

**Response to Stage 1 of DFE/EFA Funding Consultation on Schools National Funding Formula - 7 March to 17 April 2016**

**Overview**

The DfE are seeking views by Sunday 17 April 2016 on proposals to introduce a national funding formula for schools.

**Question 1**

Do you agree with our proposed principles for the funding system?

The principles outlined in the consultation are perfectly valid. However, the reality of their application through the proposed funding regulations is a different matter and the funding system needs to subject Academy Trusts to the same validation as it does Local Authorities. Specifically the facility to allow Multi Academy Trusts to vire funding between their individual Academies or to potentially top slice significant levels of funding without any approval from the DFE/EFA or the equivalent to a Schools Forum is very concerning. At least under current arrangements Local Authorities have to consult with their Schools Forum about movements in funding and they are unable to simply impose increased overheads on Schools, as the Schools can choose to purchase support from elsewhere.

The timing and length of this first consultation is not appropriate, as Schools across the country have been on their Easter break. For the second stage of the consultation the DFE/EFA need to ensure that it is at least 10 weeks and that it is not carried out over the Summer break.

**Question 2**

Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?

No - the system of targeting resources locally is based on detailed discussions with all interested parties at a local level and reflects unique local demographic characteristics. As referenced to in the response to question 1 above there is also concern about the potential flexibilities being made available to Multi Academy Trusts which would effectively enable them to ignore the national formula, by redistributing funding with impunity.

**Question 3**

Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?

Yes - it would be best to have different values for these age groups to reflect different demands.

**Question 4**

a) Do you agree that we should include a deprivation factor?

Yes – this funding factor should be retained and it needs to be a significant element of the new funding formula, as the Universal Infant Free School Meals initiative will start to reduce the number of children who are eligible for Pupil Premium funding over the next couple of years.

b) Which measures for the deprivation factor do you support?

- Pupil-level only (current FSM and Ever6 FSM)
- Area-level only (IDACI)
- Pupil- and area-level

Pupil and Area level measures, but with the lowest weighting for IDACI as the 2015 updates to the index don't seem to match the reality of changes in deprivation levels in Tameside and some of our neighbouring authorities.

The importance of this funding factor will potentially need to increase as the effect of the UIFSM initiative reduces School's Pupil Premium funding as described in the response to 4 a) above.

**Question 5**

Do you agree we should include a low prior attainment factor?

Yes – and the current indicators are a good measure, but the Notional SEN budget concept is not helpful for Schools, as it tends to cause confusion for them.

**Question 6**

a) Do you agree that we should include a factor for English as an additional language?

Yes

b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)?

Yes

**Question 7**

Do you agree that we should include a lump sum factor?

Yes – it is important to have a fixed element to the funding formula.

**Question 8**

Do you agree that we should include a sparsity factor?

Yes – but this should be a proportionately small factor and only be applied to Schools that have a genuine need based on relatively low numbers on roll for that sector.

**Question 9**

Do you agree that we should include a business rates factor?

Yes – and this should still be linked to the actual cost of the Rates for each School.

**Question 10**

Do you agree that we should include a split sites factor?

Yes – but the measure needs to be consistent and applied fairly across all areas.

**Question 11**

Do you agree that we should include a private finance initiative factor?

Yes - It is essential that schools/academies are funded in full for their PFI liabilities and that this is adjusted annually to keep pace with contractual obligations. Without this schools and academies with PFI arrangements will be severely disadvantaged and in some instances may not be viable.

As discussed within the consultation documents, Schools rebuilt under building schools for the future and PFI schemes are tied into long contractual arrangements through the local authority, affecting facilities management, repairs and maintenance and many other aspects of basic school running costs. Each school in each local authority has a different arrangement for meeting these costs, depending on the nature of the contract and the balance between delegated funding, local authority contribution and specific grant.

Allocating on the basis of local authorities' historic spend on PFI in 2017-18 and 2018-19 would not be appropriate as LA's and governors are contractually obliged to fund inflationary costs as specified within agreements and this should be fully funded by the DfE if moving towards a national formula.

This would need to be done on a scheme by scheme basis as these contracts are complex and vary considerably from one scheme to another.

**Question 12**

Do you agree that we should include an exceptional premises circumstances factor?

Yes – but the criteria need to be easy to assess and be reviewed annually.

**Question 13**

Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?

- Business rates
- Split sites
- Private finance initiatives
- Other exceptional circumstances

No – As described in the responses above it is not appropriate to fund any of Business Rates, Split Sites or PFI based on historic costs,, particularly PFI costs where School funding is cash frozen whilst the providers continue to inflate costs substantially each year.

The position is the same for Exceptional Circumstances where the criteria need to be transparent for each case and reviewed annually.

### **Question 14**

Do you agree that we should include a growth factor?

Yes

### **Question 15**

Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?

No - historic spend is not an appropriate allocation method, as there are significant rises and falls in pupil numbers across the country in different time periods. Any allocation should be linked to increases in numbers on roll which can be measured and assessed annually based on demographic data that is already used to calculate capital funding allocations.

### **Question 16**

a) Do you agree that we should include an area cost adjustment?

b) Which methodology for the area cost adjustment do you support?

- general labour market methodology
- hybrid methodology

No – there is insufficient evidence to demonstrate that Schools in the areas that would receive allocations through ACA have demonstrably higher costs than Schools in areas that would not receive an ACA.

However, if an ACA is to be used then it needs to be based on a Hybrid methodology that takes account of all relevant costs which can be achieved through the use of Schools Consistent Financial Reporting data.

Furthermore, in terms of regional differences, the levels of charging paid in the North West of England (United Utilities area) for surface water drainage charges is significantly different than that that paid in other areas of the Country. It is understood that from DfE records on schools expenditure on water and sewerage charges, the North West region pays £27 million per year compared to just £11 million per year in the South East. Both these areas have almost identical numbers of schools and pupils yet in the North West, schools budgets cumulatively must pay £16 million pounds more. We request that the DfE takes this regional

difference into account in the developing funding formula until there is an equity in the liabilities faced by schools in the North West Region.

**Question 17**

Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?

Yes – targeting through the Pupil Premium Plus is more appropriate, providing Virtual School Head Teachers are still able to have significant influence over its use. However, if this factor is removed then the funding should not be removed from global School funding.

**Question 18**

Do you agree that we should not include a factor for mobility?

Yes

**Question 19**

Do you agree that we should remove the post-16 factor from 2017-18?

Yes

**Question 20**

Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?

No - until greater clarity is available in relation to the allocations of the Central Schools Block.

In theory it should be yes, but this is also dependent on the detail of how the DFE plans to distribute funding and is subject to the caveats of following the responses provided to other questions above.

**Question 21**

Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?

Yes - Sufficient temporary transitional funding should be provided to enable Schools in areas such as Tameside (where funding will be lost through nationalisation) to manage the reduced funding.

Based on the assumption that this transitional funding won't be made available, then Councils will need local flexibility over the MFG to enable them to make the School funding formula affordable.

**Question 22**

Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?

No – this method is too simplistic and does not take account of the fact that there is a fixed element to these areas of cost. A more acceptable proposal would be to have fixed lump sum element alongside a per pupil amount and the value of this allocation should be standardised nationally, rather than look at historic spend.

**Question 23**

Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?

Yes – but this should now be a much lower value nationally and needs to be reviewed annually

**Question 24**

Are there other duties funded from the education services grant that could be removed from the system?

Sufficient funding needs to be provided to Local Authorities to enable them to deliver on their statutory duties. This funding should be based on a fixed lump sum element alongside a per pupil amount. This is essential for Councils that have been losing substantial portions of their non-School funding for several years and who will continue to lost further funding over the next few years.

**Question 25**

Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?

The new Central Schools block should be funded at a level which ensures that this mechanism is not required. All the statutory duties that are still carried out by the LA in relation to its schools and pupils should be funded without the need for this arrangement.

However, if the Central Schools block is not properly funded then this mechanism may be essential.