76	5	1	0
202	Access & Inclusion	184	187	370	183	6	97	0
Cr 1,416	Schools Budgets	Cr 1,482	Cr 1,482	Cr 1,456	26	8	0	0
146	Other Strategic Functions	777	816	25	Cr 791	7	Cr 4	0
0	Release of Education Risk Reserve	0	0	0	0		Cr 500	0
0	COVID grant to support impact of COVID on services	0	0	0	0		Cr 1,033	0
<b>6,076</b>		<b>7,549</b>	<b>7,766</b>	<b>8,537</b>	<b>771</b>		<b>649</b>	<b>3,666</b>
<b>Children's Social Care</b>								
1,313	Bromley Youth Support Programme	1,657	1,759	1,774	15	9	101	0
856	Early Intervention and Family Support	1,236	1,198	676	Cr 522		Cr 206	0
6,379	CLA and Care Leavers	6,839	6,950	8,150	1,200		479	2,917
16,919	Fostering, Adoption and Resources	17,778	21,161	21,406	245		1,370	3,710
0	Management Action	0	0	0	0		0	0
3,377	Referral and Assessment Service	3,598	3,718	4,358	640		614	0
2,956	Safeguarding and Care Planning East	2,869	2,959	3,908	949		427	0
5,377	Safeguarding and Care Planning West	5,503	2,305	2,779	474		763	0
Cr 889	Safeguarding and Quality Improvement	Cr 984	Cr 1,264	Cr 980	284		298	0
0	COVID grant to support impact of COVID on services	0	0	0	0	Cr 2,508	0	
<b>36,288</b>		<b>38,496</b>	<b>38,786</b>	<b>42,071</b>	<b>3,285</b>		<b>1,338</b>	<b>6,627</b>
<b>42,364</b>	<b>TOTAL CONTROLLABLE FOR CHILDREN, EDUCATION &amp; FAMILIES</b>	<b>46,045</b>	<b>46,552</b>	<b>50,608</b>	<b>4,056</b>		<b>1,987</b>	<b>10,293</b>
8,893	<b>Total Non-Controllable</b>	1,582	6,320	6,320	0		0	0
8,531	<b>Total Excluded Recharges</b>	9,000	9,678	9,678	0		0	0
<b>59,788</b>	<b>TOTAL CHILDREN, EDUCATION &amp; FAMILIES PORTFOLIO</b>	<b>56,627</b>	<b>62,550</b>	<b>66,606</b>	<b>4,056</b>		<b>1,987</b>	<b>10,293</b>
<b>Memorandum Item</b>								
<b>Sold Services</b>								
Cr 35	Education Psychology Service (RSG Funded)	Cr 113	Cr 99	166	265	9	339	0
Cr 28	Education Welfare Service (RSG Funded)	Cr 22	Cr 21	17	38		50	0
Cr 30	Workforce Development (DSG/RSG Funded)	Cr 30	Cr 30	4	34		1	0
61	Community Vision Nursery (RSG Funded)	67	68	31	Cr 37		Cr 17	0
92	Blenheim Nursery (RSG Funded)	98	98	83	Cr 15		11	0
<b>60</b>	<b>Total Sold Services</b>	<b>0</b>	<b>16</b>	<b>301</b>	<b>285</b>		<b>384</b>	<b>0</b>

Reconciliation of Latest Approved Budget £'000  
Original Budget 2021/22 56,627

Contingency:

Role of Virtual School Heads to children with a social worker Implementation Grant	100
- expenditure	Cr 100
- income	
Reducing Parental Conflict Workforce Development Grant	
- expenditure	22
- income	Cr 22
Domestic Abuse - Support for Victims	
- expenditure	35
- income	Cr 35
Tackling Troubled Families	
- expenditure	324
- income	Cr 324
COVID Recovery Grant	
- expenditure	69
- income	Cr 69
Holiday Activities and Food Grant	
- expenditure	800
- income	Cr 800
COVID grant to support impact of COVID on services	
- expenditure	2,000
- income	Cr 2,000
COVID Income Compensation	
- expenditure	41
- income	Cr 41

COVID Local Support Fund		
- expenditure		887
- income	Cr	887
<b>Carry forwards:</b>		
Holiday activities and Food Grant		
- expenditure		81
- income	Cr	81
Deed Settlement for Hawes Down Site		
- expenditure		12
- income	Cr	12
NHS England on training for staff		
- expenditure		90
- income	Cr	90
Tackling Troubled Families		
- expenditure		567
- income	Cr	567
Probation Service Grant		
- expenditure		5
- income	Cr	5
Wellbeing for Education		39
North Lodge		80
<b>Other:</b>		
Repairs and Maintenance	Cr	3
Transport Team transfer from ASC/Environment		
- expenditure		144
- recharge		0
<b>Items Requested this Cycle:</b>		
Merit awards		77
AD Post		60
COVID - Support for the Clinically Extremely Vulnerable		
- expenditure		810
- Income	Cr	810
Youth service costs		107
<b>Memorandum Items:</b>		
Capital Charges		0
Insurance	Cr	85
Repairs & Maintenance		169
IAS19 (FRS17)		4,651
Rent income		6
Excluded Recharges		678
<b>Latest Approved Budget for 2021/22</b>		<b><u><u>62,550</u></u></b>



## **REASONS FOR VARIATIONS**

### **1. Adult Education - Cr £16**

The Adult Education service underspent by £16k. This is due to £105k under collection of income this year. This is then being offset by a net underspend on staffing and running costs of £121k.

### **2. Schools and Early Years Commissioning & QA - Cr £47k**

The Nurseries final position was an underspend of £52k. This is due to underspends in staffing of £125k and running costs of £48k. These underspends are being offset by a loss of income of £121k.

The remaining parts of this area has overspent of £5k.

### **3. SEN and Inclusion - Dr £1,357k**

The staffing in this area has overspend by £246k and the running costs have overspent by £297k. These are then offset by additional income of £181k to give a net overspend of £362k.

During the year the Education Psychologists have had problems recruiting to the vacant posts in their team. This has caused the statutory service to underspend by £107k and the Trading Service they offer to the Schools to be overspent by £265k due to the use of expensive agency staff used to provide the service. This is a net overspend of £158k.

SEN Transport has overspent by £837k during the year due to increased volumes of children receiving the service following COVID and other demands on the service.

### **4. Strategic Place Planning - Cr £17k**

This area has a small underspend due to staff costs

### **5. Workforce Development & Governor Services - Dr £76k**

This area has overspent due to the under collection of income that budgeted for (£88k), but this was offset by an underspend of running costs by £12k. This gives a final position of an overspend of £76k.

### **6. Access & Inclusion - Dr £183k**

The Education Welfare Service Trading Account ended up under collecting on its income by £42k due to the loss of a number of school contracts. They then had a £4k underspend on staffing and running costs to give a net overspend of £38k.

There was an overspend of £121k in this area on staffing.

The remaining £24k overspends are made up of small amounts in running and income.

### **7. Other Strategic Functions - Cr £791k**

The underspends in this area are due to release from this reserve of £500k as stated in the last budget monitoring report. The remaining underspends (£291k) are mainly down to an underspend on running costs.

### **8. Schools Budgets (no impact on General Fund)**

Expenditure on Schools is funded through the Dedicated Schools Grant (DSG) provided by the Department for Education (DfE). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. Any overspend or underspend must be carried forward to the following years Schools Budget.

There was an in year overspend in the DSG of £6,003k. This will be added to the £1,139k deficit that was carried forward from 2020/21. Included in this figure is an increase in the High Needs Block DSG of £1,333k and also a decrease in the Early Years Block DSG allocation of £2,410k. This would give a total DSG deficit of £7,142k. It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements.

The in-year overspend is broken down as follows:-

There is an overspend of £43k relating to the hire of classrooms while building work is carried out at the school(s) in question.

There was an overspend of £1,448k in 2, 3 and 4 year olds Early Years costs. This is split between the universal service (£764k) and additional hours (£684k) and (£219k) credit in 2 year olds. This has been impacted by a DSG reduction from DfE

The underspend of £39k in DAF cost are due to lower running costs

There was an underspend of £45k in the costs of the Senior Management cost centre. This is mainly due to underspends in the running costs.

The overspend of £21k in Business Support is due to additional staffing costs.

The underspend of £44k in PSAG costs are due to lower running costs

The Home and Hospital service has a pressure of £299k due to an overspends on agency and staffing of £211k and running cost of £93k. The remaining amount relates to a small amount (£5k) of additional income.

The Behaviour Support service is currently expected to underspend by £157k this is due to underspends of £33k on staffing and £172k on running costs. This is offset by under collection of income of £48k.

SEN placements service is projected to overspend by a total of £5,125k. These overspends are split as follows:-

Residential Placements - DR £1,065k (Dr £2,570k)

Top-Up Funding - DR £2,068k (Dr £1,720k)

Alternative Provisions and Direct Payments - Dr £601k (Dr £961k)

Post 16 Placements - DR £1,391k (Dr £0)

There was also additional grant announced which has impacted on these figures

The Hearing Unit, Complex Needs Team, Pre-School Services and Outreach & Inclusion Services have all underspent during the year. Most of the underspend relates to lower than expected staffing costs, but there is also a small amount that relates to running costs that are not expected to be incurred during the year. The total of all of these underspends is £448k.

There is also a total small balance of overspends of £19k.

	Variations £'000	High Needs £'000	Schools £'000	Early Years £'000	Central £'000
Bulge Classes / Classroom Hire		43	0	43	0
Free Early Education - 2, 3 & 4 year olds	Cr 1,181	0	0	Cr 1,181	0
Decrease in Early Years DSG allocation		2,410	0	0	2,410
DAF	Cr 39	0	0	Cr 39	0
Senior Management running expenses	Cr 45	0	0	0	Cr 45
Business Support		21	0	0	21
PSAG	Cr 44	0	0	0	Cr 44
Home & Hospital		299	299	0	0
Behaviour Support	Cr 157	Cr 157	0	0	0
Other Small Balances		19	15	0	4
SEN:					
- Placements		6,458	6,458	0	0
- Increase in High Needs DSG Grant	Cr 1,333	Cr 1,333	0	0	0
- Darrick Wood Hearing Unit	Cr 158	Cr 158	0	0	0
- Complex Needs Team	Cr 85	Cr 85	0	0	0
- High Needs Pre-school Service	Cr 131	Cr 131	0	0	0
- Outreach & Inclusion Service	Cr 74	Cr 74	0	0	0
<b>Total</b>		<b>6,003</b>	<b>4,834</b>	<b>43</b>	<b>1,190 Cr 64</b>

### **9. Children's Social Care - Dr £3,285k**

The budget variation for the Children's Social Care Division is projected to be an overspend of £3,285k. Despite additional funding being secured in the 2021/22 budget, continued increases in the number of children being looked after together with the cost of placements has continued to put considerable strain on the budget.

#### **Bromley Youth Support Programme - Dr £15k**

The overspend in this area is due to £142k staffing related overspends and £120k worth of unachievable income. This is being offset by an underspend on the running costs of £247k.

#### **Early Intervention and Family Support - Cr £522k**

The overspend in this area is due to an underspend of £152k on staffing, £276k on running costs and additional income of £94k

#### **CLA and Care Leavers - Dr £1,200k**

The overspend in this area relates to accommodation and support costs in relation to the Children Looked After placements of £1,307k. There is then a net underspend of £107k relating to staffing and running costs that reduces the overspend to £1,200k.

#### **Fostering, Adoption and Resources - Dr £245k**

This is an overspend of £245k. £3,053k of this overspend relates to placements and is offset by additional income of £3,420k - detailed below. Additionally there is a £259k overspend in the placements costs with the Children With Disabilities, £218k overspends within the Connected Persons (mainly due to the running costs) and a £127k overspend on the OT services with this area that due to staffing. This leaves an overspend of £8k that is mainly due to running costs

The budget for children's placements is currently projected to overspend by £3,053k this year. This amount is analysed by placement type below.

- Community Home's / Community Home's with Education - Dr £2,196k (Dr £1,163k)
- Boarding Schools - Dr £21k (Cr £30k)
- Youth on Remand - Cr £323k (Dr £0k)
- Secure Accommodation - Dr £155k (Dr £0k)
- Fostering services (IFA's) - Dr £682k (Dr £461k)
- Fostering services (In-house, including SGO's and Kinship) Dr £143k - (Cr £192k)
- Adoption placements - Cr £31k (Cr £6k)
- Outreach - Dr £249k (Dr £0)
- Transport - Cr £39k (Dr £0)
- Additional Income (COVID) - Cr £3,420k (Cr £2,508k)

#### **Referral and Assessment Service - Dr £640k**

The variances in this services relates to people with No Recourse to Public Funds (NRPF), that has overspent by £57k, an overspend on staffing of £528k and an overspend of £55k on running costs mostly related to community and residential parenting assessments.

**Safeguarding and Care Planning East - Dr £949k**

The service has overspent by £949k. This is due to staffing pressures (£90k) and £334k relating to running costs. Additionally, the community and residential parenting assessments is forecast to overspend by £535k. There was also a increase in income collected by £10k to offset some of the overspend.

**Safeguarding and Care Planning West - Dr £474k**

The service has overspent by £474k. This is due to a staffing overspend of £202k and a running cost overspend of 283k. This has been partially offset by an over collection of income of £11k.

**Safeguarding and Quality Improvement - Dr 284k**

The service has overspent by £284k. This is due to a staffing overspend of £146k, with other staff related costs of £101k. There is then an overspend on running costs that is netted off with some additional income that is causing an additional overspend of £37k.

**8. Sold Services (net budgets)**

Services sold to schools are separately identified in this report to provide clarity in terms of what is being provided. These accounts are shown as memorandum items as the figures are included in the appropriate Service Area in the main report.

**Waiver of Financial Regulations**

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempt from the normal requirement to obtain competitive quotations the Chief Officer has to obtain the agreement of the Director of Corporate Services, the Director of Finance and the Director of Commissioning and (where over £100,000) approval of the Portfolio Holder and report use of this exemption to Audit Sub-Committee bi-annually. Since the last report to the Executive, there has been no waivers in the Education area. In Children's Social Care there were 11 waivers agreed for placements of between £50k and £100k, 5 and 6 over £200k.

**Virements Approved to date under Director's Delegated Powers**

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, there have been 0 virements.

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