

**REGULATORY AND OTHER COMMITTEE REPORT**

<b>NAME OF COMMITTEE:</b>	Schools' Forum
<b>DATE OF MEETING:</b>	29 June 2011
<b>SUBJECT:</b>	LA response to the Government consultation on: <ol style="list-style-type: none"><li>1. School funding reform: rationale and principles.</li><li>2. Academies pre-16 funding: options for the 2012/13 academic year.</li></ol>
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<b>IS THE REPORT EXEMPT?</b>	No
<b>IS REPORT CONFIDENTIAL?</b>	No

**SUMMARY**

The purpose of this report is to provide a copy of the LA's response to the two recent DfE consultations on:

1. School funding reform: rationale and principles; and
2. Academies pre-16 funding: options for the 2012/13 academic year.

**DISCUSSION**

A report presented to the Schools' Forum on 27 April 2011 provided links to the DfE consultation documents and listed the consultation questions posed.

It was resolved that responses to the consultations be drafted and circulated to the Forum for comment, prior to them being sent to the DfE.

Draft responses were emailed to Schools Forum members on 23 May 2011. Unfortunately, that was only two days prior to the closure of the consultation period. The reason for the delay in circulating the drafts was firstly, the complexity of the two consultation documents and, secondly, the extraordinary difficulty on this occasion, of trying to anticipate and reflect all Schools Forum members' views.

A response was issued on behalf of the Local Authority and a copy is attached at Appendix 1 for information.

Also attached for information at Appendix 2, is the response sent on behalf of the Society of County Treasurers, of which Lincolnshire County Council is a member.

<b>RECOMMENDATIONS</b>
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The Schools Forum is asked to note the content of this report.

<b>BACKGROUND PAPERS</b>
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The following reports were relied upon in the writing of this report.			
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<b>PAPER TYPE</b>	<b>TITLE</b>	<b>DATE</b>	<b>ACCESSIBILITY</b>
Report	Government consultation on: 1. School funding reform: rationale and principles. 2. Academies pre-16 funding: options for the 2012/13 academic year.	27 April 2011	County Offices, Newland, Lincoln, LN1 1YQ
Minutes	Schools Forum	27 April 2011	County Offices, Newland, Lincoln, LN1 1YQ

<b>APPENDICES</b>
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Appendix 1 - LA response to the consultation Appendix 2 - Society of County Treasurers' response to the consultations
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## LA response

25 May 2011

Dear Sir

**DfE CONSULTATION ON:  
SCHOOL FUNDING REFORM - RATIONALE AND PRINCIPLES  
&  
ACADEMIES' PRE-16 FUNDING – OPTIONS FOR THE 2012/13 ACADEMIC YEAR**

Lincolnshire County Council welcomes the opportunity to comment on the government's proposal to review the distribution of funding to Local Authorities (LA) and schools, and the funding of academies and free schools.

In summary, the Council's view is that the government's approach to funding LAs for schools should indeed be reviewed. The new formula should be based on need and will inevitably be complex. LAs should continue to play a leading role in school funding by taking into account local views and responding to local need. Academies and free schools should be funded on the same basis as local maintained schools and the clear financial advantage that academies currently enjoy should be removed as soon as possible.

The Council acknowledges that the funding system is unfair and outdated and that a review is overdue, but it is vital that the new system reflects needs. The differential in funding between the highest and lowest funded LAs is significant at a ratio of circa 1 : 1.8 and one would expect Lincolnshire and other shire counties to gain from a narrowing of that differential. However, the Council believes that the new system should reflect needs and proposes that the DfE's and LAs' previous efforts to construct a fair funding system based on need should not be wasted.

The primary objective of the review should therefore be to develop a fair system of funding that reflects need and whilst it may be desirable for there to be simplicity and transparency in the system so that parents and others can understand it, those aspects are much less important. There appears to be a strong desire from central government to simplify the funding system, but there is a real danger that an oversimplification of the system will lead to significant inequality for a large minority of pupils in the country. Currently, LAs are permitted by DfE' regulations to use a number of factors to distribute funding to schools and many LAs have made attempts in recent years to reduce those. However, the DfE should acknowledge that LAs have a variety of formula factors in place for a reason - that reason is to help recognise the differences in costs that can arise in some schools, with the ultimate aim being to deliver fair funding to all schools and pupils. The DfE appears set on a path of simplification which may prove to be fine for the majority of pupils, but hugely damaging to the education and future life chances of a significant minority of children and young people.

The complexity and variability in school costs necessitates the need for local involvement in the funding of schools. It is inconceivable that these differences can be assessed and fully understood anywhere other than at local level. Schools need to be able to communicate key issues and concerns and there must be local accountability for the decisions that are subsequently made. LAs therefore have a powerful role to play in ensuring that a fair system of funding is delivered to all schools and pupils. A national funding formula cannot deliver that and is likely, as the post-16 funding arrangements have shown, to give rise to

dissatisfaction and a feeling in schools of lack of influence and control. Interestingly, the national funding formula for post-16 is not widely regarded as simple or fair.

Although there should be a review of the government's funding of LAs for schools, it must be recognised that even with transition, there is a risk of creating widespread disharmony, i.e. in schools in LAs that have lost funding, and in schools in LAs that have gained funding (but not as much as they believe to be fair).

The current significant financial advantage available to academies through LACSEG is a major concern. Although the DfE is undertaking a review of that, its proposal to ensure that there is no financial advantage should be implemented as soon as possible, with clear communication being made to schools and academies now that this is already the government's stated intention.

Although this review of funding is important, there is a more important task that the DfE can and should devote resource to. The DfE has again demonstrated that there is little correlation between the performance of LA schools and their funding levels. With funding becoming tighter, it must be time to understand why those differences exist and to assess how resources can be better deployed by all LAs and schools to improve outcomes. The primary objective of central and local government must be to improve outcomes for children and the government's own evidence appears to suggest that a new system of distributing funding may not, in itself, have a material impact on outcomes.

Lincolnshire County Council's response to the consultation questions on the school funding reform is set out in Appendix 1. The Council's response to the academy consultation is set out in Appendix 2.

Yours sincerely

Tony Warnock  
Head of Finance  
Children's Services

**DfE CONSULTATION ON SCHOOL FUNDING REFORM RATIONALE AND PRINCIPLES****Q1. Do you agree with the stated characteristics of an ideal school funding system?**

- At face value, the stated characteristics of an ideal school funding system appear reasonable. However, upon further investigation, there are a number of tensions between them that need to be resolved. These are explained later.
- The system should distribute funding in a fair and logical way, but that does not mean previous work undertaken by the DfE should be discarded. The consultation document is rightly critical of the current approach to funding, as the spend-plus system introduced in 2006/07 is unfair and unsustainable. However, the DfE must utilise the extensive expertise and work previously developed when seeking to introduce a new funding system. That work should not be discarded in favour of a more simplistic approach. Identifying need was crucial then and it remains just as important today.
- In principle, the distribution of extra resources to pupils that need the most would appear essential to a system of fair funding. This is welcomed but the government's recent focus on deprivation and the pupil premium risks oversimplifying the situation. Of course, deprived pupils need more resource, but so do other groups, including: children with SEN; children with disabilities; children with English as an additional language; children in rural areas where opportunities are fewer, and; even children that by chance happen to be in a school where certain premises or other uncontrollable costs are significantly greater than elsewhere. Children in these and other similar situations can rightly be regarded as needing more resource and a fair system of funding should recognise these issues and cater for them. Unfortunately though, this cannot be delivered through a simple formula. So, the focus must not be entirely on deprived pupils. Furthermore, in constructing a new funding model, the planned distribution of £2.5bn for the pupil premium must be considered.
- A system that is transparent and easy to understand and explain is not hugely important. Parents do not ask for that information now and there is no reason to believe they will in the future. What is much more important to parents is that their children receive the best possible education. That is far more likely to be achieved with a more complex system that fairly reflects different needs, than a simple formula that doesn't reflect needs but can be more easily understood. If prompted, parents are much more likely to want to understand why there appears to be no correlation between outcomes and funding across LAs and schools, and the government should invest resource in that, to help ensure that however the funding is distributed in future, schools fully understand how it can best be deployed.
- The need for a diverse range of provision (i.e. academies and free schools) is a matter for central government, but ironically, that in itself can only lead to further complexity, less transparency and greater difficulty for parents in understanding the system. However, if that range of provision is to exist, it is indeed essential that they operate on a level playing field. That point applies equally today as it does in the future and yet the DfE has created a situation where academies are much more generously funded than maintained schools. Although the DfE is reviewing that, the financial advantage should be removed as soon as possible. It appears that many schools are seeking academy status almost entirely for the financial benefits and many appear not to appreciate that these will largely disappear within a relatively short period of time. There appears to be no communication from DfE to schools on

that and so many academies risk committing their extra resource to staffing or other budgets which are likely to be unsustainable. Balancing their budgets and avoiding significant and needless redundancy costs may prove to be a significant challenge in the medium term.

- The new funding system should provide value for money. However, the current replication of LA funding systems by the YPLA shows signs of developing in to a similar model operated by the Funding Agency for Schools in the 1990s, when the cost of supporting a relatively small number of grant maintained schools was, according to their accounts, much greater than the approach adopted by LAs. As indicated above, LAs are able to respond to local needs and their involvement is likely to be a more cost effective system than one that underpins a national funding formula.

**Q2. *Are there any further characteristics the system should have?***

- The principal aim of the new funding system should be fairness. It should be logical and transparent and it should deliver value for money. It should direct more resource towards pupils that need the most, but that term should not be too tightly defined, i.e. for deprived pupils only.
- It is not necessary for the new system to be easy for parents to understand and if there is to be a diversity of provision and a level playing field, the same system of funding can be used for all of them without complicating matters.

**Q3. *Do you agree with the analysis of how the current system falls short of these aims?***

- Partly. The spend-plus system is fundamentally flawed and a new system based on need should be introduced as soon as possible.
- The variation in funding between LAs appears to be much too wide, but that can only be confirmed after a thorough assessment of need has been completed. A move towards over simplifying the funding model should be avoided to prevent disadvantaged groups, other than those from deprived backgrounds, being overlooked.

**Q4. *Do you agree with the case for reforming the system?***

- Yes. The spend-plus system is not fit for purpose and is limited in its reflection of need. However, in moving to a new system, the transitional protection arrangements should not be extended for too long. Otherwise, one of the DfE's main criticisms of the current system will remain true, i.e. that school funding will still be dependent, in part, upon an increasingly old funding system.

**Q5. *Do you agree with that the aim of ensuring all deprived pupils get the same level of funding no matter where they live is the right one?***

- In principle this seems fair, but in practice it can only be delivered if all school funding is taken in to account. Currently, the pupil premium does not achieve this aim because whilst every eligible pupil may now trigger £430 p.a., the system fails to reflect how much DSG per pupil funding the LA receives and how, through its local formula factors, the LA distributes that.
- There appears, at present, to be a lack of accountability for schools over how funding for deprivation or the pupil premium is used. So, even if the same level of funding is made available to such pupils nationwide, it seems there is no guarantee that it will have the impact that government hopes for. This funding is allocated to schools, not

individual pupils, and there is no requirement or therefore guarantee that schools will devote that resource to individual pupils. Indeed, given the government's Comprehensive Spending Review, those schools that qualify for significant additional funding may be likely to use it, firstly, to offset the cost of inflation and other budget pressures.

**Q6. *Do you agree the underlying funding formula needs to change to meet this aim more quickly and effectively?***

- Yes, the underlying funding formula needs to be reviewed quickly to ensure that fair funding is delivered. However, stability in LA and school funding is important and transitional arrangements need to allow schools to manage. More importantly though, the DfE must seek to understand why performance of LAs varies so much, regardless of funding levels, so that however the new system allocates funds, schools make most effective use of them.
- If LAs are to continue to play a role in school funding, the DfE may wish to define more tightly how resources can be allocated to schools. This would help simplify the system and aid transparency and understanding, whilst still reflecting need. In particular, it is noteworthy that some LAs distribute a much greater percentage of their funding through deprivation factors and it would be helpful for LAs to understand whether this correlates to the performance gap. It would be helpful for the DfE to publish this information. If there is no correlation, then it calls in to question the value of distributing funds via the pupil premium.

**Q7. *Do you think the school funding system should be based on a purely national formula or should there be flexibility for local decisions about funding levels?***

- The DfE should develop a needs led system of funding for LAs, and LAs should work with schools in their local area to distribute that funding whilst reflecting local needs. A fair system of funding is of paramount importance and as the reality is that costs vary school by school, it is inconceivable that a national formula could take that in to account, or reflect local need, or be responsive, or provide sufficient accountability.
- The DfE could nevertheless reduce the number of formula factors LAs use and simplify the system by removing factors that distribute limited funds. Also, the DfE could more clearly direct how much funding should be distributed through deprivation factors, providing evidence exists as to its effectiveness.

**Q8. *If so, should that flexibility be limited and, if so, how?***

- The flexibility should be broadly as it is now. Restrictions already apply through the DfE' finance regulations which specify the formula factors that LAs can use to distribute funding to schools. LAs could be encouraged to remove factors which provide limited funding to few schools and clarification could be given as to how much deprivation funding should be distributed. The DfE should relax its recent approach to requests to waive or vary the minimum funding guarantee, especially where it can be demonstrated that there is significant local support. The LA would not support any further significant restrictions on its current flexibility.

**Q9. *If there is local flexibility, what should be the roles of Local Authorities, schools and Schools Forum from the indecision making?***

- The roles should be similar to those operating last year. Last year's restriction on the powers to make local decisions regarding amendments to the minimum funding guarantee should be reversed so that key changes to the formula can be made

without recourse to the Secretary of State. This approach provides a much greater degree of local accountability.

**Q10. *If there is local flexibility for maintained schools, how should Academies and Free Schools be funded?***

- Academies and Free Schools should be funded in the same way as maintained schools, otherwise perverse incentives will be created within the system, as is the case now. The additional responsibilities of academies should be redefined and costed locally, without inclusion of fixed and unrelated corporate overheads. If necessary, the LA's external auditors can be asked to validate the figures each year and the Schools Forum, with academy representatives, could review the figures annually and challenge the LA where necessary.
- The LA should calculate the budget figures for academies (as it does now) and free schools, to avoid the unnecessary duplication and waste of public money caused by the current system operated by the YPLA.
- The funding of academies and free schools must be based on the funding regime of local schools to ensure the fairness and the level playing field that the DfE describes as important.

**Q11. *How do you think SEN Support Services might be funded so that schools, Academies, Free Schools and other education providers have access to high quality SEN support services?***

- The funding should be provided to the LA and it should make available support to all schools, academies and free schools based on need. Such a system currently operates for other services such as school transport and there is no reason why it should not apply to SEN. This approach would be far preferable to a crude top slicing arrangement, especially where academies and free schools receive an unnecessarily large share of funding.
- It seems rather odd that the consultation document criticises the current funding system and suggests that simplification is desirable, but later begins to acknowledge some of the complexities, in this case due to SEN, that need to be factored in to a new funding system. It illustrates why a simple system of funding is not feasible.

**Q12. *How do you think a national banded funding framework for children and young people with SEN or who are disabled could improve the transparency of funding decisions to parents while continuing to allow for local flexibility?***

- It is difficult to imagine how a national funding formula could address satisfactorily, the needs of such children. There needs to be local assessment and flexibility to be able to deal sensitively and fairly with such issues.
- LAs have a long history of dealing with SEN, but sharing of good practice could be encouraged by the DfE, perhaps with a view to operating more uniform systems nationwide. In Lincolnshire, the funding for lower level SEN has recently been changed. The previous banded system introduced in 2000 led to significant and unexpected growth and a disparity of funding between similar schools. A new system for lower level SEN based largely on prior attainment is now in place and is more objective and hence is a fairer way of distributing funds. Funding for more severe additional needs still exists and greater transparency for parents could be achieved by LAs being required to publish together its policy and funding arrangements each year.
- The DfE should avoid introducing a new system which other LAs have found to have failed.



**Q13. How can the different funding arrangements for specialist provision for young people pre-16 and post-16 be aligned more effectively to provide a more consistent approach to support for children and young people with SEN or who are disabled from birth to 25?**

- The funding for young people aged 18 plus should be passported to LAs. However, that should be done carefully, to avoid causing disadvantage to some LAs that may have been providing a greater degree of support than a pro-rata allocation of the current resource might deliver. Significant turbulence in funding for this activity is likely to adversely affect future provision.

**Q14. How successfully has the EYSFF been implemented? How might it be improved?**

- In Lincolnshire, the EYSFF was introduced in April 2011. It may be too early to assess how successful this has been, but there has been little negative reaction to its introduction. The methodology used to construct the formula provided consistency and fairness in the funding arrangements between the different sectors, but left a degree of flexibility to respond to local needs. The same approach should be adopted for maintained schools, academies and free schools in any future school funding arrangements.
- There is, however, no question that the movement to funding of schools using the number of hours provided will make their financial planning much more difficult and this runs counter to the government's wish for predictability and stability in school funding.

**Q15. How important is an element of local flexibility in free early education funding? What might alternative approaches look like?**

- Local flexibility is not a major issue in Lincolnshire. It remains important in this and other funding that, for fairness and transparency, there is not too much local discretion over how funding is distributed.

**Q16. How should we identify the total amount of funding for early years and free early education for three year olds and four year olds not in reception from within the overall amount of 3-16 funding?**

- This could be collated through a survey of LAs.

**Q17. Should the formula include only pupil led factors or also school led factors?**

- The primary objective of the new funding formula must be to deliver fair funding. That cannot be achieved unless school led factors are included. The reality is that costs can vary significantly between similar sized schools for a variety of reasons and many of those require school led factors, not pupil led factors. Unless these are permitted, the distribution of funding will be unfair and whilst pupils from deprived backgrounds might gain, other groups would begin to suffer and have less opportunities to fulfil their potential than children elsewhere.

**Q18. What factors should be included?**

- The DfE' financial regulations already stipulate which factors may be included and the most significant elements should be allowed to continue, although some rationalisation may be beneficial to help improve transparency and provide simplicity.

**Q19. *What is the right balance between simplicity and complexity?***

- There is no right balance. The primary aim of the funding system should be to provide fair funding. Due to the variation in costs in schools across the country, it is essential that those can be accommodated, and that therefore requires a degree of complexity. The balance should perhaps therefore be viewed more as being between simplicity and fairness.
- There isn't and never has been significant demand from parents for simplicity and clarity over school funding arrangements and so it should not be a major consideration when developing a new funding system.

**Q20. *What level of change in budgets per year can schools manage?***

- The consultation document appears contradictory in criticising the existing system for relying on an old funding system, then appearing to offer significant protection arrangements, with tight floors and ceilings and a possible delay to the introduction of a new funding formula. This will mean that for many years to come, there will continue to be reference to the old funding system.
- Protection is important however, not least as it protects the public purse by allowing schools time to reduce staffing levels without recourse to avoidable redundancy costs. Most schools can probably cope with annual budget reductions of up to 1.5%, although small schools would struggle.

**Q21. *How much time do schools need to plan for changes in their funding?***

- Schools need at least 12 months notice of a reduction of 1.5% per annum. Ideally, reductions for several years ahead should be advised together, so that schools can develop sensible, long term strategic plans.

**Q22. *When is the right time to start moving towards a fair funding formula?***

- Work to develop a needs led model for funding LAs should begin immediately. The work previously undertaken by DfE and its consultants should be used as a starting point. Implementation should be from 2013/14, with appropriate protection arrangements introduced. Revised guidance on LA local funding formulae should be consulted upon and implemented at the same time. However, the unfair financial advantage to academies through the LACSEG calculation should be removed more quickly and the DfE should communicate immediately its intention to do so.

## ACADEMIES' PRE-16 FUNDING – OPTIONS FOR THE 2012/13 ACADEMIC YEAR

**Q1. Do you agree with our analysis that the current system is not appropriate to fund an increasing number of Academies in a fair and transparent way?**

- Yes. The current system of funding Academies is based on LACSEG and the Section 251 budget statement which was not designed for this purpose. As a consequence, Academies are receiving significantly inflated budgets despite DfE published statements that there should be no financial advantage. This is clearly unfair and is the principal driver behind the significant increase in the number of schools applying for Academy status. Some LAs are seeing a significant increase in the number of Academies and this is likely to leave them significantly weakened in the medium term when an alternative funding system is developed and LAs are asked to finance those accordingly.
- The current process is transparent, albeit it remains rather complicated.
- The DfE gives preferential treatment to Academies by giving them approximately 8 months notice of their forthcoming budgets compared to nearer 8 days for maintained schools. This too is unfair.
- There is a risk of error in the replication process and there is no need for the YPLA to recreate LA funding allocations. LAs have to produce budgets for maintained schools and Academies, and there is no reason why reliance cannot continue to be placed on LA figures.
- The replication process is likely to see the re-creation of an equivalent Funding Agency for Schools, which was extremely expensive and delivered poor value for money when compared to LA costs.

**Q2. Do you agree with the principles for an alternative method of funding Academies in 2012/13?**

- Introducing a new system of funding for Academies for 2012/13 simply extends the period in which a significant financial advantage would be gained by Academies.
- The incentive to move to Academy status will remain for an even longer period of time and, as this appears to be the key driver behind school applications, it will leave much reduced and weakened LAs to support remaining schools.
- The DfE should therefore move much more swiftly to introducing a funding system that is the same for Academies, Free Schools and maintained schools.
- Having one system of funding would be more transparent and easier to understand, albeit any funding system that is fair will, by its nature, need to be complex to reflect the different needs of schools and pupils.

**Q3. Are there other aims we should have for the Academy funding system in the absence of cross-system reform, such as a Fair Funding Formula?**

- No.

**Q4. Do you agree with the broad analysis of how each option might work?**

- The options are easy to understand.

**Q5. Which option do you think is the best way of funding Academies in 2012/13?**

- The Local Authority based calculation would be the preferred method. The Local Authority already undertakes these calculations. However, as indicated above, maintained schools do not obtain advance notice of their budget allocations or the benefit of lagged funding.
- It appears that the DfE's wishes for Academies to be autonomous institutions, and retain a link to the funding of locally maintained schools, are incompatible.

**Q6. *Are there potential advantages and disadvantages in implementing each option that we have not considered?***

- The roll forward approach would detach Academy funding from the local funding formula and would be seen to be unfair and divisive.
- A fair funding formula for Academies only is also likely to create differences with locally maintained schools. This too will be seen as unfair and divisive.

**Q7. *Are there changes you think we should consider to the way the Local Authority Central Spend Equivalent Grant LACSEG is calculated for FY2012/13?***

- Yes. The LACSEG calculation gives a significant, unfair financial advantage to Academies and despite the DfE stating that "its principle is that Academies should not have a financial advantage or disadvantage" the reality is that any delay in changing this will incentivise more schools to become Academies in the interim period.
- Therefore steps should be taken promptly by the DfE to provide a much fairer allocation to Academies to reflect their actual additional responsibilities, and the DfE should build upon the detailed representations that Lincolnshire and other LAs have made on this subject in recent years.

**Q8. *What factors would you want us to take into consideration if we were to make changes?***

- Lincolnshire and other LAs have made extensive representations on this previously. Those points should be considered. In particular, there should be consistency in the treatment of corporate overheads. These are helping to provide a significant, unfair financial advantage to Academies and are unjustifiable. Such costs should be stripped out from the LACSEG allocations and the DfE could design a separate return for LAs to calculate a fairer allocation to individual Academies for their additional responsibilities.

## Society of County Treasurers' response

**A Consultation on School Funding Reform: Rational and Principles**

1. Do you agree with the stated characteristics of an ideal school funding system?

All

The Society recognises that the characteristics for an ideal schools funding system, stated in section 2 of the consultation document, are difficult to argue with. However, there are a number of significant omissions.

2. Are there further characteristics the system should have?

Yes

Other characteristics an ideal funding system, should include are:

- Robust and transparent to ensure all stakeholders have confidence in the school funding system;
- Based on up-to-date data
- Fairness – The SCT recognise that “fairness” does not mean every pupil or each area should get the same level of funding but pupils with the same needs in each area of England should receive the same level of funding
- Promote good outcomes for children and young people;
- Provide stability and predictability and notification of funding should be received by local authorities to facilitate meaningful medium-term financial planning;
- Reflect the need of schools rather than individual pupils. A prime example of this would be the needs of small schools;
- Not contain any perverse incentives;
- Reflect social obligations e.g. keeping small village schools open, as well as legislative requirements e.g. class sizes;
- Reflect regional cost differences
- Differences in funding e.g. regional cost difference, must be justified using robust evidence

3. Do you agree with the analysis of how the current system falls short of these aims?

Yes

The current funding system, based on historic spend rather than up-to-date data reflecting need, is unfair and inadequate. It results in serious anomalies in the levels of funding that local authorities receive and then pass on to schools. Something that is extremely difficult to explain to residents. Quantified examples of these anomalies can be found in individual members responses.

4. Do you agree with the case for reforming the system?

Yes

The Society would welcome the development of a fair and transparent distribution formula based on up-to-date data that measures need. It is also essential that a basic entitlement is adequately funded *equally* across different types of schools.

5. Do you agree that the aim of ensuring all deprived pupils get the same level of funding no matter where they live is the right one?

Yes - broadly

The Society believes that pupils with the same needs in each area of England should receive the same level of funding. The more pertinent question here would be how to target resources to need. The SCT are keen that a more accurate measure than the existing Free School Entitlement indicator. This indicator is not a good proxy for measuring multiple deprivation since it reflects registered eligibility for free school meals rather than actual eligibility. As stated in the Society's response to previous consultations on the DSG, there are variations in take-up of school meals both between and within local authorities; moreover, not all schools provide a meals service.

The Society welcomed the statement that DfE would continue to explore alternatives to develop a pupil-level indicator for deprivation. SCT members urge the Department to develop an indicator that identifies pupils *entitled* to Free School Meals, rather than only pupils whose parents apply for them. Such an indicator would be more likely to take account of deprived pupils in areas which are not necessarily classified as being affected by deprivation.

6. Do you agree the underlying funding formula needs to change to meet this aim more quickly and effectively?

Yes

However, any need formula would need to include a level of local discretion that would enable resources to be targeted to need based on local analysis and understanding as well as existing provision through local formulae.

7. Do you think the school funding system should be based on a purely national formula? Or should there be flexibility for local decisions about funding levels?

Some Flexibility

The Society believes that a funding formula at national level, for vulnerable pupils, would be not reflect the wide spectrum of needs at local level and that a level of local involvement is crucial. A national formula with local flexibility would support local authorities' strategic commissioning role empowering local authorities to draw on their knowledge and understanding of the local community to target resources effectively.

8. If so, should that flexibility be limited, and if so how?

The Society refers the Department to responses from individual SCT member authorities.

9. If there is local flexibility, what should the roles of local authorities, schools and Schools Forum be in decision making?

The society would support the following roles for local authorities, schools and Schools Forum in decision making

Local authorities

Members support the current local authority role as strategic education commissioner. They should continue to provide support for schools ensuring pupils receive quality educational opportunities

Schools

Schools will be responsible for all funding of children on their roll including funding for exclusions, inter-authority placements, high-cost education (special education needs funding) and provision of one-to-one tuition.

Schools Forum

Schools Forum can assume a more decision making role in allocating funding to local providers including funding for Academies and Free Schools.

10. If there is local flexibility for maintained schools, how should Academies and Free Schools be funded?

Through the Fair Funding Formula

The majority of members support the funding of Academies and Free Schools through the Fair Funding Formula to ensure funding parity between the different types of schools. The difference between Academies, Free Schools and Maintained schools should relate to their responsibilities and accountability and not their level of funding. This factor is crucial to ensure schools are not converted for financial reasons. However, an element of local decision making for the most vulnerable children, similar to Maintained schools, would further cement this parity

11. How do you think SEN support services might be funded so that schools, Academies, Free Schools and other education providers have access to high quality SEN support services?

Members believe that funding for SEN should be provided to Local Authorities, to devolve directly to schools

12. How do you think a national banded funding framework for children and young people with SEN or who are disabled could improve the transparency of funding decisions to parents while continuing to allow local flexibility?

The Society refers the Department to responses from individual SCT member authorities.

13. How can the different funding arrangements for specialist provision for young people pre-16 and post-16 be aligned more effectively to provide a more consistent approach to support for children and young people with SEN or who are disabled from birth to 25?

The Society refers the Department to responses from individual SCT member authorities.

14. How successfully has the EYSFF been implemented? How might it be improved?

Very

Members' experiences of the implementation of EYSFF have been positive with no direct issues identified. Member authorities have described the process as being "straightforward" with endorsement for the principles from early years providers across the maintained, private and voluntary sectors.

15. How important is an element of local flexibility in free early education funding? What might alternative approaches look like?

Fairly

Due to the diverse nature of Free Early Education provision, there is a need for local assessment in levels of funding. Local flexibility has allowed members the freedom to establish local funding solutions for the provision of the service, which in no small part, plays a key role in the success of EYSFF.

16. How should we identify the total amount of funding for early years and free early education for three year olds and four year olds not in reception from within the overall amount of 3-16 funding?

The Society believe that funding for early years and free early education for three year olds and four year olds not in reception from within the overall amount of 3-16 funding should be measured based on need.

17. Should the formula include only pupil led factors or also school led factors?

Include School-led factors

Members believe there should be a balance between pupil and school-led factors. School-led factors should therefore also be included as part of local flexibility. Pupils are taught in groups, not as individuals, therefore any funding mechanism must take into account the characteristics of different forms of schools provision and is particularly important in the support for Small Schools.

18. What factors should be included?

Any new funding model must take account of pockets of deprivation, which are not picked up, as well as small schools. To avoid excessive travel times, small schools are a requirement in sparsely-populated areas. Small schools are also an important lifeline in maintaining sustainable communities in rural areas. Other factors to be included would cover additional need and area cost.

19. What is the right balance between simplicity and complexity?

Whilst it is important that a National Funding Formula is transparent and easy to explain to schools, parents and taxpayers, simplicity should not be at the expense of addressing the complexities of education funding. Over prescription from Central Government will not adequately fund local complexities, therefore it is vital that local authorities are fully engaged in the development of the funding mechanism.

20. What level of change in budgets per year can schools manage?

Members feel that the issue here is not just the level of change that will cause distributional turbulence in funding but the period they have to enact the change. One authority has suggested that the reintroduction of multi-year school budgets would help schools manage these changes over the medium-term. However, other considerations would be how much the intended funding distribution differs, for individual authorities, from the existing distribution. A phased or weighted transition period may also minimise the impact of a new formula.

21. How much time do schools need to plan for changes in their funding?

Whilst the Society is keen that the funding formula is developed as soon as possible, this must be balanced with a need to avoid distributional turbulence as much as possible. Members believe that the point at which a new system will be introduced and the length of a transition period are not two mutually exclusive elements in the plans for change but instead must be carefully balanced.

It is paramount that change must be implemented only after a formula has been fully developed with the risks measured and stakeholders have been fully engaged.

22. When is the right time to start moving towards a fair funding formula?

Please see response to question 21



## Academies Pre-16 Funding: Options for the 2012/13 Academic Year

1. Do you agree with our analysis that the current system is not appropriate to fund an increasing number of Academies in a fair and transparent way?

Yes

The Society believes that the current system is not transparent. Furthermore it was developed by the Government at a time when only a handful of academy conversions were taking place and now employs increasingly out of date data, therefore not reflecting the current situation. In particular there is a delay in when reductions in local authority funding are reflected in Academy budgets due to the use of historic data and S251 budget levels. There is also ongoing concern within the Society that there is no comparison between LACSEG paid to Academies and that deducted from local authorities leading to an uncomfortably beneficial financial case for Academy conversions.

2. Do you agree with the principles for an alternative method of funding Academies in 2012/13?

All

The Society supports the principles outlined in the consultation paper in particular that a transparent funding system should not give a financial advantage or disadvantage to schools converting.

3. Are there other aims we should have for the Academy funding system in the absence of cross-system reform, such as a Fair Funding Formula? If yes, what are they?

Yes

For members, predictability, accountability and responsibility would also form important principles underpinning an Academy funding system

4. Do you agree with the broad analysis of how each option might work?

Some

SCT members have highlighted the following issues surrounding each option:

Roll forward - This method would not take account of changes in certain deprivation and SEN data. If the per pupil element of academy funding is simply rolled forward, funding would be provided at the higher historic rate therefore further widening the gap in funding and unfairness in the system.

Fair Funding Formula for Academies only – While this would be a useful pilot for any full implementation of a National Funding Formula it would result in two completely different funding systems. This is a situation that the Society is uncomfortable with whereby there may be a financial benefit for schools converting to Academies. Therefore if any pilot to the National Funding Formula is introduced it should be applied across a selection of schools and sectors, both academies and maintained schools - , in order to get a more accurate analysis of the impact and viability.

LA Calculations – As this method uses the same data for academies and maintained schools this is the method most likely to meet the key principle of fairness. However the issue of what is a fair and accurate non-DSG LACSEG addition still needs to be resolved.

5. Which option do you think is the best way of funding Academies in 2012/13?

LA Based Calculations

Before the introduction of a National Funding Formula member have noted that local authorities would be able to use local authority based calculations. This data would be closer to maintained schools funding factors and therefore is the method most likely to meet the key principle of fairness with no advantage or disadvantage.

6. Are there potential advantages and disadvantages in implementing each option that we not considered? If yes, what are they?

Yes

As stated in our response to Question 1 any of the options would benefit Academies because of the delay in when reductions in local authority funding are reflected in Academy budgets due to the use of historic data and S251 budget levels. Furthermore, there needs to be clarity regarding an appropriate central LACSEG calculation.

7. Are there changes you think we should consider to the way the Local Authority Central Spend Equivalent Grant (LACSEG) is calculated for FY2012/13? If yes, what are they?

Yes

There is ongoing concern within the Society that there is no comparison between the level of LACSEG paid to Academies and that deducted from local authorities.

The Society believes that the top-slicing of LACSEG funding from Local Authorities Formula Grant funding in 2011/12 and 2012/13 was inaccurate. The quantum, adjusted for in the baseline calculations, was an estimate of the cost DfE is unable to recoup from LA budgets for the projected growth in academies – an estimation which authorities have seen no evidence for. Members appreciate that these amounts reflect an adjustment to the LA central budget element for the number of academies expected to convert in 2011/12 and 2012/13; therefore no further adjustments to LA funding will be necessary as conversions take place. However, the Department has not reflected these projections at local authority level. Instead baseline figures have been adjusted proportional to the Local Education Authority RNF therefore bear absolutely no relation locally to the number of schools that will actually convert to academy status.

Conversely, LACSEG calculations must accurately reflect the relevant responsibilities being taken on by Academies. The current LACSEG methodology, calculated just on a per pupil basis, does not reflect the fact that these central services are directed to challenging schools/pupils more. Consideration also needs to be given to how the calculation should consider the type of pupil needs and size of school.

8. What factors would you want us to take into consideration if we were to make changes?
9. Have you any further comments