

By email: nff.consultation@education.gov.uk

9 September 2022

ADCS response to Implementing the Direct National Funding Formula Consultation

1. The Association of Directors of Children's Services Ltd. (ADCS) is the national leadership organisation in England for directors of children's services (DCSs) under the provisions of the *Children Act (2004)*. The DCS acts as a single point of leadership and accountability for services for children and young people in a local area, including children's social care and education. ADCS welcomes the opportunity to comment on the proposals outlined in the Implementing the Direct National Funding Formula consultation.

Context

2. The education system is poised to change following the schools White Paper and the SEND and AP Green Paper both published earlier in the year, and the new Schools Bill is currently before parliament. ADCS welcomes the government's commitment to ensuring all children achieve their full potential within a stronger, fairer and more inclusive school system. However, it is important to recognise the unprecedented pressure that schools are under following the academic and emotional impact of the pandemic on children and an ever-rising bar of performance, combined with the financial pressures of rising inflation, escalating running costs and the crisis in recruitment and retention of teachers.
3. Every school must be provided with sufficient funding to ensure that all pupils receive a high quality of education. According to the [Institute for Fiscal Studies, 2021](#), school spending per pupil in England fell by 9% in real terms between 2009–10 and 2019–20, the largest cut in over forty years. Despite the planned reversal of past school spending cuts, school spending per pupil in 2022/23 is estimated to remain 3% below 2010 levels in real terms ([IFS, 2022](#)). The £4 billion rise to the core schools budget in 2022-23 and £1.5 billion increase promised in 2023/24 is not sufficient to prevent schools from facing a funding crisis. Schools have now been afforded some protection from rapidly rising energy costs for the next six months, but we await more detail on practicalities and longer term responses. Teacher salaries have been set to rise by 5% from September 2022, although this is still far below inflation rates. Funding for means-tested free school meals has increased by 5.8% in 2022/23, yet in July inflation for food and non-alcoholic beverages hit a record high of 12.7% ([ONS, 2022](#)). There is no specific additional funding for any of these increases. The direct national funding formula is attempting to redistribute an insufficient level of funding. The aspirations of education system reforms will be difficult to achieve without adequate funding and it may result in an increasing number of schools becoming unviable.
4. The funds currently in the system are not divided equitably. A significant number of academy trusts, often in more affluent areas, are building up substantial reserves, meaning they are spending less than their annual income on their pupils ([NAO, 2021](#)). At the same time as this, the high needs funding is under extreme pressure with The Society of County Treasures estimating that the total High Needs Block (HNB) deficit as currently standing at around £1.9bn and estimated to grow to £3.6bn by 2025 with no intervention ([CCN, 2022](#)). A small tweak in the national funding formula (NFF) could really help to address this.
5. ADCS agrees, in principle, with the concept of a funding system that fairly distributes public funding for schools in a consistent way, acknowledging the characteristics of both pupils and schools. However, concerns remain over whether a centrally controlled national

funding formula can ever be sufficiently flexible and sophisticated enough to actually achieve this aspiration. For example, the Institute of Fiscal Studies ([2022](#)) claims that progressivity of school funding has regressed, with extra funding for schools with disadvantaged cohorts falling from around 35% in 2010 to less than 25% in 2019, about the same level as it was in 2000, partly due to a cash-terms freeze in the pupil premium. Alongside this, while rising minimum funding floors in the NFF are intended to be part of the levelling up agenda, they have tended to benefit schools in more affluent areas. The aspirations of levelling up can only ever be achieved via the adequate levelling up of funding across all schools, reflecting the needs of the local communities they serve as well as the current realities of running costs (see earlier comments about staffing costs, energy bills etc).

6. While the proposals in this consultation do maintain a small degree of local flexibility ADCS members believe that more elements should be allocated to local authorities (LAs), to direct funding, ensuring there is appropriate provision across localities.

High Needs Block crisis

7. The total High Needs Block (HNB) deficit is approaching £2bn and is estimated to grow beyond £3.5bn by 2025 without significant government intervention ([CCN, 2022](#)). The investment through the government's Safety Valve and Delivering Better Value programmes is welcomed but is unlikely to stabilise local SEND systems as intended, with investment of £385m into these programmes being outstripped by the total national Dedicated Schools Grant deficit. Both programmes are predicated on the results of historic funding arrangements and is not a reflection of current practice or the ability of the LA to impact on it. Without these deficits being addressed, the level of financial deficit across the system will inhibit the implementation of the impending reform programme. Plans to channel a greater proportion of school funding towards high needs in 2023/24 are sensible, however, a far greater level of funding is needed to both address historic deficits and to support with rising numbers of Education, Health and Care Plans (EHCPs), which have increased by 72% since their introduction in 2015 ([DfE, 2022](#)). The DfE has set out a significant reform programme in the SEND and AP Green Paper, if progressed, these proposals will take time to implement and the costs within the current system are baked in for some years to come. Further action is needed now.
8. While these deficits and some of the factors which have contributed to them are still in existence, such as a lack of appropriate local special school provision and high and increasing home to school transport costs, the ability to transfer funds from the schools block to the HNB is imperative. It is positive to see that this option has been maintained and ADCS members welcome the widening of scope to allow for multi-year agreements and the ability to include all schools, including those on the Minimum Funding Level and Minimum Funding Guarantee. However, flexibility and local discretion has been restricted in the implementation of the menu of options, and it is unclear how the consultation process will look. Involvement of local SEND partnerships in decision making here will remain unclear until the membership, roles and responsibilities of the partnership is decided.
9. ADCS members report ongoing challenges with the concept of a notional SEN budget, with differing approaches and a lack of transparency. It would be more useful for the figure to be clearly defined at the local level as meeting actual pupil need, taking into account the proposed SEND funding tariffs, rather than a best guess based on formula factors.

Growth and falling rolls funding

10. The population attending primary and nursery schools peaked in 2019, with 532,000 fewer pupils projected to be in nurseries and primary schools by 2028 compared to current figures ([DfE, 2022](#)). For some local authorities, the struggle to provide sufficient school places for all children will soon be replaced by the new challenge of dealing with the impact of falling rolls, and the direct NFF must be flexible enough to deal with this in a timely and agile way.
11. ADCS members' firm preference is for an approach to growing and/or falling rolls funding which retains as much flexibility as possible, to enable LAs to meet their statutory obligations for pupil place planning. However, the proposed use of annual school capacity (SCAP) data over pupil place planning assessments will lose a great deal of the local sensitivity needed when making decisions over school places. SCAP data only reflects a single point in time and does not provide intelligence on future or emerging pressures, for example, new housing developments or unforeseen asylum resettlement plans.
12. All schools should be able to apply for falling rolls funding. Ofsted judgements do not necessarily provide an adequate representation of a school's performance with long waits between inspections. The disruption of the pandemic has exacerbated this further with a large backlog of schools awaiting their overdue inspections. By the time a school's places are required again in three to five years' time, its Ofsted rating may have either improved due to strong school improvement, or a once Good school may have since been downgraded. Either way, flexibility is needed for LAs to maintain necessary provision in order to meet their statutory sufficiency duty to provide places for all pupils.
13. Popular growth funding should be equally available to all schools. School improvement is achieved by quality school leaders who can be placed anywhere in the system, it is not driven solely by a choice around governance. Maintained schools should not be temporarily financially penalised for successful school improvement and any subsequent increase in parental preference.
14. If you would like to discuss any of the points raised in this consultation further, please contact sarah.wilson@adcs.org.uk in the first instance.