



Department
for Education

The national funding formulae for schools and high needs

2023-24

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Background

1. The Government is committed to levelling up opportunity for all children and young people. We have delivered the biggest funding boost for schools in a decade, and continue to deliver year on year increases to school funding. As announced at the spending review last year, the total core school budget is increasing to £56.8 billion by 2024-25; a £7 billion cash increase compared with 2021-22.
2. Now, by publishing provisional school and high needs funding allocations for 2023-24, we are delivering the second year of that three-year funding settlement. Overall, core schools funding (including funding for mainstream schools and high needs) is increasing by £1.5 billion in 2023-24 compared to the previous year, on top of the £4 billion increase in 2022-23.
3. Funding through the schools NFF is increasing by 1.9% overall in 2023-24, and 1.9% per pupil, compared to 2022-23.¹ Taken together with the funding increases seen in 2022-23, this means that funding through the schools NFF will be 7.9% higher per pupil in 2023-24, compared to 2021-22.
4. The schools national funding formula (NFF) continues to distribute this fairly, based on the needs of schools and their pupil cohorts. The main features in 2023-24 are:
 - Additional support directed to disadvantaged pupils, by increasing the FSM6 and IDACI factors in the schools NFF by a greater amount than other factors. These factors will increase by 4.3%, compared to their 2022-23 values. This means that we will be targeting a greater proportion of schools NFF funding towards deprived pupils than ever before - 9.8% of the schools NFF will be allocated according to deprivation in 2023-24.
 - The core factors in the schools NFF (such as the basic entitlement, and the lump sum that all schools attract) will increase by 2.4%.
 - Through the minimum per pupil funding levels, every primary school will receive at least £4,405 per pupil, and every secondary school at least £5,715.
 - The funding floor will ensure that all schools attract at least 0.5% more pupil-led funding per pupil compared to its 2022-23 NFF allocation.
 - Rolling the 2022-23 school supplementary grant into the schools NFF ensuring that this additional funding forms an on-going part of schools' core

¹ In 2022-23, core schools funding was allocated through a schools supplementary grant (SSG) in addition to the NFF. Year-on-year funding comparisons include the funding from the SSG for 2022-23.

budgets. Appropriate adjustments have been made to NFF factor values and baselines to reflect this.

5. 2023-24 will also be our first year of transition to the direct schools NFF – with our end point being a system in which, to ensure full fairness and consistency in funding, every mainstream school in England is funded through the same national formula without adjustment through local funding formulae. The approach to tightening was confirmed in the [government response](#) to the first stage of our consultation on the direct NFF which was completed last year. In 2023-24, local authorities will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except any locally determined premises factors. Local authorities will also be required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2022-23, unless they are already mirroring the NFF. This follows the positive response to these consultation proposals in the first stage consultation last year. We have published an analysis of the impact of this initial move towards the direct NFF in Annex C.
6. High needs funding is increasing by a further £570 million, or 6.3%, in 2023-24 – following the £1 billion increase in 2022-23 and £1.56 billion increase over the previous two years. This brings the total high needs budget to £9.7 billion. The high needs NFF will ensure that every local authority receives at least a 5% increase per head of their 2-18 population, with some authorities seeing gains of up to 7%. Alongside our continued investment in high needs, the Government remains committed to ensuring a financially sustainable system, where resources are effectively targeted to need. Later this year the Government will confirm the next steps in implementing our reform programme, following the consultation on the [SEND and Alternative Provision Green Paper](#) published in March.
7. Central school services funding funds local authorities for the ongoing responsibilities they continue to have for all schools, and some historic commitments entered into before 2013-14. The total provisional funding for ongoing responsibilities is £292 million in 2022-23. In line with the process introduced for 2020-21 to withdraw the funding for historic commitments over time, this element of funding will decrease by 20%.
8. Final allocations of schools, high needs and central schools services funding for 2023-24 will be calculated in December, based on the latest pupil data at that point, when we announce local authorities' Dedicated Schools Grant allocations. Local authorities will continue to use that funding to determine final allocations for all local mainstream schools.

The national funding formula for schools

9. The basic structure of the schools national funding formula (NFF) is not changing in 2023-24. For 2023-24, we have changed a small number of the existing features of the formula. These are outlined below. A full description of the 2023-24 formula, in light of these changes, is set out in Annex A.

Increasing funding factor values

10. This year, we are directing additional support towards disadvantaged pupils by increasing the values of the FSM6 and IDACI deprivation factors by more than other factor values in the formula: these deprivation factors are increasing by 4.3%² and the other core factors are increasing by 2.4%³. On top of these uplifts, we have increased the basic entitlement, the FSM6 and the lump sum factors to reflect the rolling in of the schools supplementary grant into the NFF, as set out in paragraphs 14 to 20 below.
11. The minimum per pupil levels in 2023-24 will be set at £4,405 per pupil for primary schools and £5,715 per pupil for secondary schools. This includes £119, £155 and £173 per primary, KS3 and KS4 pupil respectively for the rolling in of the schools supplementary grant, plus a further 0.5% increase.
12. The 2023-24 NFF funding floor is set at 0.5%. This means that every school will attract an increase in their pupil-led funding of at least 0.5% per pupil, compared to their baseline. Funding floor baselines have also been increased to take account of the rolling in of the schools supplementary grant.
13. Premises funding will continue to be allocated at local authority level on the basis of data in the 2022-23 APT. From 2023-24, this will include local authorities' estimated 2022-23 rates figure. The PFI factor is increasing in line with the RPIX measure of inflation to reflect the use of RPIX in PFI contracts.

Rolling the schools supplementary grant funding into the NFF

14. The [schools supplementary grant](#) was introduced to support schools to meet the costs of the Health and Social Care Levy and wider costs in 2022-23. The grant funding in respect of pupils from reception to year 11 (inclusive) is being rolled into the schools NFF from 2023-24.

² All factor values are rounded after being uplifted.

³ These are the basic entitlement, the free school meal (FSM) factor, the remaining additional needs factors, the school lump sum and the sparsity factor. 2.4% is in line with the latest available (March 2022) GDP deflator forecast for 2023-24.

15. The aim of our approach for rolling the grant into the schools NFF is to ensure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2023-24, without adding significant additional complexity to the formula. We have rolled in the grants in three ways, to reflect the three different ways in which schools attract funding through the NFF:
- Adding £97, £137 and £155 to the primary, key stage 3 and key stage 4 per pupil funding factors respectively; £85 and £124 to the primary and secondary FSM6 factors; and £3,680 to the school lump sum. This increases the amount that schools already on their NFF allocations attract. The NFF factor value increases correspond to the values of the grant itself.
 - Adding £119, £155 and £173 to the minimum per pupil (MPP) funding levels for primary, KS3 and KS4 respectively. This increases the amount that schools funded through the minimum per pupil funding levels attract through the NFF. The amounts reflect the average amount of funding these schools currently attract through the grant.
 - Adding an amount representing the funding schools receive through the schools supplementary grant in respect of their reception to Year 11 pupils onto their baselines, which is used to calculate funding protection for the schools through the funding floor. This increases the amount that schools whose allocations are determined by the funding floor will attract.
16. The existing Area Cost Adjustment (ACA) calculation within the NFF ensures that the per pupil rates added to the basic entitlement, the FSM6 factor and the school lump sum are uplifted to reflect geographical variation in labour market costs, as is currently the case with the grant.
17. The rolling in of these grants into the schools' notional NFF allocations will affect the core budgets that maintained schools will receive from April 2023, and that academies will receive from September 2023. To avoid an unfair gap in the support provided to academies, academies will therefore continue to receive separate grant payments up until the end of August 2023. The 5-16 element of the schools supplementary grant will then cease to operate as a separate grant.
18. In 2023-24, local authorities will remain responsible for determining final allocations to schools, in consultation with the Schools Forum. It is our expectation that, as far as possible, local authorities will ensure that individual schools' budget allocations for 2023-24 are set taking full account of additional funding from the schools supplementary grant that schools are receiving in 2022-23.
19. Schools receiving the minimum per pupil funding levels will have the additional funding protected in local formulae as these will continue to be compulsory in

2023-24. We will also require local authorities to mirror the additional funding added to schools' NFF baselines in their baselines for the minimum funding guarantee, so that schools on the minimum funding guarantee can also have their schools supplementary grant protected.

20. Further details about the methodology for rolling in the grant are available in the technical note. The post-16 and early years element of the grant will continue as a separate grant for 2023-24, and we will confirm detail of this in due course.

Completing our reforms of the national funding formula

21. Following last year's consultation on [Completing our Reforms to the National Funding Formula](#), the department has confirmed that it will move forward with its plans to implement a direct NFF, whereby funding will be allocated directly to schools based on a single, national formula. As set out in the consultation [response](#), we are taking a gradual approach to transition to avoid any unnecessary or unexpected disruption to schools. Local authorities will be required to start bringing their own formulae closer to the schools NFF from 2023-24. In particular:

- Local authorities will only be allowed to use NFF factors in their local formulae. This means that **the looked after children (LAC) factor** will no longer be an allowable factor. The government provides funding directly to support looked after children and previously looked after children through the pupil premium.
- Local authorities **must use all NFF factors** – except for the locally determined premises factors which remain optional, and the ACA fringe factor which is compulsory for the five local authorities on the fringe. This means that local authorities will have to use all three deprivation factors (FSM, FSM6 and IDACI), as well as low prior attainment (LPA), English as an additional language (EAL), mobility, sparsity and the lump sum.
- Local authorities must **move their local formula factor values at least 10% closer to the NFF**, except where local formulae are already “mirroring” the NFF. For this purpose, local factor values within 2.5% of the respective NFF values are deemed to be “mirroring” the NFF.
- Local authorities must use **the NFF definition for the EAL factor**, whereby pupils attract additional funding for three years after they enter the statutory school system. (Previously local authorities could choose to provide funding for one, two or three years.). In contrast to the EAL factor, flexibility over the sparsity factor methodology will remain in 2023-24.

22. Further details on the tightening requirements for local formulae with guidance for local authorities is set out in the [school funding operational guide](#). We have also

published the allowable factor values for 2023-24 following the tightening requirements for each local authority [here](#). An analysis of the distributional impact of tightening is set out in Annex C.

Other key features of the local funding formulae

23. Local authorities will continue to set a **minimum funding guarantee** in local formulae, which in 2023-24 must be between +0.0% and +0.5%. This allows them to match the protection in the NFF, which we expect local authorities to continue to do where possible.
24. Local authorities will again be able to **transfer up to 0.5%** of their total schools block allocations to other blocks of the Dedicated Schools Grant (DSG), with schools forum approval. A disapplication will continue to be required for transfers above 0.5%, or for any amount without schools forum approval. The criteria the department apply when considering such requests are available in the [school funding operational guide](#).
25. Following the cancellation or incompleteness of assessments in summer 2020 and summer 2021 due to coronavirus (COVID-19), local authorities will not be able to use this data as part of setting a low prior attainment factor in local funding formulae. Instead, local authorities will use 2019 assessment data as a proxy for assessments which would have taken place in 2020 and 2021.

Factor values and total spend in 2023-24

	Unit Values	Total Funding (incl ACA)	Proportion of core total
Basic per pupil Funding		£31,566m	76.0%
Basic entitlement		£31,342m	75.5%
Primary basic entitlement	£3,394	£15,549m	37.5%
KS3 basic entitlement	£4,785	£9,235m	22.2%
KS4 basic entitlement	£5,393	£6,558m	15.8%
Minimum per pupil		£223m	0.5%
Primary Minimum Per Pupil funding	£4,405	£178m	0.4%
Secondary Minimum Per Pupil funding	£5,715	£46m	0.1%
Additional Needs Funding		£7,209m	17.4%
Deprivation		£4,062m	9.8%
Primary FSM	£480	£510m	1.2%
Secondary FSM	£480	£332m	0.8%
Primary FSM6	£705	£799m	1.9%
Secondary FSM6	£1,030	£887m	2.1%
Primary IDACI A	£670	£103m	0.2%
Primary IDACI B	£510	£151m	0.4%
Primary IDACI C	£480	£139m	0.3%
Primary IDACI D	£440	£122m	0.3%
Primary IDACI E	£280	£146m	0.4%
Primary IDACI F	£230	£113m	0.3%
Secondary IDACI A	£930	£93m	0.2%
Secondary IDACI B	£730	£146m	0.4%
Secondary IDACI C	£680	£135m	0.3%
Secondary IDACI D	£620	£118m	0.3%
Secondary IDACI E	£445	£158m	0.4%
Secondary IDACI F	£335	£111m	0.3%
Low Prior Attainment		£2,662m	6.4%
Primary LPA	£1,155	£1,472m	3.5%
Secondary LPA	£1,750	£1,190m	2.9%
English as an Additional Language		£434m	1.0%
Primary EAL	£580	£318m	0.8%
Secondary EAL	£1,565	£116m	0.3%
Mobility		£50m	0.1%
Primary Mobility	£945	£40m	0.1%
Secondary Mobility	£1,360	£11m	0.0%
School Led Funding		£2,739m	6.6%
Lump Sum		£2,642m	6.4%
Primary lump sum	£128,000	£2,207m	5.3%
Secondary lump sum	£128,000	£435m	1.0%
Sparsity		£97m	0.2%
Primary sparsity	£56,300	£91m	0.2%
Secondary sparsity	£81,900	£6m	0.0%
Premises		£539m	1.3%
Area Cost Adjustment: Multiplier applied to basic entitlement, additional needs and school led funding (It is included in the factor subtotals)		£1,060m	
Core total (excluding funding floor)		£41,513m	
Floor		£326m	
Primary floor funding		£175m	
Secondary floor funding		£151m	
Total		£42,378m	

Figure 1: This shows the unit values, total funding and proportion of funding for each factor in the formula. Total funding is rounded to the nearest £1m. Proportion of core total funding is rounded to the nearest 0.1%. The secondary minimum per pupil factor value is based on a standard secondary school with 5 year groups. Growth funding is excluded from the table as this funding will be calculated using October 2022 census data.

The national funding formula for high needs

Updates to the high needs national funding formula in 2023-24

26. The national increase in high needs funding, between 2022-23 and 2023-24, will be £570 million, or 6.3%. High needs funding is increasing over the 2022-23 and 2023-24 financial years by £1.65 billion, to over £9.7 billion. This increase comes on top of the £1.56 billion increase over the previous two years, and will continue to support local authorities and schools with the increasing costs they are facing.

27. The high needs NFF includes:

- The funding floor – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2023-24 we are setting the funding floor at 5%, having adjusted the baseline to include the supplementary high needs funding that was allocated to local authorities in December 2021, following the 2021 spending review.
- The gains cap – the limit on gains per head of the population compared to the baseline. For 2023-24 we are setting the gains cap at 7% which means that local authorities can see an increase of up to 7% before their gains are capped (again, compared to a baseline that takes account of the supplementary high needs funding allocated in December 2021).

28. The basic structure of the high needs NFF for 2023-24 is not changing. Figure 3 in Annex B sets out the structure of the high needs NFF for 2023-24.

29. However, due to the Covid-19 pandemic, there is no appropriate 2020 or 2021 attainment data to use for the two low attainment factors. Following consultation last year, we have decided to continue using 2019 data as a proxy for both 2020 and 2021 data, in the NFF calculations of high needs allocations for 2023-24. This aligns with the approach taken in the schools NFF.

30. Reflecting the range of opposing views on the appropriate weight to place on the historic spend factor, and the need for a gradual transition to a formula that relies less on past patterns of the demand for and supply of high needs provision, we have decided to keep the historic spend factor at the same cash value in the 2023-24 NFF as in 2022-23. The increase in the total high needs amount to be allocated means that, the proportion of total funding going through the historic spend factor will continue to reduce, from 31% of the 2022-23 formula allocations to 29% in 2023-24. We will keep this factor under review in future years, with a view to removing it completely when we have alternative proxies to include within the formula.

The national funding formula for central schools services

The central schools services block in 2023-24

31. The central school services block (CSSB) within the DSG provides funding for local authorities to carry out central functions on behalf of maintained schools and academies.
32. The block will continue to comprise two distinct elements: ongoing responsibilities and historic commitments.
33. For 2023-24 the purpose of CSSB funding and the formula for allocating this funding follow the same approach as in 2022-23. While the Department intends to review how central services are funded in future, as set out in the [response](#) to our consultation on [Completing our Reforms to the National Funding Formula](#), any changes will be for future years.

Ongoing responsibilities

34. The CSSB will continue to fund local authorities for the ongoing responsibilities they deliver for all pupils in maintained schools and academies. The total funding for ongoing responsibilities is £292m in 2023-24.
35. This element of the CSSB is calculated using a simple per-pupil formula, the structure of which is unchanged. 90% of the funding will be distributed through a basic per-pupil factor, and 10% of the 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.
36. Local authorities will continue to be protected so that the maximum per-pupil year-on-year reduction in funding for ongoing responsibilities is at 2.5% as in the previous year, while the year-on-year gains cap will be set at the highest affordable rate, of 5.86%.
37. Further detail on the methodology used for the CSSB formula is set out in the 2023-24 NFF technical note.

Historic commitments

38. From 2020-21 we began to reduce the element of funding within the CSSB that some local authorities receive for historic commitments made prior to 2013-14, which have been unwinding since. This was in line with our reforms to move to a fairer funding system, and to avoid maintaining significant differences in funding indefinitely between local authorities which reflect historic decisions.

39. In 2023-24, for those local authorities that receive it, historic commitments funding will continue to reduce by 20% on 2022-23 allocations, the same rate as the reduction in 2022-23.
40. We will also continue to protect any local authority from having a reduction that takes their total historic commitments funding below the total value of their ongoing prudential borrowing and termination of employment costs, in recognition of the long times over which such costs unwind. We will consider the evidence local authorities submitted for 2023-24 allocations and invite any other local authority in this position to contact the department. We will make these exceptional adjustments for 2023-24 in the DSG allocations. For adjustments to be considered for changes in the December DSG allocations, we request evidence by Friday 28 October 2022; otherwise we request evidence by Friday 3 February 2023. Further information on this process is included in the [school funding operational guide](#).
41. Historic commitments are expected to unwind over time as contracts reach their end points. We retain the requirement in regulations that authorities spend no more on these commitments than they did in the previous year; therefore, with the approval of the schools forum, an authority can maintain spending in this area using other funding sources if they wish.

Equalities Impact Assessment

42. The Public Sector Equality Duty (PSED) in section 149 of the Equality Act 2010 requires the Secretary of State to give due regard to achieving the following objectives in exercising their functions:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

43. We have considered the impact on persons who share any of the protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation. We have focused on those protected characteristics for which the impact is largest, and which are most closely tied to the distributional policy choices we are making. We use incidence of SEND as a proxy for disability in this analysis, as the two are highly correlated, and ethnicity as a proxy for race.

44. We introduced the NFF in 2018-19 after significant consultation and published a full equalities impact assessment.⁴ We are broadly continuing the implementation of this version of the NFF. Therefore, we have focused this assessment primarily on the key policy changes that are being made in 2023-24.

Schools NFF

The changing balance of factor values

45. The funding increases mean that all schools will attract more funding in 2023-24 than they otherwise would have done. This is expected to have a positive impact on pupils with protected characteristics in all areas of England.

46. The impact will not be uniform, however, as some factor values are increasing by more than others. The exact impact on pupils and schools will depend on the local formulae, but on average:

- Schools and pupils in more deprived and historically lower funded areas will benefit from the additional funding for deprivation, as the FSM6 and IDAC1

⁴ https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2/supporting_documents/NFF_EqualityImpactAssessment.pdf

factors increase by more than the other “core” factors. In 2023-24, 9.8% of the schools NFF will be allocated according to deprivation in 2023-24.

Schools with greater proportions of pupils eligible for FSM6 funding also tend to have larger proportions of pupils from ethnic minority backgrounds and with SEN. As such, the additional funding for deprivation is likely to have a positive impact on pupils from ethnic minority backgrounds and with disabilities.

- Schools funded through the minimum per pupil levels will receive lower funding increases, on average, than other schools. These schools tend to have a lower proportion of pupils with SEND and from ethnic minority backgrounds since these characteristics in general correlate with higher overall funding at school-level. The lower-than-average funding increases for schools funded through the minimum levels in 2023-24 should also be considered in the context of higher-than-average funding increases for these schools in recent years. The funding changes for schools funded through the minimum levels is therefore not expected to have any significant impact (positive or negative) on equalities.
- Schools funded through the funding floor will also receive lower funding increases, on average, than other schools. These schools tend to be in urban areas, and have a higher proportion of children from ethnic minority backgrounds because these areas are more ethnically diverse. They also have a higher occurrence of non-Christian faith schools. While these schools will see lower-than-average *increases* in funding in 2023-24, they still have higher than average *levels* of funding. The lower-than-average funding increase for these schools is therefore necessary to overcome historic discrepancies in funding and ensure that funding is distributed fairly based on pupils needs and characteristics, including by ensuring that funding can be fairly directed to areas seeing relative increases in levels of deprivation.

47. Overall, the equalities impact of changing the balance of factor values, and in particular the additional funding for deprivation, is expected to be positive.

Rolling in the schools supplementary grant into the schools NFF

48. We are rolling in the schools supplementary grant to the schools NFF in such a way that the additional NFF funding schools and LAs receive is as similar as possible to the funding they would receive if the grant was not rolled in. We recognise that the rolling in can never perfectly reflect the current allocations, but do not believe that the schools affected by the discrepancies have a higher proportion of pupils with protected characteristics than average. There would therefore not be any disproportionate impact (either positive or negative) on pupils with protected characteristics from the rolling in of grants.

Transitioning to the direct schools NFF

49. The requirements for local authorities to move their local formulae closer to the NFF forms the first step in transitioning towards the direct NFF. The equalities impact of moving to the direct NFF was discussed as part of the consultation on [Completing our Reforms to the National Funding Formula](#). As noted in the [consultation response](#), our expectation is that the direct NFF will create a fairer and more consistent distribution of funding that is more closely aligned to need, and is essential to support opportunity for all children.
50. We have also published an assessment of the impact of moving to a direct NFF as part of the [Schools Bill impact assessments \(publishing.service.gov.uk\)](#). That assessment concluded that the equalities impact would have a positive impact on the protected characteristic of race, and a neutral impact on the other protected characteristics.
51. The impact of the transitioning towards the direct NFF in 2023-24 will depend on how local authorities respond to the tightening requirements, and how they use their remaining formula flexibilities. In principle, we would expect the impact to be similar in nature, but smaller in magnitude, to the impact of introducing the direct NFF. Annex C provides more information on the expected distributional impact of the tightening criteria for 2023-24. We will continue to monitor the equalities impact of a move to a direct NFF on an ongoing basis and when developing policy in future years.

High needs NFF

52. We have considered the impact of the high needs distribution on people who share any of the protected characteristics. We have focused particularly on people with SEND given the high level of correlation between young people with SEND and those with disabilities.
53. We introduced the high needs NFF in 2018-19 after significant consultation and a full equalities impact assessment. We are distributing the funding for high needs through the high needs NFF, and are not proposing any changes to the overall structure of the formula for 2023-24. Therefore, we have focused this assessment primarily on the aspects of the formula that have changed for 2022-23.
54. In recognition of the fact that all local authorities are facing some pressures on their high needs budgets, we are allocating increased funding through the high needs NFF amounting to over 6% compared to the 2022-23 allocations of high needs funding. The distribution of this increase will ensure that all authorities receive an increase in funding of between 5% and 7% per head of their 2-18 population, as follows:

- A funding floor set to 5%. Thus, the minimum gains in per-head funding a local authority can receive compared to 2022-23 will be 5%;
- A gains cap set to 7%. This is the limit in per-head gains that a local authority can receive compared to 2022-23; and
- Increased funding through the remaining proxy factors. We have distributed the remaining funding through the proxy factors. This is in line with how the formula has worked previously and means that LAs will receive their share of this remaining funding based on the proxy factors of need. These include health and disability factors reflecting any changes in the proportion of the local population of 2-18 year olds whose families receive disability living allowance because they are disabled.

55. The proxy factors also include an amount of funding based on each local authority's previous spending, so that funding can reflect patterns of provision and spending not otherwise captured through the formula and making sure that funding levels do not drive changes in the placement of disabled children and young people to the detriment of the provision they need.

56. We expect this distribution of funding both to provide reasonable increases to all local authorities and to ensure stability through the use of the same formula as in 2022-23. As a result, and subject to local decisions on how the funding is spent in making special provision, our assessment is that the distribution of funding will have a positive impact for those children and young people identified as having SEND (which includes those with disabilities), helping them access the right educational provision and thereby addressing educational inequalities for those with SEND.

Central School Services Block NFF

57. The formula that allocates the central school services block funding is broadly unchanged for 2023-24; we do not expect this to have an impact on different groups of pupils, including those with protected characteristics.

58. The reduction to funding for historic commitments will affect some local authorities' ability to continue to deliver certain central functions as they have previously – this is a continuation of our established policy to unwind these commitments. The nature of this expenditure, relating to a wide range of individual decisions by different local authorities, means the impact of the reduction is very variable. Where authorities combine this funding with other sources to support certain services – for example, related to early intervention, programmes for vulnerable children or those with high needs – these may disproportionately benefit pupils with protected characteristics, such as those from ethnic minority backgrounds or with disabilities. If the reductions mean a local authority can no longer fund such

services in the same way, this would represent a negative impact. In other cases, existing services may not be having any differential impact on protected groups, and their cessation would not have a particular impact in terms of equalities.

59. However, reducing this funding will address funding disparities to make the wider system fairer, so that educational provision for all pupils is based on need rather than historic decisions. Ultimately, prioritising funding for schools and high needs, which has significantly increased, benefits all areas and will respond to pupils' characteristics and needs. The impact on pupils with disabilities, in particular, will be offset by the additional high needs funding that all authorities will receive in 2023-24.

Overall impact

60. As noted above, each change has a specific impact and in some cases these work in different directions. For example, in relation to the schools NFF the impact of increasing the funding directed towards deprivation is different to the impact of the lower than average funding increase for schools on the funding floor.
61. Overall, the distribution of funding in the schools and high needs NFF still significantly favours schools with high levels of additional needs, and therefore with higher incidence of pupils with certain protected characteristics, notably disability and ethnicity. We do not think these individual changes significantly shift the conclusions of the equalities impact assessment published at the point of introducing the NFF in September 2017.
62. The higher increase to high needs funding that all local authorities are seeing will have a positive impact on children and young people with SEND in particular, and therefore on those with disabilities. This continues the additional positive impact on these young people beyond our initial assessment.

Annex A: The structure of the schools national funding formula (NFF) in 2023-24

Overall design of the formula

- 63. The schools NFF determines how we distribute core funding for 5–16 year-old pupils in mainstream schools.
- 64. The formula determines the funding each local authority receives. Under the current approach, local authorities then set their own formulae to distribute that funding across maintained schools and academies in their area – subject to certain constraints.
- 65. The funding formula is made up of 14 factors, as illustrated in the diagram below.
- 66. Approximately 93.4% of the schools NFF funding is allocated through ‘pupil-led’ factors. The ‘pupil led’ factors are determined by pupil numbers and pupils’ characteristics. The majority of this funding is allocated through the basic entitlement factor, which all pupils attract. The NFF allocates the rest of ‘pupil-led’ funding towards additional needs.

Figure 2 - Current NFF Funding Factors

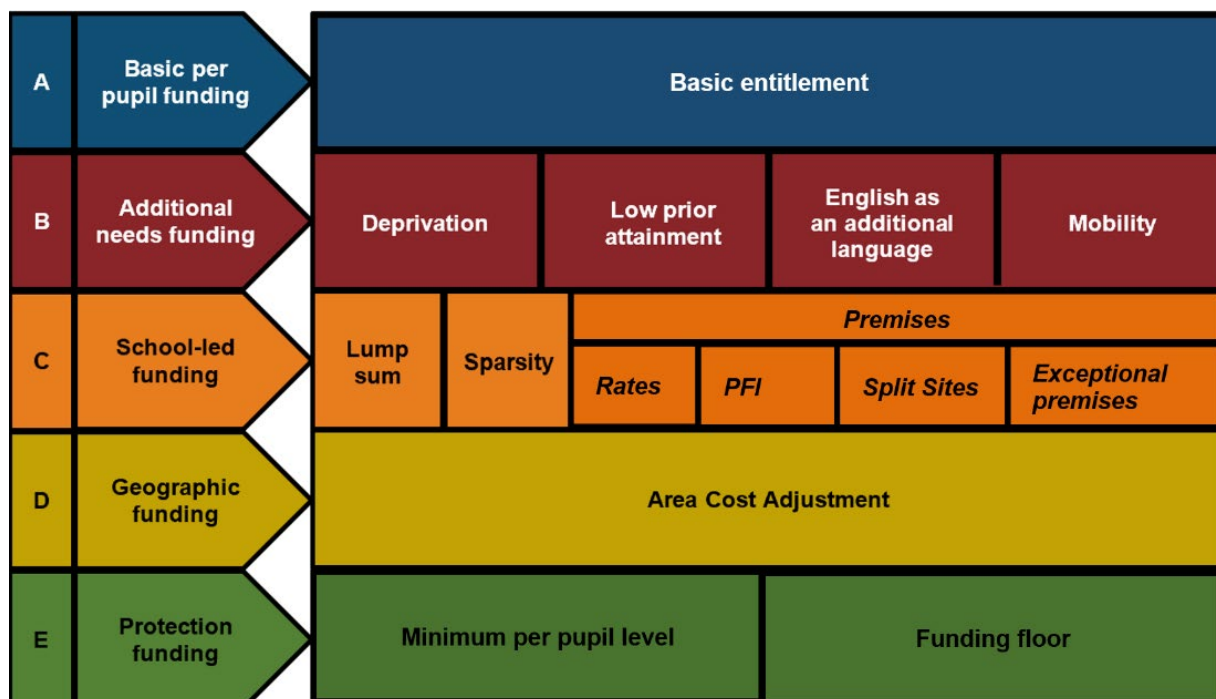


Figure 2: This illustrates the factors that are taken into account when calculating schools block DSG funding allocations through the NFF. It is not to scale. PFI, Split sites and Exceptional Premises factors are allocated to local authorities on the basis of historic spend.

67. Evidence shows that pupils with additional needs are more likely to fall behind and need extra support to reach their full potential. This is why the NFF allocates 17.4% of all funding through additional needs factors based on deprivation, low prior attainment, English as an additional language and mobility.
68. Pupils attract funding for all the factors for which they are eligible. A pupil currently eligible for FSM attracts the amount provided through the FSM factor as well as the amount through the FSM Ever 6 factor. This also applies for children with any combination of multiple additional needs. That is not intended to imply that all such funding should be dedicated to the pupil who attracts it. An individual child who attracts deprivation funding, for example, may need more, or less support than the sum that they attract in the NFF. Rather, these additional needs factors are predominantly “proxy” factors, using the overall incidence of particular pupil characteristics to identify how much additional funding a school is likely to need, in total.
69. ‘School-led’ funding is allocated through various factors according to a school’s characteristics. All schools attract a lump sum of £128,000. Small and remote schools attract additional support through the sparsity factor. Other school-led funding reflects costs associated with a school’s premises and overheads through four separate factors: rates, split sites, private finance initiative (PFI) and exceptional circumstances.
70. An area cost adjustment (ACA) is applied as a multiplier to formula allocations to reflect higher costs in some parts of the countries, due to differences in salary costs.
71. 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. Any school whose formula allocation is below the minimum per pupil level receives a top up to the minimum levels.
 - The funding floor protects schools from year-on-year funding decreases, by ensuring a minimum increase in pupil-led funding per pupil compared to the previous year.
72. The following sections give more detail on the design of the individual factors within the schools NFF.

Pupil led factors

Basic entitlement

73. 75.5% of the schools NFF is allocated through the basic entitlement, which every pupil attracts. The amount varies by age. In the 2023-24 NFF pupils in reception to year 6 attract £3,394; pupils in year 7 to year 9 attract £4,785, and pupils in year 10 and 11 attract £5,393.

Additional needs factors

Deprivation

74. The NFF allocates 9.8% of all its funding to deprived pupils. Pupil deprivation is based on three deprivation measures – current Free School Meal (FSM) eligibility, FSM eligibility at any time in the last 6 years (“FSM6”), and the level of deprivation in the postcode where the pupil lives, which is measured using the Income Deprivation Affecting Children Index (IDACI).

- o FSM

75. Schools attract £480 for all primary and secondary pupils who are eligible for free school meals. This funding is broadly intended to cover the cost of providing free meals for each eligible pupil.

76. A pupil is eligible for FSM if they meet the criteria set out in: [Free school meals: guidance for schools and local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/free-school-meals-guidance-for-schools-and-local-authorities).

- o FSM6

77. All pupils who are recorded as eligible for free school meals, or who have been at any point in the last six years, attract funding through the “FSM6” factor. Schools attract £705 for each primary pupil and £1,030 for each secondary pupil eligible for FSM6 funding.

- o IDACI

78. IDACI funding is based on the IDACI 2019 area-based index measuring the relative deprivation of Lower-layer Super Output Areas (LSOAs). For the NFF, the IDACI ranks are divided into seven bands A to G, with A representing the most deprived areas and G the least deprived. Additional funding is targeted towards pupils in bands A-F, with more funding directed to pupils in the more deprived bands⁵.

79. The IDACI bands are set out in the table below.

⁵ The boundaries of these bands are based on the proportions of LSOAs (small areas) in each band and are defined by rank.

Band	A	B	C	D	E	F	G
Proportion of LSOAs in each band	2.5%	5%	5%	5%	10%	10%	62.5%
Primary unit value	£670	£510	£480	£440	£280	£230	£0
Secondary unit value	£930	£730	£680	£620	£445	£335	£0

80. The table shows that 2.5% of LSOAs are placed in IDACI band A which attracts the highest funding, 5% in IDACI band B attracting the second highest level of funding, and so forth. 62.5% of LSOAs are in band G which does not attract any additional funding.

Low Prior Attainment

81. We are allocating 6.4% of the NFF in respect to pupils with low prior attainment (LPA).

82. Primary school pupils who have not achieved the expected level of development in the Early Years Foundation Stage Profile assessment (EYFSP) and secondary pupils who have not achieved the expected standard in Key Stage 2 at either reading, writing or maths attract £1,155 and £1,750 respectively⁶.

English as an additional language

83. The pupils eligible to attract funding through the NFF English as an additional language (EAL) factor are those recorded as having entered state education in England during the last three years, and whose first language is not English. 1.0% of the NFF is allocated through the EAL factor.

84. Schools attract £580 for all EAL-eligible primary pupils, and £1,565 for all EAL-eligible secondary pupils.

Mobility

85. 0.1% of the total NFF funding goes to pupils eligible for mobility funding.

⁶ For 2020 where these assessments have been cancelled, schools are allocated funding based on the previous year's results.

86. The mobility factor supports schools in which a significant proportion of pupils join the school part way through the year.
87. Pupils are classed as mobile if they joined the school at a 'non typical' date within the last three years. Schools attract £945 for eligible primary pupils, and £1,360 for eligible secondary pupils, above a threshold of 6% of the schools' pupil numbers (i.e., where more than 6% of a school's pupil are classified as mobile).

School-led factors

Lump Sum

88. Every school attracts a lump sum of £128,000 through the NFF irrespective of its size or phase. The total spend on the lump sum represents 6.4% of the NFF.

Sparsity funding

89. 0.2% of the NFF is allocated through the sparsity factor, for small and remote schools.
90. Eligibility for sparsity funding depends on the distance the pupils living closest to the school would have to travel to their next nearest school, and the average number of pupils per year group.
91. A school is eligible for sparsity funding if:
- For all the pupils for whom it is the nearest "compatible" school⁷, the average distance (as measured by road) from the pupils' homes to the second nearest compatible school is above the relevant distance threshold. The main distance thresholds are 3 miles for secondary schools and 2 miles for all other schools, with the distance threshold taper set at 20% below each threshold (2.4 miles at secondary, 1.6 miles for other schools).
 - The average year group size is below the appropriate year group threshold. This threshold is 21.4 for primary schools, 69.2 for middle schools, 120 for secondary schools and 62.5 for all-through schools.
92. Primary schools qualifying attract up to £56,300 and all other schools up to £81,900. Schools with a lower number of pupils attract a higher amount than those closer to the year group threshold. In addition, schools with a sparsity distance between the distance threshold taper and main distance threshold will attract some sparsity funding – tapered by both size and how far away from the main

⁷ A compatible school means one of the relevant phases which a pupil could attend. Selective grammar schools are not considered when identifying the second nearest compatible school, but faith schools are included.

distance threshold they are. Of two schools of the same size, one closer to the main threshold would receive more. The distance threshold taper mitigates the risk of year-on-year fluctuations in sparsity eligibility having a significant impact on a school's sparsity funding.

Premises

93. The NFF allocates funding to reflect the costs associated with a school's premises and overheads.
 - o Rates
94. For local accounting purposes, rates funding allocations will continue to feature in NFF allocation publications for all schools. From 2022-23, the payment of business rates for local authorities opting into the new payments system has been centralised, with ESFA paying rates directly to billing authorities on behalf of schools. For local authorities which have not opted into the new payment system, ESFA will continue to allocate funding for business rates, to meet the real costs of schools.
 - o PFI
95. The Private Finance Initiative (PFI) factor is funded on the basis of a local authorities' previous year's spending. Every year, we uprate this funding in line with the RPIX measure of inflation, to reflect most PFI contracts.
 - o Split Sites
96. This is intended to recognise the additional costs that schools that are spread over more than one site can face. Local authorities receive funding for the split site factor on the basis of spend in the previous year. The Department has launched a consultation on implementing the direct national funding formula, which includes proposals to reform the split sites factor so that, in future, it would be based on school-level eligibility criteria rather than the previous years' spending.
 - o Exceptional Circumstances
97. The exceptional circumstances factor is included in the formula so that, where local authorities have had approval from ESFA to direct additional funding to a small number of schools with significant additional premises costs, this is taken into account when determining their funding. Local authorities receive funding for this factor on the basis of their spend in the previous year. The consultation on implementing the direct national funding formula, linked to above, also includes proposals on the reform of exceptional circumstances funding, to be introduced in advance of the direct formula.

Growth funding

98. In addition to the core funding allocated through the NFF, we also provide growth funding to local authorities to manage increases in pupil numbers. The NFF operates on a lagged funding basis whereby schools receive funding in a given year based on pupil numbers from the year before. Local authorities can use the growth funding they are allocated to support schools to manage an increase in pupil numbers before the lagged funding system has caught up.
99. Growth funding is distributed based on the actual growth that local authorities experience for each year. It is based on the observed differences between the primary and secondary number on roll in each local authority between the most recent October pupil census, and the census in the previous October.
100. Local authorities' growth funds can only be used to:
- support growth in pre-16 pupil numbers to meet basic need.
 - support additional classes needed to meet the infant class size regulation.
 - meet the revenue cost of new schools.

Area Cost Adjustment

101. The area cost adjustment (ACA) in the schools NFF reflects variations in labour market costs across the country by taking into account the general labour market trends and the particular salary variations in the teaching workforce.
102. It is a combination of:
- a. A teacher pay cost adjustment, to reflect the differences in the basic pay ranges between the four regional pay bands for teachers and
 - b. A general labour market (GLM) cost adjustment, to reflect geographical variation in wage costs for non-teaching staff.
103. The NFF's ACA is calculated for each local authority by:
- a. Weighting the relevant teacher-specific cost adjustment in line with the national proportion of spend on teaching staff in mainstream schools (55.40%).
 - b. Weighting the relevant GLM labour cost adjustment in line with the national proportion of spend on non-teaching staff in mainstream schools (27.73%).
104. Nationally the ACA ranges between 1.00 and 1.19. Some local authorities – those that are partly in 'London Fringe' areas – contain both districts that receive an ACA, and districts that do not. Whether schools in these local authorities receive an uplift will depend on the local district area in which the school is located.

Protective elements of the NFF

Minimum per pupil levels

105. The minimum per pupil level (MPPL) guarantees a minimum amount of funding for every pupil. Any school whose formula allocation is below the MPPL receives a top up to the minimum levels.
106. The MPPL varies from school to school depending on the year groups they have. The unit values per year group are £4,405 for primary year groups, £5,503 for KS3 and £6,033 for KS4.⁸ Each school's MPPL is calculated as a weighted average of the number of year groups they have.
107. This means that the MPPL is £4,405 for primary schools, and £5,715 for secondary schools with year groups 7 to 11. And for middle schools and all-through schools, an MPPL is set based on the specific year groups that they educate.
108. The MPPL values are compulsory in LA funding formulae, which determine actual funding allocations for maintained schools and academies. Academy trusts have flexibilities over how the funding they are allocated in respect of their individual academies is then distributed across academies in their trust. This means that, in some cases, an academy could receive a lower per-pupil funding amount than the MPPL value. This may reflect, for example, activities that are paid for by the trust centrally, rather than by individual academies.

The funding floor

109. The funding floor ensures that a school's funding is protected year on year, and that all schools attract a minimum uplift to their pupil-led per pupil funding even where the core formula factors indicate that their funding should be lower.
110. In 2023-24, the formula ensures that all schools attract an increase of at least 0.5% in pupil-led funding per pupil compared to 2022-23.
111. LA funding formulae must include a minimum funding guarantee (MFG) that provides a similar protection to the funding floor. In 2023-24, the MFG can be set between 0% and 0.5%.

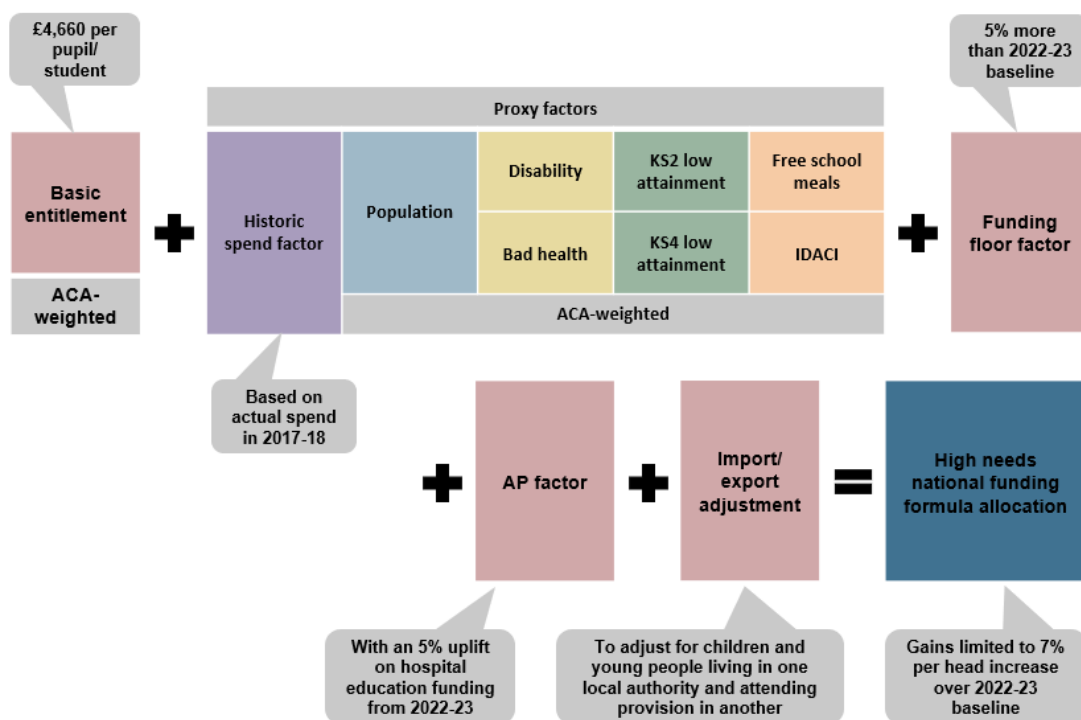
⁸ These funding levels includes £180 for primary year groups and £265 for secondary year groups added to the grant in 2021-22 to reflect the rolling in of previous pay and pensions grants into the NFF.

Annex B: The structure of the high needs national funding formula (NFF) in 2023-24

Overall design of the formula

112. The high needs national funding formula (NFF) has been used to allocate high needs funding to local authorities since 2018-19. 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 suspended, or because of illness or other reasons, cannot receive their education in mainstream or special schools.
113. The formula consists of 12 factors designed to indicate the level of need within a local authority. These can be seen in figure 3 below. The formula factors have been chosen to capture both the nature of the local SEND system (reflecting local circumstances, for example the number of special schools in the area) and the characteristics of the children and young people living in the area.

Figure 3 – the structure of the high needs NFF



114. The basic entitlement factor and the historic spend factor are designed to reflect aspects of the local SEND system. The basic entitlement factor gives a set amount of funding (£4,660) per-pupil based on the number of pupils in special schools (including those in independent special schools), performing the same role as its counterpart within the mainstream schools NFF. The historic spend factor provides

every local authority with a set percentage (50%) of their 2017-18 spending on high needs to reflect past spending patterns, given the constraints that the local demand for and supply of provision will continue to place on future spending.

115. The proxy factors within the formula reflect the characteristics of the population within a local authority. We use proxy factors in the high needs NFF rather than prevalence of SEND or levels of education health and care (EHC) plans in each local authority. The population factor sets out the number of children and young people aged 2-18 living within a local area, and the 6 SEND and AP proxy factors allocate funding more specifically based on levels of attainment, deprivation and health/disability.

116. The weightings for each of these factors differ depending on whether the formula is providing a local authority with funding for SEND, AP or both. The weightings in each case, which are the same in the 2023-24 formula as in previous years, can be seen in figure 4 below.

Figure 4 – factor weightings in the high needs NFF

Proxy factor type	Proxy factor	SEND weighting (90%)	AP weighting (10%)	Combined weighting
Population	Population factor	50%	50%	50%
Deprivation factors	FSM	8.33%	25%	10%
	IDACI	8.33%	25%	10%
Health and disability factors	Children in bad health	8.33%	0%	7.5%
	DLA	8.33%	0%	7.5%
Low attainment factors	KS2 low attainment	8.33%	0%	7.5%
	KS4 low attainment	8.33%	0%	7.5%

117. Further information on the factors within the high needs NFF can be found in the high needs NFF technical note⁹.

⁹ <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2023-to-2024>

Annex C: The impact of bringing local authority funding formulae closer to the NFF from 2023-24

Introduction

118. Moving to a direct NFF¹⁰, will ensure that all mainstream schools in England are funded on a fair and equitable basis. This will complete the reforms we started in 2018 when we first introduced the NFF to ensure that all schools were funded based on a consistent assessment of need.
119. In the consultation, [Fair school funding for all: Completing the reforms to the National Funding Formula](#), we recognised that the direct NFF represented a significant change, and one that requires a careful transition to avoid any unnecessary or unexpected disruption to schools. The consultation responses underlined that the move to a direct NFF will be complex, and that we should take a careful and measured approach to transition.
120. As previously confirmed in the [government's response](#) to this consultation, we are therefore taking a gradual approach to transition which brings local formulae progressively closer to the NFF over time. At each stage, this approach will be underpinned by careful assessment of the expected impact of requirements on local funding formulae, reinforced by an evaluation of the previous transitional step.
121. 2023-24 forms the first year of that gradual process, and this annex discusses the expected impact of the “tightening” requirements on local funding formulae for that year. This will be followed by an evaluation of the impact once the 2023-24 local formulae have been set.
122. We have not proposed a fixed target date by which the direct NFF will be in place, although we expect to have moved to the direct NFF within the next five years – that is, by the 2027-28 funding year at the latest. The path to the direct NFF, and the pace at which we move along it, will be informed by ongoing feedback as we proceed. Our ambition is to build momentum towards these reforms through gradually increasing the pace at which local formulae are tightened in subsequent years.

¹⁰ The NFF is used to calculate 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 formula.

Approach to tightening in 2023-24

123. In 2023-24, local authorities will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except the locally determined premises factors. Local authorities will also be required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2022-23, unless they are already “mirroring” the NFF.
124. For the purpose of the tightening requirements, and throughout the discussion in this annex, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF.
125. The comparison between the local factor values and the NFF factor values is made with the Area Cost Adjustment (ACA) applied to the NFF factors. As such, the required movement towards the NFF for each individual local authority is a movement to the NFF value as adjusted by that authority’s ACA. Throughout the discussion in this note, references to NFF values should be taken to mean the ACA-adjusted NFF values.
126. Local authorities in the London Fringe¹¹ each have two ACAs in the NFF. For these local authorities, the tightening criteria are applied in respect of the lower of the two ACAs, with the differential between the two ACAs applied via the “London Fringe factor”. The comparison in this note is therefore also done on the basis of the factor levels in the lower ACA area in each local authority.
127. As we transition to the NFF, we will maintain the protection offered through the minimum funding guarantee (MFG) to minimise disruption for schools. This will protect schools from sudden drops in their per-pupil funding levels in cases where local factors values decrease.
128. The [school funding operational guide](#) provides further detail on the tightening requirements for local authorities, and the allowable factor value ranges for each authority in 2023-24 are published here:
<https://www.gov.uk/government/publications/pre-16-schools-funding-local-authority-guidance-for-2023-to-2024>.

Approach to analysis

129. This annex provides a narrative analysis of the 2023-24 tightening requirements by looking at how the 2022-23 local authority funding formulae differ from the NFF. It sets out what the expected impact of tightening local formulae will be on schools in

¹¹ Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex.

particular local authorities, and types of schools more generally.

130. We have compared 2022-23 local authority formula factor values¹² with the 2022-23 area cost-adjusted¹³ NFF factor values¹⁴ for each local authority, to identify whether factor values are mirroring, higher than, or lower than, the NFF value. From this we have drawn out patterns in how local authorities diverge from the NFF which are described below. We have only included the sparsity factor in our analysis where that local authority has schools which are eligible for sparsity through the NFF. Otherwise, we have assessed the factor values that each local authority uses in their local formulae, and whether these are greater or less than the equivalent NFF factor value.
131. There are two factors where local authorities are allowed to adopt a different methodology in 2022-23 – sparsity and English as Additional Language (EAL). We have not accounted for the methodology employed by local authorities for the sparsity factor in our analysis, as local authorities will still have flexibilities in the tapering regime used for the sparsity factor in the first year of transition to the NFF. In contrast, local authorities will be required to use the EAL3 measure for the EAL factor from 2023-24, meaning that all pupils with EAL that have entered the school system during the last 3 years will attract funding through the EAL factor. We have therefore adjusted the factor values for local authorities currently using different EAL measures, in line with the operational guidance on tightening that factor as set out in the [school funding operational guide](#).
132. There are a wide range of approaches that local authorities take in setting their local formulae, and it is not possible to cover each variation. This analysis does not aim to extend to each of those variations between factors in the formulae and the interactions this produces. Where factor values do not mirror the NFF, we have not focused on the magnitude of divergence, but rather whether this is above or below the NFF value.
133. It is not possible to foresee or model the exact impact tightening local formulae will have at school level; individual schools' actual allocations will be affected by a wide range of factors, including, crucially, changes to the number and characteristics of their pupils. As such, where we describe the impact, this is in general terms. The effect of the tightening requirements on particular schools will depend on how local authorities use the remaining flexibility in their local formulae, including factors such

¹² Local authority factor values for 2022-23 can be found here: *Schools block funding formulae 2022 to 2023*

(Schools block funding formulae 2022 to 2023 - GOV.UK (www.gov.uk))

¹³ ACA values for 2022-23 for each local authority can be found here: *Schools block national funding formula: technical note* (National funding formula tables for schools and high needs: 2022 to 2023 - GOV.UK (www.gov.uk))

¹⁴ NFF factor values for 2022-23 can be found here: *The national funding formulae for schools and high needs 2022-23* (DfE external document template (publishing.service.gov.uk))

as whether or not they choose to move more than 10% closer to the NFF values; whether and how they make use of the 2.5% flexibility offered by the mirroring threshold; the level of the MFG; and the extent to which they manage any affordability pressures through capping and scaling the funding increases of individual schools. We will conduct a further analysis of what the impact of tightening has been once we know how local authorities have responded to the requirements and their 2023-24 formulae are finalised.

134. It is important to note that tightening will not have any impact on the distribution of funding across different local authorities, as it does not affect the total amount of funding each local authority is allocated through the NFF. Instead, the tightening requirements will only impact the distribution of funding between schools within local authorities.

Overview

135. We have identified three categories of local authorities depending on their current local formulae. Each of these groupings will see a different distributional impact from the process of transition to the NFF, as explained below.

- **Local authorities that mirror the NFF:** A majority of local authorities fall into this category; no impact is expected from the tightening requirements for the schools within these local authorities.
- **Local authorities that mirror the NFF in most factors:** A number of local authorities mirror most of the NFF, with differences found particularly in the lump sum, sparsity or mobility factor. The impact of tightening will be limited for the schools within these local authorities.
- **Local authorities whose formulae are substantially different from the NFF:** This category includes local authorities who employ different factors, and factor values, particularly around deprivation and other additional needs factors. In these local authorities the distributional impact of tightening is expected to be largest, with the nature of that impact depending on how the local authorities' formulae differ from the NFF.

136. Other factors will also affect the distributional impact of the tightening requirements. A notable one relates to **local authorities with a large proportion of schools funded through the funding floor**. These local authorities can typically afford more generous local formulae factors than the NFF. As they transition towards the NFF, a large proportion of their schools will therefore be funded through the MFG.

Local authorities that mirror the NFF

137. Since the introduction of the NFF in 2018, we have seen local authorities moving their local funding formulae closer towards the NFF. Now in its fifth year, there are 78 local authorities¹⁵ (of 150 local authorities in England¹⁶) whose formula factor values are all within 2.5% of the NFF factor values¹⁷, and are therefore deemed to mirror the NFF for the purpose of the tightening criteria¹⁸.
138. Local authorities who are already “mirroring” the NFF will not be required to move their factor values closer to the NFF in 2023-24. Therefore, for over half of local authorities (52%), there will not be any distributional impact of the tightening requirements in 2023-24.

Local authorities that mirror the NFF in most factors

139. There are 42 local authorities who mirror the NFF for at least seven out of the nine factors local authorities will be required to tighten¹⁹. Where these local authorities depart from the NFF it is, for the most part, in the sparsity, mobility, lump sum or basic entitlement factors, or a combination of these. The expected impact in these local authorities is discussed below. There are also nine local authorities who differ from the NFF through one of the deprivation, low prior attainment and English as an Additional Language factors²⁰.
140. Note that a local authority can fall into more than one of the below categories – there are, for example, five local authorities which diverge from the NFF in respect of both the sparsity and mobility factors.

Sparsity

141. The sparsity factor allocates additional funding to small and remote schools, recognising the challenges these schools face.

¹⁵ See Table 1 for a list of local authorities.

¹⁶ This excludes the City of London and Isles of Scilly as these are not included in NFF calculations.

¹⁷ This includes local authorities who mirror the NFF in all factors except sparsity, but have no schools who would be eligible for sparsity funding.

¹⁸ ESFA guidance, (Schools block funding formulae 2022 to 2023: analysis of local authorities' schools block funding formulae - GOV.UK (www.gov.uk)), counts 74 local authorities mirroring the NFF. That guidance uses a threshold for mirroring the NFF of local authority factor values within 1% of NFF values in 2022-23 (excluding the mobility factor as this was only included in the NFF from 2020-21), rather than the 2.5% that is used for the tightening criteria. The ESFA comparison also excludes mobility, whereas this analysis includes it.

¹⁹ There are nine factors included in this analysis: basic entitlement, FSM, FSM6, IDACI, English as an additional language, low prior attainment, mobility, lump sum, and sparsity. This excludes premises factors (rates, PFI, split sites and exceptional premises) which are determined locally, and minimum per pupil levels (MPPLs) which are already compulsory.

²⁰ See Table 2.

142. Out of the local authorities that mirror the NFF in most factors, 16 local authorities diverge from the NFF in respect of the sparsity factor values²¹. Fifteen of these have a lower sparsity factor value than the NFF – either by not using the sparsity factor at all (even though they have eligible schools), or by using a sparsity factor value that is lower than the NFF value²².
143. Small, remote schools in these local authorities would be expected to benefit as these local authorities are required to bring their formulae closer to the NFF. The cost of increasing the sparsity factor in these local authorities will only constitute a very small fraction of these local authorities' overall funding levels. As such, these local authorities would not be required to make any significant changes to other factor values in order to afford the increased sparsity factor. This means that the per-pupil impact of tightening on other schools in these local authorities is expected to be small.
144. 14 local authorities differ from the NFF sparsity factor with their methodology through using a different taper regime²³. This will not be affected by the tightening requirements for 2023-24 and, as above, has not been included in this assessment of the impact of tightening. The effect of moving to the NFF methodology – should any local authority choose to do so - may increase or decrease the sparsity funding received by schools depending on current tapering regime employed by the local authority.
145. If there is a negative impact for any of these schools, they will be protected from drops in funding through the MFG. While the MFG protects schools from losses in pupil-led funding, year-on-year changes in school-led funding are also included in the protection. The MFG (and the NFF floor) were specifically designed in this way in order to protect schools from losses in school-led funding – whether through the lump sum or sparsity – as local formulae transition towards the NFF.

Mobility

146. The mobility factor supports schools in which a significant proportion of pupils join the school part way through the year.
147. Out of the local authorities that mirror the NFF in most factors, 14 local authorities diverge from the NFF in respect of the mobility factor²⁴. 13 of these do not have the

²¹ See Table 3.

²² Telford and Wrekin have a higher sparsity value than the NFF but uses a different tapering regime. The effect on the six schools which are currently eligible for sparsity funding in 2022-23 will depend on the tapering regime as they tighten the factor value. None of these schools are eligible for the maximum sparsity amount so this should have a limited impact on their budgets.

²³ LAs can apply a different tapering to the sparsity factor, which determines how much remote schools are allocated (determined by how small and remote they are).

²⁴ See Table 4.

mobility factor at all, and the remaining one has a lower mobility factor value than the NFF.

148. In these local authorities, schools with high numbers of mobile pupils will benefit from increases in formula factor values for mobility. These local authorities would not be required to make significant changes to other factor values in order to afford the increased mobility factor as the total proportion of NFF funding towards mobility in these local authorities is small²⁵.
149. There are no local authorities who mirror the NFF in most factors but have a higher rate for mobility than the NFF.

Lump sum

150. All schools receive a lump sum irrespective of size or phase.
151. Out of the local authorities that mirror the NFF in most factors, ten local authorities diverge from the NFF in respect of the lump sum²⁶. Four of these local authorities have a lower lump sum factor value in the local formulae than the NFF. As these local authorities move their factor values closer to the NFF, the lump sum value their schools receive will increase, with particular benefit to small (typically primary) schools where the lump sum makes up a larger portion of their overall budget. The effect on other schools in these local authorities will depend on how the local authority chooses to pay for this increase.
152. Conversely, there are six local authorities who have a higher lump sum factor in at least one phase in their local formulae than the NFF. Schools in these local authorities will see a reduction in their school-led funding. The decrease in the lump sum will free up funding in the local formulae, and the net impact on individual schools will depend on how the local authorities choose to redirect that funding. Small primary schools, which are more reliant on the lump sum than larger schools, could be expected to lose out relative to other schools. However, all schools will be protected from sudden drops in their funding through the MFG. As noted above, year-on-year changes in school-led funding are included in the MFG protection – with the MFG specifically designed that way to protect schools from losses in school-led funding as local formulae transition towards the NFF.

Basic entitlement

153. All pupils attract basic entitlement funding, with the amounts they attract depending

²⁵ NFF funding for mobility constitutes between 0.18% and 0.81% of total NFF funding in these local authorities; and the local authority is only required to move the value of their mobility factor 10% closer to the NFF value (for those currently not using a mobility factor, that equates to setting a mobility factor in the local formula at 10% of the NFF value).

²⁶ See Table 5.

on which key stage they are in.

154. Out of the local authorities that mirror the NFF in most factors, four local authorities diverge from the NFF in respect of the basic entitlement factor values²⁷.
155. In two of these local authorities, the targeting of the basic entitlement varies by phase. In Essex, primary and KS3 pupils attract less basic entitlement funding than the NFF, whereas KS4 pupils attract more basic entitlement funding than the NFF. In Barking and Dagenham the opposite is true, with primary pupils attracting more basic entitlement funding and secondary pupils somewhat less than the NFF. As factor values move closer to the NFF, we would expect the relative factor weighting by phase to move closer to the weighting in the NFF. This means that there could be some redistribution across phases, although the MFG would protect all schools from any sudden drops in per-pupil funding.
156. In West Northamptonshire the basic entitlement factor value is slightly below the level of the NFF across all phases. Moving the factor values closer to the NFF will therefore create affordability pressures in the local formula. The impact of this will depend on how the local authority chooses to respond to that pressure. Overall, the distributional impact is likely to be limited, however, as the difference between the NFF and the local formulae values is relatively small.
157. In Hackney, the basic entitlement factor values are significantly higher than in the NFF – without any other factor being lower than the NFF. The reason Hackney can afford this in their local formula is because of the significant amount of floor funding their schools attract through the NFF. As Hackney moves their basic entitlement factor values closer to the NFF, we would expect some of the funding currently distributed through this factor to be distributed through the MFG instead. This is further discussed in the section below on local authorities with a large proportion of schools funding the floor.

Local authorities whose formulae are substantially different from the NFF

158. The remaining 30 local authorities whose local formula factors are substantially different from the NFF – defined here as diverging in at least three out of nine factors from the NFF. This section provides an overview of the distributional impact of tightening in these local authorities, with a focus on deprivation and additional needs.

²⁷ See Table 6.

Impact of tightening on deprivation funding

159. A significant area of divergence of local formulae is on deprivation factors - where 26 (out of the 30 local authorities whose formulae are substantially different from the NFF) diverge from the NFF.²⁸ These local authorities take a wide range of approaches to funding deprivation, choosing to target deprivation funding through certain factors in their local formulae. This produces a range of effects discussed below.

Many local authorities target deprivation differently to the NFF

160. Some local authorities target funding through specific deprivation factors. This includes²⁹:

- 10 local authorities³⁰ exclude at least one of the NFF's three deprivation factors from local formulae³¹
- Seven local authorities³² have a higher FSM factor compared to the NFF value;
- 10 local authorities³³ have a higher FSM6 factor compared to the NFF value;
- Three local authorities³⁴ broadly weight their deprivation funding more towards primary school pupils than secondary pupils compared to the NFF.

161. As these local authorities move closer to the NFF, the balance of funding provided across the different deprivation measures will also move further in line with the NFF. The overall distributional impact will depend on whether the local authority is allocating a higher or lower overall amount through the deprivation factors compared to the NFF, and how the local authority allocates funding through the other formula factors. For some schools, the effect may be small, if the effect of moving closer to the NFF is simply to shift the funding that the school receives from one deprivation factor to another.

²⁸ There are four local authorities who mirror the NFF deprivation factors – Blackburn with Darwen, East Riding of Yorkshire, Slough, and Newham.

²⁹ This list illustrates types of differences seen among different local authorities. The list is neither exhaustive nor mutually exclusive.

³⁰ See Table 7 - this includes one local authority, Stockport, that has excluded the primary FSM factor, but that does have an FSM factor for secondary.

³¹ As part of tightening from 2023-24, local authorities will have to use all NFF factors in their local formulae.

³² See Table 8.

³³ See Table 9.

³⁴ See Table 10.

A small number of local authorities have deprivation factors typically higher than the NFF

162. Three local authorities³⁵ target funding to deprived pupils through typically higher local deprivation factor values compared to the NFF, balanced against lower basic entitlement factor values, or a lower lump sum. (By “typically higher” we mean local authorities where at least one deprivation factor is higher than the NFF, with the rest mirroring the NFF.) In these local authorities, the tightening requirements in and of themselves would cause a lower proportion of funding to be allocated towards deprivation. However, this effect will be balanced by the overall increase in the deprivation factors in the 2023-24 NFF, whereby a larger proportion of NFF funding is allocated to deprivation in 2023-24 compared to 2022-23. The net impact on deprivation funding in these local authorities will depend on the specific circumstances of each one.

A number of local authorities have typically lower deprivation factors than the NFF

163. Six local authorities target less funding to deprived pupils than the NFF through typically lower local deprivation factor values³⁶. (These are local authorities where at least one deprivation factor value is lower than the NFF values, and others mirror the NFF values.) Three of these local authorities have higher basic entitlement and/or the lump sum factors than the NFF whereas the other three do not. As these local authorities move closer to the NFF, funding will be more targeted to deprivation and towards schools with higher proportions of deprived pupils.

Several local authorities have some higher deprivation factor values that are higher than the NFF values, and others lower

164. In addition, we have identified 17 local authorities that have higher values for some deprivation factors than the NFF, and lower values for others, giving a mixed picture overall³⁷. The impact on deprived schools in these areas will depend on how their local authorities respond to the tightening requirements as well as the schools’ specific pupil cohorts. As above, for some schools, the effect may be small, if the effect of moving closer to the NFF is simply to shift the funding that the school receives from one deprivation factor to another.

Impact of tightening on other additional needs

165. 28 (out of the 30 local authorities whose formulae are substantially different from

³⁵ See Table 11 - these local authorities overfund specific deprivation factors and mirror the NFF in any remaining deprivation factor values.

³⁶ See Table 12.

³⁷ See Table 13.

the NFF) diverge from the NFF in respect of the other additional needs factors in the NFF.³⁸ These are English as an additional language (EAL), mobility and low prior attainment.

166. There are 15 local authorities who currently target less funding through these additional needs factors in their local formulae compared to the NFF³⁹, by having typically lower additional needs factors than the NFF. (As before, this means that they have at least one additional needs factor that is lower than the NFF value, and no additional needs factors that are above the threshold for mirroring the NFF value.) As these local authorities transition closer to NFF values, schools with high proportions of pupils with additional needs should see more funding allocated through the additional needs factors.

167. The converse is true for the two local authorities that target more funding through the additional needs factors in their local formulae compared to the NFF⁴⁰. The impact on other schools in these local authorities will depend on how the local authorities adjust other parts of their local formulae to repurpose the funding.

168. Lastly, 11 local authorities have higher values for some additional needs factors than the NFF, and lower values for others, giving a mixed picture overall⁴¹. The impact on schools in these areas will depend on how their local authorities respond to the tightening requirements as well as the schools' specific pupil cohorts.

Local authorities with a large proportion of schools funded through the floor

169. There are other factors which will affect the distributional impact of the tightening requirements. A notable one relates to local authorities where a large proportion of schools are funded through the NFF funding floor.

170. The funding floor in the NFF is the national equivalent of the local authorities' MFG. In local authorities where a large proportion of schools attract additional funding through the floor, local authorities can afford to set their formula factors above the NFF levels. As these local authorities are required to tighten their formulae, these factor values will decrease (or at least increase at a lower rate than the NFF factor values). As a result, schools will be funded less through their core factors and more through the MFG – and the majority of schools in these local authorities will see their per-pupil funding increase in line with the MFG.

³⁸ Two local authorities mirror the NFF's other additional needs factors. These are Sheffield and Windsor and Maidenhead.

³⁹ See Table 14.

⁴⁰ See Table 15.

⁴¹ See Table 16.

171. Hackney and Newham are two examples of such local authorities, where all factors are either above the level of the NFF, or mirroring, in 2022-23. A number of other local authorities also have a very high proportion of schools funded through the NFF floor (such as Southwark, Haringey and Brent), but which nevertheless still have some factor values significantly below the level of the NFF. In these local authorities, we can expect some distributional impact to occur as a result of tightening – as discussed above - but a large proportion of schools to be funded through the MFG.

Conclusion

172. This analysis shows that in the majority of local authorities there will be a limited impact through the transition towards the NFF. There are a minority of local authorities departing substantially from the NFF where the effects will be more pronounced. The specific effects on schools within each local authority will vary depending on how local authorities manage the other factors in their local formula. This extends to decisions around block transfers, the MFG, capping and scaling.

173. However, we have been able to identify some general trends of impact. Overall, there are more local authorities which will need to increase their lower lump sums and/or sparsity factor values than the number of local authorities which need to decrease them. We also expect a greater number of local authorities to have to increase their deprivation factors [and their other additional needs factors] than decrease them as we transition towards the direct NFF.

174. The analysis presented here looks at the expected impact of the tightening requirements. We will publish an analysis of what the actual impact has been once the local formulae for 2023-24 have been set. That analysis will also be used to inform further tightening requirements in 2024-25 onwards.

Local authorities that mirror the NFF

Table 1: Local authorities that mirror the NFF

Barnet	Gloucestershire	Oldham
Bath and North East Somerset	Greenwich	Oxfordshire
Bexley	Hampshire	Peterborough
Birmingham	Harrow	Plymouth
Blackpool	Herefordshire	Redbridge
Bolton	Hounslow	Richmond upon Thames
Bournemouth, Christchurch & Poole	Isle of Wight	Rutland
Bracknell Forest	Islington	Salford
Bradford	Kingston upon Hull	Shropshire
Buckinghamshire	Knowsley	Somerset
Bury	Lambeth	South Tyneside
Calderdale	Lancashire	Southampton
Cambridgeshire	Leeds	Southend on Sea
Cheshire East	Leicester	Staffordshire
Cheshire West And Chester	Leicestershire	Suffolk
Cornwall	Lewisham	Sutton
Coventry	Lincolnshire	Tameside
Cumbria	Luton	Torbay
Darlington	Middlesbrough	Tower Hamlets
Derby	Newcastle upon Tyne	Trafford
Doncaster	Norfolk	Wakefield
Dorset	North Lincolnshire	Waltham Forest
Durham	North Northamptonshire	Wigan
Ealing	North Yorkshire	Wiltshire
East Sussex	Nottingham	Wolverhampton
Gateshead	Nottinghamshire	York

Local authorities that mirror the NFF in most factors⁴²

Table 2: IDACI, FSM or FSM6, low prior attainment, or English as an additional language is lower than the NFF value

Not mirroring the NFF in IDACI	Not mirroring the NFF in low prior attainment	Not mirroring the NFF in English as an additional language	Not mirroring the NFF in FSM	Not mirroring the NFF in FSM6
Kirklees	Sunderland	North Tyneside	Barnsley	Kent

⁴² The 41 local authorities that mirror the NFF in most (at least 7 out of 9) factors are listed in the tables in this section. Note that some of these are included in more than one table.

		(using EAL2 instead of EAL3)		
Rochdale (diverging in IDACI secondary A only)	West Sussex (diverging in primary LPA only)			Stoke-on-Trent
Wirral (diverging in IDACI primary A only)				

Table 3: Not mirroring NFF sparsity factor value

Central Bedfordshire	Havering	Swindon
Derbyshire	Milton Keynes	Telford and Wrekin
Devon	North Tyneside	Warrington
Enfield	Sefton	West Berkshire
Halton	Solihull	
Hartlepool	Sunderland	

Table 4: Not mirroring NFF mobility factor

Central Bedfordshire	North Somerset	South Gloucestershire
Dudley	Northumberland	Swindon
Halton	Redcar and Cleveland	Warwickshire
Kent	Sefton	Worcestershire
Liverpool	Solihull	

Table 5: Not mirroring the NFF lump sum

Lump sum is lower than NFF

Medway	Reading	Stockton-on-Tees
Milton Keynes		

Lump sum is higher than NFF

Bedford Borough	Kingston upon Thames	Surrey**
Essex*	Portsmouth	West Sussex*

* Primary lump sum is higher than NFF, secondary lump sum mirrors NFF

** Secondary lump sum is higher than NFF, primary lump sum mirrors NFF

Table 6: Not mirroring the NFF in the basic entitlement

Barking and Dagenham	Hackney	West Northamptonshire
Essex		

Local authorities whose formulae are substantially different from the NFF

Table 7: Local authority excludes at least one of the deprivation factors from local formulae

No FSM factor	No FSM6 factor	No IDACI factors
Camden	Haringey	Wandsworth
Hammersmith and Fulham	Walsall	
Hillingdon	Wandsworth	
North East Lincolnshire		
St Helens		
Stockport*		
Wokingham		

* No primary FSM factor, but mirroring the NFF in secondary FSM factor.

Table 8: Higher FSM factor than the NFF

Brighton and Hove	Haringey	Wandsworth
Bristol	Hertfordshire*	
Bromley	Walsall	

* Hertfordshire has a greater FSM factor for primary, but mirrors for secondary.

Table 9: Higher FSM6 factor than the NFF

Brighton and Hove*	Hillingdon	Westminster
Bristol	Southwark	Windsor and Maidenhead*
Camden	St Helens	
Hammersmith and Fulham	Stockport*	

* Higher FSM6 factor for primary only.

Table 10: Broadly weighting deprivation funding more towards primary school pupils than secondary compared to the NFF

Brighton and Hove	Manchester	Windsor and Maidenhead
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Table 11: Deprivation factors typically higher than the NFF

Bristol	Bromley	Windsor and Maidenhead
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Table 12: Deprivation factors typically lower than the NFF*

Allocate more funding through basic entitlement and/or lump sum	Do not allocate more through basic entitlement and/or lump sum
Kensington and Chelsea	Merton
North East Lincolnshire	Rotherham
Sheffield	Thurrock

* This includes local authorities where some of deprivation factor values are lower than the NFF values, and others mirror the NFF values.

Table 13: Deprivation factors both above and below the level of the NFF

Brent	Hertfordshire	Stockport
Brighton and Hove	Hillingdon	Walsall
Camden	Manchester	Wandsworth
Croydon	Sandwell	Westminster
Hammersmith and Fulham	Southwark	Wokingham
Haringey	St Helens	

Table 14: Other additional needs factors typically* lower than the NFF

Bromley	Kensington and Chelsea	St Helens
Camden	Merton	Thurrock
Croydon	North East Lincolnshire	Walsall
East Riding of Yorkshire	Rotherham	
Haringey	Slough	
Hertfordshire	Southwark	

*These local authorities have at least one other additional needs factor value below the level of the NFF, with no other additional needs factor value above the NFF mirroring threshold.

Table 15: Other additional needs factors typically* higher than the NFF

Hammersmith and Fulham	Newham	
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*These local authorities have at least one other additional needs factor value above the level of the NFF, with no factor value below the NFF mirroring threshold.

Table 16: Other additional needs factors both above and below the level of the NFF

Blackburn with Darwen	Hillingdon	Wandsworth
Brent	Manchester	Westminster
Bristol	Sandwell	Wokingham
Brighton and Hove	Stockport	



Department
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