

Fairer schools funding in 2015-16 Consultation

Response by London Councils and the Association of London Directors of Children's Services

The following response is on behalf of London Councils and the Association of London Directors of Children's Services (ALDCS).

London Councils represents all 32 London boroughs, the City of London, the Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority. London Councils is committed to fighting for more resources for London and getting the best possible deal for London's 33 councils. We develop policy, lobby government and others, and run a range of services designed to make life better for Londoners.

ALDCS is the representative body of Children's Services Directors in London. It is a regional version of a national body – the Association of Directors of Children's Services.

Introduction

1. London Councils and ALDCS welcome the opportunity to comment on the Fairer Schools Funding in 2015-16 consultation which follows on from our engagement in previous consultations on schools funding.
2. The consultation raises a number of concerns about the future of schools funding and the allocations for 2015-16. London Councils and ALDCs call on DfE to:
 - Address the lack of flexibility within the proposals which undermines the role of the local authority in a national funding formula and its ability to address and respond to local, emerging issues
 - Reduce the heavy emphasis on per pupil factors as this does not sufficiently recognise local needs and the impact of multiple factors such as deprivation
 - Include pupil mobility as a characteristic. It is not clear why pupil mobility has been ignored, particularly when it is such a significant cost driver for schools in urban areas
 - Provide a more accurate area cost adjustment, and remove the LCA lower protection limit. The proposed ACA underestimates the cost of teacher pay and risks transferring funding from expensive areas to inexpensive area
 - Address the significant revenue and capital spending pressures London schools are facing
3. We are also concerned with the lack of detail about where this additional funding for schools has come from. It is understood that this funding has been earmarked from within the protected schools budget, but it is not clear how this decision will impact on wider schools funding. London Councils and ALDCS request further information on this and the potential impact on other funding streams to local government.

4. It should be noted that whilst this funding would benefit some schools, others could result in a real terms cut which would put them under significant financial strain in the current climate.
5. The allocations published as part of the consultation are indicative; this makes it difficult for local authorities and schools to plan. We ask that DfE announce the final allocations as early as possible to allow local authorities the time to budget for the funding.

Lack of Flexibility

6. The Fairer Schools Funding in 2015-16 consultation is part of a wider reform of Schools Funding.
7. The consultation has raised a number of concerns within local government about the purpose of the newly developed allocation method for the £350 million and the extent to which this could be a prototype for use in future years as part of a national funding formula.
8. As part of the wider reform, we are concerned about the lack of local flexibility within a national funding formula. Local knowledge and decision making is essential to ensure local authorities can respond to changing local needs. London has an extremely transient population, with a turnover almost double that of the rest of England for 2003-11 and a far greater rate than for any other region. As a result of this its needs and communities are constantly changing.
9. To address and respond to these challenges, local authorities need a flexible system to allocate funding.

Per Pupil Factors

10. The government is increasingly focusing on per pupil measures to create a national funding formula and compare funding across different areas.
11. A narrow focus on pupil factors does not take into account more complex, multi-dimensional issues affecting pupils. Highly populated areas often have a unique set of challenges such as multiple deprivation, neighbourhood and peer impacts which affect the resources needed. These factors cannot be accurately measured on a per pupil basis.
12. As such, London Councils and ALDCS believe that the allocation of funding to schools should not purely focus on pupil numbers, but a more holistic view of schools and communities would reflect the wider more complex characteristics.

Characteristics for allocating funding

13. London Councils and ALDCS are concerned that the consultation contains no justification for how the selection of 5 per pupil factors and 2 school factors were chosen. In particular, mobility is the only per pupil factor that has not been used within the current framework, and the rationale behind this decision is not explained.
14. Pupil mobility is a major issue and challenge in London. An Ofsted study found that pupil mobility in inner London secondary schools is 14.2 per cent, over twice as much as in any other area in the country whilst mobility in outer London (6.8 per cent) is also higher than other areas¹.
15. High mobility often appears alongside deprivation, lower attainment and family disruptions. High mobility levels make a considerable call on staff time and the level of planning and

¹ [Ofsted report - Managing Pupil Mobility](#)

resources required to react quickly to pupils’ needs – all of which leads to additional staffing, administrative and support costs.

16. Research by the London School of Economics found that “pupils from lower social background are more likely to switch schools than other pupils, and this is true for pupils at all stages of schooling; pupils who change schools are more likely to have a low previous academic attainment record than pupils who do not change schools; pupils placed in schools with high Key Stage performance levels move less than pupils from lower performance schools; pupils who move school and home simultaneously are typically more socially disadvantaged than otherwise; pupil mobility is more marked in London than in other regions of the country²”
17. The recent publication of the Schools block funding formulae 2014 to 2015, shows that Mobility has been used as a funding determinant in 62 (21 in London) local authority primary schools formulae, and 43 (17 in London) local authority secondary schools formulae, with over £14 million being allocated on this basis in London.
18. In contrast, the sparsity factor only affects 21 (primary) and 20 (secondary) local authorities in England, but has been included in the characteristics for allocation. This seems inappropriate as mobility appears to be an issue affecting far more authorities than sparsity, not just in London. As such, London Councils and ALDCS urge DfE to reflect the importance of mobility in its funding allocation process.
19. On a more technical point, there is also a fundamental issue with using these factors, particularly averages as they could be misleading as a guide to an individual area. Most of these factors are optional and local authorities do not have to use them to allocate their schools block funding. Therefore, when a local authority chooses not to use one of these factors, it would be incorrect to automatically assume that this factor is not an issue in that area. For example, a local authorities may have high EAL in nearly all schools and so to differentiate between schools, it may make more sense not to use the EAL factor and instead to increase the AWPU factor. London Councils and ALDCS would, therefore, suggest that the method of using averages may not accurately reflect the local authorities with widespread high needs in itself.

Area Cost Adjustment

20. London Councils and ALDCS are concerned with the use of the area cost adjustment as currently constructed. The teachers’ pay element of the ACA is based on notional average teacher costs as opposed to actual average teacher costs. This is not a reasonable approach to an adjustment which is meant to account for actual costs of teacher salaries. As highlighted in the table below, the notional average basic pay calculated in the consultation is much lower than actual pay.

	Inner London	Outer London
Average Teacher Salaries ³	£42,651	£40,237
Notional average basic pay for ACA Calculation	£41,388	£38,256

21. Use of this adjustment fails to reflect actual differences in pay and will place increasing pressure on school finances. This could apply downward pressure on salary levels for new teachers due to lower funding levels; potentially leading to difficulty in recruiting high quality teachers and a higher number of vacancies. London Councils would support the use of actual average teacher salaries as an area cost adjustment.

² [LSE Report: The Mobility of English School Children](#)

³ [Taken from School Workforce in England](#)

22. Whilst the CLG ACA Labour Cost Adjustment is consistent with other allocations of government funding, there are issues with this approach. In particular the lower protection limit which means the 23 'cheapest' areas have their LCAs raised to the value of the threshold area, West Sussex Non-Fringe. This means that areas below this area's ACA value are increased to 1,000, reducing the full relative difference for higher cost areas such as London and the South East from these cheaper input cost areas. The result is it transfers funding from expensive areas to inexpensive ones.
23. As set out in the table below, the Area Cost adjustment for London does not adjust the average minimum funding levels for the basic per pupil amounts to the average London amounts. On the basis that this adjustment accounts for 75 per cent of the allocation of the additional funding, London Councils believes that the Area Cost Adjustment is failing to fulfil its objective of addressing regional cost differences, particularly in London.

A basic per pupil amount	Primary	KS3	KS4
MFL	£2,845	£3,951	£4,529
Inner London Average	£4,003	£5,187	£5,446
Outer London Average	£3,203	£4,352	£4,817
MFL adjusted for IL ACA	£3,391	£4,710	£5,399
MFL adjusted for OL ACA	£3,148	£4,372	£5,012

24. London Councils and ALDCS ask for an Area Cost Adjustment which reflects actual teacher salaries and more accurately reflects and adjusts for the higher costs in London.
25. London Councils and ALDCS also remain very disappointed that calls for an area cost adjustment to be applied to the Pupil Premium continue to be ignored. Spend on deprived pupils is impacted by regional differences in cost and without an area cost adjustment, deprived pupils in London and other high cost areas are not able to access the same level of support from the pupil premium as deprived pupils in other areas of England.

Cost Pressures

26. Whilst London Councils and ALDCS welcome the additional £350 million for the lowest funded local areas and the flexibility in using it, this funding announcement should be considered in the wider financial context.
27. Schools are facing significant financial pressures. Rising salaries and pension contributions are pushing up revenue costs.
28. Pupil numbers are forecast to increase by 18 per cent in London by 2017/18, leading to a need for more pupil places and higher maintenance costs.
29. Whilst the Basic Need Allocations address this to some extent, London Councils estimates that the funding only provides enough to build 52 per cent of the total capacity local authorities have provided or plan to provide to meet their statutory duties from 2010-2016. Councils have to borrow, use asset disposals, maintenance funding and general council funds to meet the needs of their pupils.
30. This need is impacting schools block funding as shown in the 2014/15 funding formulae⁴ where 30 of the 33 London boroughs have set aside a growth fund totalling over £52 million to meet basic need pressures, support additional classes and to meet the costs of new schools.

⁴ <https://www.gov.uk/government/publications/schools-block-funding-formulae-2014-to-2015>

31. Given the financial pressures facing schools, the funding increase for pupils in some local authorities is unlikely to be significant.
32. London Councils and ALDCS have been raising their concerns with DfE about the financial pressures faced by the rising demand for school places. The level of funding for basic needs should be revisited to help local authorities deal with the pressures on school places.