

## Schools National Funding Formula – stage 2

### Consultation Response

**Q1 In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?**

- Yes

- **No**

Leicestershire, as expressed through its Cabinet on 10 March 2017, has significant concerns over the proposals and that as a low-funded authority, will see no improvement to its, or its schools, financial position as a result of the proposals and in particular, that:

- (i) the reduced lump sum will adversely affect primary schools;
- (ii) there is no evidence to support the proposed values and weightings within the schools National Funding Formula, nor are they informed by the cost of education;
- (iii) there is disproportionate emphasis on funding targeted at deprivation and where English is spoken as an additional language and, as that attainment is relatively high in Leicestershire and deprivation relatively low, it will derive little benefit from these factors;
- (iv) whilst there is an assumption by the DfE that schools and local authorities will deliver efficiency savings, this may not be possible as schools funding has not increased in line with costs resulting in any efficiency gains being already realised;
- (v) the delivery of a more efficient school estate is likely to require remodelling and rationalisation of provision, which will require significant capital investment.

We feel that that the increased bias towards deprivation, particularly when combined with the Pupil Premium places too much emphasis on additional funding to the detriment of universal funding.

We are generally concerned about the lack of evidence to support the monetary values given to the formula factors and the relative weightings between them. For a formula to be fair it needs to reflect the actual cost of provision and maintains an adequate balance between pupil and non-pupil led funding. The proposals fall significantly short of doing this.

Evidence of a financial crisis in schools is growing, the consultation itself refers

to there being a 8% unfunded cost pressure within school budgets. The introduction of the national funding formula will not address the financial issues within schools, at its worst schools will need to meet an 8% expected increase in costs whilst receiving a 3% reduction in funding, at its very best schools will receive 5.5% per pupil in additional funding but that is insufficient to meet the cost pressures being encountered.

We note a number of areas within the consultation where there are expected further changes with regard to data and potential changes to the formula additionally the consultation is silent about the level of gains and protection past 2019/20. It is difficult to determine how the combination of these factors can be seen to bring stability to school budgets.

For the national funding formula to be effective it must reflect the actual costs of delivery rather than the redistribution of the current, and inadequate, level of funding.

**Q2 Do you support our proposal to set the primary to secondary ratio in line with the current national average?**

We have decided that the secondary phase should be funded, overall, at a higher level than primary, after consulting on this in stage 1. We are now consulting on how great the difference should be between the phases.

The current national average is 1:1.29, which means that secondary pupils are funded 29% higher overall than primary pupils.

- Yes
- No - the ratio should be closer i.e. primary and secondary phases should be funded at more similar levels)
- No - the ratio should be wider (i.e. the secondary phase should be funded more than 29% higher than the primary phase

We do not support any of the above proposals.

The consultation refers in many places, as did its predecessor in March 2016, to inequities in school funding arising from different decisions taken by local authorities being locked into the system, this proposal will further lock historical decisions into the national funding formula.

We do recognise that the cost of delivering a secondary curriculum is more costly than that within primary, what we would have expected to see would be an evidenced based approach to setting the ratio rather than simply using an average of that currently within local authority funding formulae.

**Q3 Do you support our proposal to maximise pupil-led funding?**

We are proposing to maximise the amount of funding allocated to factors that relate directly to pupils and their characteristics, compared to the factors that relate to schools' characteristics. We propose to do this by reducing the lump sum compared to the current national average.

- Yes
- No – you should further increase pupil-led funding and further reduce school-led funding
- No – you should keep the balance between pupil-led and school-led funding in line with the current national average
- No – you should increase school-led funding compared to the current national average

We support none of the above options given that there has been no measure of the fixed costs schools encounter.

We have concerns that maximising the pupil led funding without any evidence based on schools actual expenditure, which is available to the Department for Education, will have the effect of de-stabilising school funding especially where there are reductions in pupil numbers.

We are also concerned that it is proposed that premises factors will be funded in 2018/19 on the basis of historic cost especially given that there are large fluctuations within the total funding required to fund rates at individual school level. For 2017/18 costs increased by £0.25m, if such an increase were to occur in 2018/19 the local authority would be required to reduce pupil related factors in order to be able to deliver school budgets within the funding available as there would be no other source of funding for such an increase.

We are concerned that the level of pupil led funding is increased over the average currently allocated by local authorities, we would wish the DfE to consider undertaking some research to establish the level of cost within schools to establish whether 9% is an appropriate level. The reduced level of non-pupil led funding will leave small schools financially vulnerable as small movements in pupil numbers could be de-stabilising especially where schools have large, and often fixed, premises costs.

Whilst small in number, some schools have a significant financial burden arising from the need to rent additional premises or playing fields. The current funding system restricts the number of schools who receive this funding and the level that local authorities are able to fund. Further consideration should be given to this non avoidable cost.

The consultation sets out the total funding for pupils with additional needs for primary, key stage 3 and key stage 4 and would have expected, given that the proposals introduce a ratio of primary to secondary funding, to see some consistency as funding increases with additional needs which isn't the case. Taking the per pupil rate at primary this increases by 3% for key stage 3 and

59% for key stage 4. For a pupil with FSM, EAL and low prior attainment the funding differential is 94% at primary, 110% at key stage 3 and 97% at key stage 4. We see no justification for the apparent randomness of the per pupil values, would query the overall impact on the primary to secondary ratio and whether the cost base has this level of differential.

**Q4 Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors?**

Of the total schools block funding, 76% is currently allocated to basic per-pupil funding (AWPU) and 13% is allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language).

The formula will recognise educational disadvantage in its widest sense, including those who are not eligible for the pupil premium but whose families may only just about managing. It increases the total spend on additional needs factors compared to the funding explicitly directed through these factors in the current system

We are therefore proposing to increase the proportion of the total schools block funding allocated to additional needs factors to 18%, with 73% allocated to basic per-pupil funding.

- Yes
- No, allocate a greater proportion to additional needs
- No – allocate a lower proportion to additional needs

A larger element of funding through additional needs does by default reduce universal funding for all, successful and high performing schools will be disadvantaged by these proposals.

We have significant concerns regarding the percentage allocated through additional factors, particularly deprivation which when taking the Pupil premium into account double funds pupils with this characteristics.

The consultation sets out that 9.3% of school funding will be delivered through Free School Meals (FSM) and IDACI, taking the pupil premium into account the result is 16% of total funding for schools being related to deprivation. When pupil premium is considered c24% of school funding will be delivered by additional factors, this will be to the detriment of universal funding. We also feel that FSM data is distorted because of the entitlement to universal infant free school meals resulting in eligibility not being measured for this cohort of pupils.

Again there is no evidence basis to establish the validity of these proportions and whilst we recognise that pupils with additional needs will require additional funding this should not be at the expense of universal funding for all. With lower levels of universal funding there is a risk that attainment will reduce resulting in a higher cost to the formula in future years. This is a further risk as the factors

used to measure prior attainment are subject to frequent change and are unpredictable at individual school level.

**Q5 Do you agree with the proposed weightings for each of the additional needs factors?**

Deprivation – pupil based at 5.5%

- Allocate a higher proportion
- The proportion is about right
- Allocate a lower proportion

Deprivation – area based at 3.9%

- Allocate a higher proportion
- The proportion is about right
- Allocate a lower proportion

Low prior attainment at 7.5%

- Allocate a higher proportion
- The proportion is about right
- Allocate a lower proportion

English as an additional language at 1.2%

- Allocate a higher proportion
- The proportion is about right
- Allocate a lower proportion

We neither agree nor disagree with these weightings. Our continued concern is the lack of evidence to support these levels of additionality and the funding values attached to them, especially given these are in excess of the current average used by local authorities.

As discussed above we are concerned at the level of the additional factors, particularly deprivation. We also feel that the allocation of the pupil premium should be considered alongside the changes in school funding and would have offered a real opportunity to simplify the school funding system and create a real opportunity to deliver a needs led system.

**Q6 Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019/20 and beyond?**

A number of schools experience turbulence from the arrival and departure of pupils from travelling backgrounds, a number of which present with additional needs which suggests a measure that identifies need rather than movement in numbers would be more appropriate, we note that the school census includes an indicator for traveller children.

Further research should be undertaken to assess what it can be a significant educational and financial impact from a relatively small change in the pupil population.

**Q7 Do you agree with the proposed lump sum amount of £110,000 for all schools?**

This factor is intended to contribute to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will receive a certain amount each year in addition to their pupil-led funding.

**Primary**

- Allocate a higher amount
- This is about the right amount
- Allocate a lower amount

**Secondary**

- Allocate a higher amount
- This is about the right amount
- Allocate a lower amount

Again we are disappointed to note that there is no evidence to support this value and indeed whether primary and secondary schools have the same proportion of fixed costs or whether other factors need to be considered such as school size.

Authorities have taken decisions on the value of the lump sum in order that schools can operate in a financially viable manner and meet the needs of the communities they provide for, in many cases this can be more financially efficient than meeting the significant costs of home to school transport.

Whilst we recognise that the proposed national funding formula builds in protection for the reduction in the lump sum, primary schools in Leicestershire would need 5,700 pupils to make up the loss in the lump sum through the basic entitlement. This leaves schools exceptionally vulnerable to future decision on school funding protection after the two years considered by this consultation.

The proposed reduction to the lump sum equates to £11m for Leicestershire schools, the sparsity factor adds just £0.306m.

**Q8 Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary and up to £65,000 for secondary, middle and all-through schools?**

We have decided to include a sparsity factor to target extra funding for schools that are small and remote. We are proposing that this would be tapered so that smaller schools receive more funding, up to a maximum of £25,000 for primary schools and £60,000 for secondary schools.

Primary

- Allocate a higher amount
- This is about the right amount
- Allocate a lower amount

Secondary

- Allocate a higher amount
- This is about the right amount
- Allocate a lower amount

We do not feel that this factor targets funding at small and remote schools in the manner in which it is described so do not support any of the above options.

Within the consultation the statement that the introduction of a funding factor for sparsity protects small rural schools is simply untrue. We are concerned that the Department for Education continues to refer to the sparsity factor protecting small schools which simply isn't the case.

The sparsity factor in its current format is purely a measure of how geographically close a second school is using a measure with is in no way related to the journeys that pupils may have to take and average class sizes.

Leicestershire is a largely rural authority yet just 17 primary and 1 secondary school qualify for funding through the sparsity factor from 277 schools. For schools denoted as receiving this funding in the proposed formula, none appear to be related to school size and much smaller schools fail to receive the benefit of this factor.

Leicestershire also has 73 schools designated as rural schools yet just 8 would receive funding through the sparsity factor, if these schools are designated as necessary it could have been expected that these schools would all receive sparsity funding.

**Q9 Do you agree that lagged pupil growth would provide an effective basis for the growth factor in the longer term?**

The growth factor will be based on local authorities historic spend in 2018/19. For the longer term we intend to develop a more sophisticated measure and in the consultation we suggest the option of using lagged pupil growth data. We

will consult on our proposals at a later stage, but would welcome any initial comments on this suggestion now.

No, we do not agree that funding should be based on historic expenditure and we are disappointed that there is no indication of how this will be treated in the hard formula.

Housing developments planned within the local authority identify the need for significant numbers of additional school places resulting in significant revenue costs in respect of growing schools. Whilst we can see that in 2018/19 local authorities will be able to manage this pressure in the overall schools block settlement this would require reductions in the values of the pupil led elements of the formula.

The consultation considers some options for how school growth could be managed in the hard formula they all have a reliance upon lagged data which will not deliver funding to meet the need for new places.

We are concerned that the consultation suggests, as does evidence presented to the House of Commons Education Committee on 31 January 2017, that for the 'longer term' that growth funding could be provided on a lagged number basis but allocated to local authorities. It would be wholly inappropriate in a hard formula where funding is fully allocated by the Department of Education to expect that local authorities would be responsible for funding pupil growth in opening schools, especially given that this could include Free Schools that are not supported by local authorities and not required for the purposes of a basic need for places and that insufficient funding may be granted.

#### **Q10 Do you agree with the principle of a funding floor?**

To ensure stability we propose to put in place a floor that would protect schools from large overall reductions as a result of this formula. This would be in addition to the Minimum Funding guarantee.

- Yes
- No

A funding floor is essential to allow schools to adjust to reduced funding allocations without de-stabilising educational provision.

The consultation is unclear on how this floor would operate in practice and how it will relate to the Minimum Funding Guarantee and this needs further clarification.



**11. Do you support our proposal to set the funding floor at minus 3%**

This will mean that no school will lose more than 3% of their current per pupil funding as a result of this formula.

- Yes
- No

Given that financial pressure over the medium term are expected to increase school costs by 8% a funding floor at this level will result in schools facing significant reductions in funding and affect both the quality and the breadth of the education they deliver. Schools may therefore see a reduction in their overall spending power of 11%.

**12. Do you agree that for new or growing schools (i.e schools that are still filling up and do not have pupils in all year groups) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity?**

We believe that, to treat growing schools fairly, the funding floor should take account of the fact that these schools have not yet filled up all their year groups

- Yes
- No

In practice this seems a suitable approach. What is unclear however is how the schools per pupil funding will be calculated, whilst pupil numbers for the basic entitlement would be easily available the number of pupils that would attract additional factors would be less so.

It would not be appropriate that a growing school be funded on basic entitlement plus school led factors alone.

**13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5%**

The minimum funding guarantee protects schools against reductions of more than a certain percentage per pupil each year. We are proposing to continue the minimum funding guarantee at minus 1.5% per pupil.

- Yes
- No – it should be lower i.e. allow losses of more than 1.5%
- No – it should be higher i.e. restrict losses to less than 1.5%

Schools should be protected against large movements in budgets year on year as it is not possible to shed costs in the same timescale as the funding is lost, it is difficult to assess however what an appropriate level should be.

There is no clarity over the interaction between the funding floor and the minimum funding guarantee i.e. over the two years covered by the consultation could schools lose 3% from the implementation of the national funding formula and then a further 1.5% per pupil per year which would total a 6% decrease in funding? A loss of 3% per annum would be unmanageable for many schools especially in a situation where they may be experiencing falling rolls.

We are concerned that the individual school illustrations published within the consultations does not allow for schools to identify the level of protection built into the formula. This does not allow schools to determine the impact of the proposed factors and weightings in order that they may be able to submit an informed response to the proposals.

**14. Are there any further considerations we should be taking into account about the proposed schools national funding formula?**

As one of the lowest funded authorities there have been significant expectations that 'fairer funding' would result in schools in Leicestershire receiving similar funding to their peers and neighbours and are disappointed that this is not the case.

These proposals result in 54% of schools losing funding, for the primary sector the figure is 65% many of which will be vulnerable to future decisions on protection.

For secondary schools 47% can expect to see an increase as a result of the national funding formula in excess of the maximum gain of 5.5% and have the uncertainty of provisions within the next Comprehensive Spending Review to deliver the national funding formula.

It is disappointing that the proposals purely consider the redistribution of the current quantum of funding rather than using an activity based model based on the current cost base in schools and curriculum delivery to set a model that would fund all current expectations on schools at an appropriate rate.

There appears no evidence base for many of the values and weighting used within the formula and in many places, such as the establishment of the primary / secondary ratio, continue to lock historic allocations into the national funding formula. Many of these decisions will have been influenced by the level of education funding provided to local authorities rather than the level of need.

Local authorities have been criticised in the past with regard to a lack of consistency in school funding decisions, yet the Department for Education

deem that it is appropriate to use the average of those decisions for the platform for the national schools funding formula. A real opportunity has been lost to provide a funding system that would incentivise the delivery of education based on aspirations for our children and young people, rather than an input based model which takes no account of the effective use of resources.

We are concerned that the proposals set out to restrict the ability for local authorities to transfer funding between blocks especially given that schools have a significant influence on the cost to local authorities in relation to pupils with high needs. Should the proposals continue along this line a perverse incentive will be introduced to the overall school funding system and result in increased costs for local authorities. It is essential that this proposal is reviewed to ensure that schools and local authorities can work in partnership to meet needs at the earliest possibility. The expectations on schools in relation to meeting needs for pupils with SEND should be clearly defined and local authorities should have recourse to funding from the School Block should schools fail to meet their responsibilities.

What is also missing from the consultation is any expectation of the role of local authorities once a hard funding formula is implemented, there are a number of suggestions that there will be some and these need to be defined.

The consultation discusses the need for schools to deliver efficiencies, most of the suggestions are actions that schools have been taking for some while, it is difficult to see how schools will be able to deliver sufficient savings to account for current spending pressures and the reductions that the national formula will deliver. This will be detrimental to the delivery of the curriculum and pupil outcomes, it will also be at the financial detriment to the public purse for the cost of the inevitable redundancies which will follow. Academies will have no option other than to fund redundancies from reduced budgets to the detriment of educating pupils and local authorities at the cost to other services.

Secondary academies in Leicestershire are undertaking age range changes and moving towards an 11-16 school model. To facilitate this we undertake pupil number adjustments in line with the expectation of pupil movements in September as a result of the re-organisation including financial protection for schools with significant falling rolls informed by locally held admissions data. This process is likely to be required for a number of years and we would wish to seek clarification on how this will be facilitated in the 'Hard Formula'.

**15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?**

- Yes
- No – a higher proportion should be allocated to the deprivation factor
- No – a lower proportion should be allocated to the deprivation factor
- No – there should not be a deprivation factor

There is no evidence base to support 10% as the correct proportion. We would though question why this percentage is set at a lower level than the aggregate value of the additional needs within the proposed national funding formula of 18%.

**16. Do you support our proposal to limit reductions on local authorities' central school service block funding to 2.5% per pupil in 2018/19 and in 2019/20?**

- Yes
- No – allow losses of more than 2.5% per pupil per year
- No – limit reductions to less than 2.5% per pupil per year

The limit set within the consultation for reductions in school funding is minus 1.5% per pupil, it is inappropriate that the loss per pupil at local authority level should be greater.

**17. Are there further considerations we should be taking into account about the proposed central school services block formula?**

We are concerned on the proposed approach to historic commitments which are currently funded from the central schools services block, particularly that these costs will unwind over time and that the EFA will monitor and challenge where expenditure is not reducing as expected.

The vast majority of historic commitments relate to pre 2013 school based retirements, these costs will remain a financial commitment for a significant period of time and it is essential that the rate of funding is not reduced alongside the EFA expectation of a reduced cost base.

**18. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?**