

Young People's Education and Skills Operational Sub-Group

Consultation on school funding reform

Item No: 6(d)

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Summary

- The London Councils' response to the second part of the Department for Education's (DfE) two stage *Consultation on school funding reform* was approved by Executive on 13 September 2011.
- The consultation presents a number of proposals to reform the current funding system for schools, early years, high costs pupils and academies. In 2011/12 London will receive over £6 billion in grant funding for these services and any changes to the way this funding is distributed could have significant ramifications for London local authorities and schools.
- We agree with the overriding principle and objectives of the consultation that school funding should be distributed on a fair and transparent basis to support the needs of all pupils. However, we do have concern that a number of proposals do not meet these objectives.
- In our response we call for:
 - maximum local flexibility to cater for and respond to changing pupil needs;
 - reform of the current academy funding system which results in inconsistency, unfairness and unnecessary bureaucracy; and
 - a funding distribution method that is robust, transparent and evidence-based, reflecting a pupil's particular circumstances and ensuring equality of opportunity for all pupils.

Recommendation OSG members are asked to note this summary of the full consultation response.

1 Background

- 1.1 On 19 July 2011 DfE issued "*Consultation on school funding reform: Proposals for a fairer system*". The Government's objective is to introduce a funding system that supports the needs of all pupils, is clear and transparent, enables schools to make informed decisions about provision and funds maintained schools and academies on a comparable basis.

- 1.2 The DfE is proposing that the new system be implemented from either 2013/14 or the start of the next Spending Review period (2015/16). To enable further detailed consultation a “shadow settlement” will be published in Spring 2012, which will provide more detail on the financial implications for individual local authorities.
- 1.3 In preparing this response London Councils sought views from all heads of children’s services finance and Directors of Children’s Services in London local authorities.

2 Overview

- 2.1 In principle it is felt that any school funding system must not only support the needs of all pupils and schools, but also be fair to council taxpayers. While the consultation purports to do this by incorporating local flexibility into the system a number of the proposals appear to be at odds with these overarching principles, and may introduce fresh inconsistency and unfairness into the system. We raise concerns with these in our response.
- 2.2 London Councils officers have analysed the proposals within the document and have identified a number of key areas which we set out in more detail below:
- the overall school funding system;
 - distribution of school funding;
 - academy funding;
 - high cost pupils; and
 - the pupil premium.

Key areas addressed in the London Councils’ response

3 School funding system

- 3.1 We agree with DfE that local circumstances need to be taken into account in the setting of schools’ and academies’ budgets to enable local areas to respond to local needs and circumstances. We are particularly pleased to see that the Government has decided not to go ahead with a national funding formula which is something that London Councils strongly opposed in our response to the first consultation phase.
- 3.2 However, some of the proposals in the consultation are inconsistent with the principles of local flexibility and reduced bureaucracy, in particular:
- the possibility that central government might calculate notional budgets for individual schools. We are concerned that this will undermine the local decision making process and create an unnecessary extra function for the soon to be established Education Funding Agency (EFA).
 - proposals to restrict local flexibility such as the plans to limit the number of factors than can be including in local formulae. We are concerned that such restrictions will inhibit the ability of local areas to fully target and address the range of needs across schools. This could be particularly problematic at a time when additional funding is not available in the school system to mitigate any loss of local flexibility.
 - the possibility that the EFA may continue to be responsible for calculating academy budget shares by replicating local authority calculations. This seems to be an entirely unnecessary duplication of effort.
 - the possibility of unnecessary centralised bureaucracy to check local authority and Schools Forums’ decisions and processes. For example, it is suggested that the

EFA scrutinise budget calculations. This ignores local knowledge and expertise without necessarily adding any extra value.

4 Academy funding

4.1 We ask for a system of funding academies that is consistent, transparent and fair to all schools and local council taxpayers. We are concerned that the proposals put forward in the consultation do not rectify problems with the existing system and could potentially create new problems. In particular:

- no proposals are put forward to fundamentally reform the current system of recouping funding from local authorities to fund academy central functions. In the 2011/12 and 2012/13 Local Government Finance Settlement, formula grant was topsliced by £413 million to fund academy central functions. This topslice represented the expected cost to DfE of funding academies and bore absolutely no relation to local authorities' actual or expected savings. This is a major issue for London local authorities and was the subject of another recent DfE consultation. We reiterate the main point we made in our response to that consultation that any transfer of funding should be based on clearly demonstrable savings to local authorities to avoid undue pressure being placed on council tax and other local authority services.¹
- the proposal to automatically delegate certain funding streams to schools will result in local authorities having no capacity to meet unforeseen circumstances such as significant in-year growth in pupil numbers. This is a particular issue for London local authorities given the rapid growth in pupil numbers expected over the next few years.

5 Distribution of school funding

5.1 We believe that school funding should be based on a robust, transparent and evidence-based methodology that reflects a pupil's particular circumstances and ensures equality of opportunity for all pupils. We therefore support DfE's proposal to develop a formula that targets additional funding towards pupils with additional needs. However, it is felt that the proposed arrangements do not adequately address these objectives. In particular, London Council officers have a number of technical concerns in the following areas:

- *deprivation funding*: the consultation proposes to use a FSM measure of deprivation. FSM has been widely criticised for being an inadequate indicator of deprivation. London tends to have more deprived pupils than other areas that are not captured by a FSM measure – for example, families who do not claim the benefits that determine FSM eligibility. We ask that DfE uses a measure of deprivation that better identifies deprived pupils not captured by a Free School Meal (FSM) measure.
- *funding to support underperforming ethnic groups*: the consultation proposes to remove this factor from the formula without providing any evidence that this will not impact on attainment. As over 40% of these pupils are in London this proposal will shift funding out of London.
- *pupils with English as an Additional Language (EAL)*: we strongly support the retention of an EAL factor in the formula to meet the additional needs of these pupils. This is particularly important for London given that 40% of all EAL pupils are in London.

¹ The four week consultation on the basis of the topslice, *Consultation on the basis for the decision on the appropriate amount of Academies Funding Transfer for 2011-12 and 2012-13*, closed on 16 August 2011.

- *mobility*: no extra funding is to be provided for mobile pupils despite strong evidence of their higher support needs. London has significantly higher levels of pupil mobility than other regions.

6 High Cost Pupils

- 6.1 As with the school funding system, we agree that funding should be targeted to those pupils who need it most. However, we are concerned that the proposal for distributing funding to local authorities for high cost pupils could result in a significant amount of funding being shifted out of London without a strong evidential basis. We raise serious concerns about this in our response.
- 6.2 The consultation contains a number of specific proposals around how the funding of high costs pupils (both SEN pupils and pupils in alternative provision) could be designed to increase parental choice and remove perverse incentives for pupils to be placed in particular types of provision. The proposals lack clarity and detail so we would expect DfE to consult further on these issues once the proposals have been fully worked up

7 The Pupil Premium

- 7.1 We ask that the pupil premium be distributed in a way that achieves its objective of increasing the attainment of deprived pupils. We are concerned that the funding proposals in the consultation will undermine this objective as not all pupils will receive an equivalent level of support through the pupil premium. In particular:
- DfE has decided not to apply an Area Cost Adjustment (ACA) to the pupil premium before 2014/15 meaning that deprived pupils in London receive less support than deprived pupils elsewhere. By 2014/15 the lost support to London schools will be equivalent to around 2,500 extra teachers. The absence of an ACA on particular school funding streams is a longstanding issue for London local authorities.
 - London Councils' analysis shows that deprived pupils in London receive 20% less deprivation funding than deprived pupils elsewhere.² We have developed a methodology for allocating the pupil premium that ensures the extra resources are distributed to pupils who need them most by working to equalise deprivation funding per deprived pupil. We ask that DfE uses this as a starting point for developing a methodology for allocating the pupil premium in 2012/13 and beyond.

8 Summary

- 8.1 Through its reforms to funding system, the Government must ensure that it not only supports the needs of all pupils, but that it is also fair to council taxpayers and exploits local knowledge and expertise. In some areas, the proposals in this consultation fall short of achieving this by placing limits on local flexibility, introducing a further layer of complexity and bureaucracy and suggesting a number of changes without providing sound evidence.

Recommendation

- 9 OSG members are asked to note this summary of the full consultation response.

² When funding is adjusted for differences in area costs. Deprivation funding based on amount provided from central government to local authorities.