



Department
for Education

National Funding Formula Reforms

Schools Bill Factsheet

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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 meals¹ 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

¹ 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)
- **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)
- **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)

- **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)

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'², 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

² 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 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/101442/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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