



COUNTY COUNCILS NETWORK

National Schools Funding Formula Consultation Stage 2 CCN Response

March 2017

Introduction

1. The County Councils Network (CCN) represents 37 English local councils that serve counties. CCN membership includes both upper tier and unitary councils who together serve over 25 million people across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country. CCN is a member-led organisation which works on all party basis and seeks to make representations which can be supported by all member councils.
2. CCN welcomes the opportunity to respond to stage 2 of the National Schools Funding Formula consultation. CCN has been working closely with member councils and stakeholders, including the Society for County Treasurers (SCT) and F40, to develop our technical response to the consultation.

Summary

3. CCN support the principle of a fair funding formula for schools. County authorities and the schools they serve have historically been significantly underfunded when compared to areas such as Inner London.
4. At a local authority level county areas will receive 1.8% in additional funding under the proposed formula. However, as a result of the use of existing averages as a baseline for the formula, historical imbalance in funding will be remain embedded in the proposed formula at the detriment to schools in county areas.
5. The existing formula, as a result of a variety of reforms, has become unfit for purpose and largely skewed over time to mean that schools and pupils with similar characteristics attract significantly different levels of funding.
6. The current funding gap between the average per pupil funding received by CCN member councils (£4,366) and Inner London (£6,414) in 2016/17 was 47%.
7. Schools are faced with a number of cost pressures including national insurance increases, apprenticeship levy and pensions that will place additional demands on their finances. Government must ensure that relatively lowly funded schools, many of which are in CCN member authorities, are protected from significant funding reductions in order to ensure that they remain viable.

8. The proposed formula does not provide sufficient protection to small rural schools. The lump sum provided to schools to cover fixed costs will be reduced to a level that sits below that currently provided by the majority of councils. Added to this the definition of the sparsity factor remains static, meaning that those small rural schools sitting outside of this will see no additional support to compensate for the loss of lump sum funding.
9. Government must consider as a matter of urgency investing new and additional funding into the education budget in order to maintain standards and to ensure that schools remain financially sustainable in the short, medium and long-term. Such additional funding could also be used to accelerate the pace at which schools move towards their fairer per-pupil funding allocations. This would facilitate an extension of the 3% funding floor to a higher level and an increase in the amount each school can gain, or a removal of such caps altogether.
10. There is a significant attainment gap between those children in receipt of free school meals (FSM) and looked after children (LAC) in county areas than those in Inner London, with the former attracting significantly less funding per pupil on average. This differential may in part be a result of historical funding discrepancies, with the DfE acknowledging '*Underfunded schools do not have access to the same opportunities to do the best for their children*'.
11. Government should reconsider the level of funding allocated to additional needs within the proposed formula. It is imperative that the basic per-pupil funding is set at a level which is adequate for schools to maintain acceptable teacher pupil ratios and to operate sufficiently. The proposed percentage for basic per-pupil funding should be increased from 73%, back up to above 75%. The core baseline of funding for all pupils should underpin a fair and equitable funding formula.
12. The ability for local authorities, in consultation with their schools forum, to move funding between blocks is an essential facet of the current system, in particular as it allows empower local areas to address local circumstances and funding pressures. The proposals in their current form will remove this flexibility in full from 2019/20, which will leave other elements of the block, in particular the high needs block, exposed to funding pressures.
13. The consultation proposes a mechanism whereby schools in an area could agree, with their local authority, to pool some funding that could then be directed towards those schools that need it most for their pupils with SEN and disabilities. CCN welcome and support this flexibility and feel that it should continue beyond 2019/20 in order to build resilience into local education systems. We would suggest that local authorities, in partnership with their schools forum, should continue to play a lead strategic role in the pooling and distribution of such funding.
14. The removal of the Education Services Grant (ESG) will have a detrimental impact upon maintained schools and academies. Maintained schools will be subject to additional charges to access services previously supported by ESG, whilst academies will need to fund the purchase of such services from their General Annual Grant.

Consultation Questions- CCN Responses

Overall Approach

1. 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? (Pages 7-15)

No.

The County Councils Network (CCN) is supportive of the move away from the existing funding formula to one that in principal provides a 'fairer' funding settlement to the schools served by the local authorities that we represent.

The existing formula, as a result of a variety of reforms, has become unfit for purpose and largely skewed over time to mean that schools and pupils with similar characteristics attract significantly different levels of funding. The use of the 2005/06 funding levels as the baseline for the existing system has resulted in the funding formula not recognising changes in deprivation and additional needs experienced by counties over subsequent years. The impact on pupils in underfunded areas as a result of the delay in implementing a revised and fair funding formula, first mooted in a White Paper in 2010, are difficult to quantify. This has led to an inexplicable gap of 47% between the average per pupil funding received by CCN member councils (£4,366) and Inner London (£6,414) in 2016/17.

The inclusion of a 3% funding floor will continue to embed these historical discrepancies, as will the cap on the speed at which schools can gain, as such undermining the aim of delivering a needs-based fair funding formula. The principle of providing stability to those schools that would lose under the proposed formula is sensible as no school should be subject to a cliff edge whereby they are subjected to a significant loss of funding from one financial year into the next. However, with no clarity of funding arrangements beyond the end of this Parliament, it is unclear as to whether a fair funding formula will delivered in its purest sense. In light of this Government should publish target allocations and a clear journey towards these so that schools can move towards what would be a true fair funding formula over a defined period of time.

The proposed formula, if implemented fully using 2016/17 allocations, would see an overall increase in the level of funding available to county authorities by around 1.8%. However, due to the historical funding discrepancies highlighted above, those authorities that stand to be net losers under the proposed formula are doing so from a position whereby they were already underfunded and as such the proposed formula will increase the risk of schools in those areas becoming unsustainable.

CCN are concerned that the proposed formula does not provide sufficient protection to small rural schools, in particular through the lump sum and the sparsity factor. Counties are on average 70% rural and the definition of sparsity and the weighting given to this factor is of prime importance to the sustainability of small rural schools. The proposed formula would see the lump sum provided to schools to cover fixed costs reduced to a level that sits below that currently provided by the majority of councils. Added to this the definition of the sparsity factor remains static, meaning that those small rural schools sitting outside of this will see no additional support to compensate for the loss of lump sum funding.

In order to deliver a fair funding formula it is imperative that the building blocks are correct. At present, CCN are of the opinion that the proposed formula does not deliver the basic level of funding required to ensure that all county schools will be placed on a sustainable footing in the short, medium and long-term. In order to facilitate this, Government should consider increasing the proposed percentage for basic per-pupil funding should be increased from 73%, back up to above 75%, whilst reducing the level of funding assigned to additional needs.

In order to counter anomalies brought about by the introduction of a national funding formula, CCN would strongly urge Government to allow local authorities, in partnership with their schools forum, to continue to play a lead strategic role in the pooling and distribution funding in partnership with local schools beyond 2019/20. This would allow local authorities to mitigate some of the local circumstances that a one-size fits all formula cannot address.

CCN are also extremely concerned that over the course of this Parliament the Department for Education's per pupil funding is predicted to fall by 6.5% in 2019/20 by the IFS. This is even more concerning if you consider that since 2013/14 per pupil funding in CCN member councils has only risen by 2.8%, whilst over the same period inflation has risen by 4.8%.

Government must consider as a matter of urgency investing new and additional funding into the education budget in order to maintain standards and to ensure that schools remain financially sustainable in the short, medium and long-term. Such additional funding could also be used to accelerate the pace at which schools move towards their fairer per pupil funding allocations by increasing the level of the cap on losses and potential gains, or removing them altogether.

2. Do you support our proposal to set the primary to secondary ratio in line with the current national average? (Pages 16-17)

Yes

Whilst we acknowledge that there are higher costs associated with pupils in the secondary phase, the decision to base the primary to secondary ratio on averages is not outcome-focused and as such may not deliver upon Government's ambition to deliver a 'fair' funding formula.

The amounts and relative weightings need to be evidence-based with reference to actual costs, including factors such as teaching group sizes, teacher contact time and resources.

3. Do you support our proposal to maximise pupil-led funding? (Pages 17-18)

Yes

It is imperative that an increase in pupil-led funding does not negatively impact upon the financial viability of schools.

The interaction of the lump sum and sparsity factor with the pupil-led funding will be key in ensuring that schools are sustainable once the national schools funding formula is implemented, in particular small rural schools.

An unintended consequence of the proposed formula may lead to small rural schools, not just those that fall under the existing sparsity factor definition, becoming unsustainable. The closure of small rural schools would lead to local authorities incurring additional costs for home to school transport and more children (some very young) having to travel significant distances to access

school places. This is particularly pertinent for county authorities who are on average 70 per cent rural.

The proposed formula and pupil-led factors also need to take into account how the educational attainment levels vary between different groups of pupils based in different local authority types. For example, comparatively there is a significant attainment gap between those children in receipt of free school meals (FSM) and looked after children (LAC) in county areas and those in Inner London.

This is clearly shown by the fact that in 2014/15 47% of pupils in receipt of FSM in Inner London achieved 5 GCSE A*-C's compared to 30% in counties. In addition to this, only 15% of LAC in CCN member council areas achieved 5 A*-C's, whilst in Inner London this figure was 24%.

It may be that the rurality of counties, coupled with the concentration of pupils with such characteristics makes it more difficult to provide the same level of support available in more densely populated areas such as Inner London. The historical underfunding of county areas may have also been a contributing factor to this underperformance, something that the national funding formula consultation acknowledges:

'The underfunded schools do not have access to the same opportunities to do the best for their children, and it is harder for them to attract the best teachers and to afford the right support.'

Pupil-Led Factors

4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors? (Pages 20-21)

No – allocate a lower proportion to additional needs

Government should reconsider the level of funding allocated to additional needs within the proposed formula. It is imperative that the basic per pupil funding is set at a level which is adequate for schools to maintain acceptable teacher pupil ratios and to operate sufficiently. The proposed percentage for basic per-pupil funding should be increased from 73%, back up to above 75%. The core baseline of funding for all pupils should underpin a fair and equitable funding formula.

The balance between pupil-led factors and school-led factors is important if schools, in particular small rural schools, are to be sustainable in the medium to long-term once the national funding formula has been fully implemented.

The provision of additional needs funding must be considered alongside the funding available directly to schools through the Pupil Premium.

5. Do you agree with the proposed weightings for each of the additional needs factors?

Deprivation - pupil based at 5.5% (Pages 21-25)

Allocate a lower proportion

The role and purpose of deprivation funding should be clarified for the deprivation factor, the additional needs element of the proposed national funding formula and the Pupil Premium. Only with this clarification is it possible to make an informed judgement as to whether the proposed weightings are correct or not. Added to this, if there is no set purpose for each of these funding elements, it could be argued that deprivation is either being double to triple funded through the revised formula, potentially at the detriment to the basic per pupil funding.

CCN's survey of county Cabinet Members with responsibility for Children's Services found that 62% of respondents were concerned that pupils who are in receipt of the pupil premium and have additional needs will attract nearly twice as much funding than a pupil in receipt of the basic per pupil amount.

Deprivation - area based at 3.9% (Pages 21-25)

Allocate a lower proportion

The Income Deprivation Affecting Children Index (IDACI) is only updated on a 5 year cycle and as such is not an up-to-date mechanism for identifying pupils. The pace of demographic change means that allocating funding on an area-based means is not responsive enough to target funding where it is required. Therefore, this allocation should be lower, with funding targeted to other measures that are more responsive to changes in demographics.

Low prior attainment at 7.5% (Pages 25-27)

Allocate a lower proportion

The reliability and consistency of the data used to determine this factor have previously been subject of concern from those in the sector. National changes in assessments have resulted in data volatility, which means that we are unable to have full confidence in the figures used as a basis for determining this factor.

The Department should seek to provide confidence to the sector that there is a strong and robust evidence base underpinning the proposed weighting for low prior attainment.

English as an additional language at 1.2% (Pages 27-28)

The proportion is about right

CCN agrees in principle with the introduction of this measure.

6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond? (Pages 28-29)

The decision to base allocations for 2018/19 on historic spend will penalise schools in those local authority areas that do not currently use such a factor. It is imperative that Government provides funding to all areas through this factor.

Local authorities, in conjunction with their schools forum, would be best placed to distribute the funding allocated to areas through this factor. Applying a formulaic approach may not work for all

areas and all circumstances, For example, where a high proportion of service children are transferred in and out of an area when whole regiments are moved on mass.

School-Led Factors

7. Do you agree with the proposed lump sum amount of £110,000 for all schools? (Pages 29-31)

Primary

Allocate a higher amount

Secondary

Allocate a higher amount

The proposed lump sum set out in the consultation is below the current level that the majority of CCN member councils currently provide to their local schools to meet fixed costs.

CCN's recent survey of Cabinet Members for Children's Services found that 92% of respondents stated that the proposed lump sum is lower than that currently provided by their local authorities, for primary schools this was the case for 77% of respondents.

CCN recognises that the lump sum should not be of a level that does not encourage efficient operating practices. However, it must be set at a level that does facilitate schools, in particular small rural schools, to operate in a sustainable manner. There is a danger that by reducing the lump sum, funding provided on a per-pupil basis may have to be used in order to make-up the shortfall in meeting the fixed costs previously met by the lump sum. Such an approach would be counter to the ambition set out by Government in the consultation.

Therefore, CCN urge Government to revisit the level of lump sum in order to ensure that it is sufficient to meet costs in county schools. A significant reduction in the lump sum, coupled with only a single transition year, does not provide a stepped approach and as such is unlikely to provide sufficient protection for small rural schools.

8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools? (Pages 31-33)

Primary

Allocate a higher amount

Secondary

Allocate a higher amount

CCN fully supports the principle of providing additional funding to small rural schools. However, we are of the opinion that the proposed formula does not fully deliver on the Secretary of State's pledge to '*protect small, rural schools, which are so important for their local communities, through the inclusion of a sparsity factor*'.¹

¹ <https://hansard.parliament.uk/commons/2016-12-14/debates/761F5D43-E48E-4DAA-BD86-C62480AA2071/NationalFundingFormulaSchoolsHighNeeds>

The criteria used to define sparsity within the proposed national funding formula has not altered and a such fails to address the financial challenges facing those small rural schools who will also see a reduction in their lump sum allocation.

Added to this, the proposed 0.08% weighting in the formula does not provide sufficient funding to provide a core baseline of funding for small rural schools to be financially viable, in particular in light of the proposed reduction to the lump sum.

CCN ask that Government considers increasing the weighting for the sparsity factor in order to ensure that small rural schools have a core baseline of funding that is sufficient to deliver a good standard of education. CCN's recent survey of Cabinet Members for Children's Services found that 71% of respondents are of the opinion that the proposed levels of sparsity funding set out in the consultation do not accurately reflect the costs of delivering education in the most rural areas.

Added to this, 87% of Cabinet Members stated that the introduction of the national schools funding formula will impact negatively upon the financial viability small rural schools. In light of this Government should consider increasing the weighting for sparsity currently included within the proposed formula.

In order to counter anomalies brought about by the introduction of a national funding formula, CCN would strongly urge Government to allow local authorities, in partnership with their schools forum, to continue to play a lead strategic role in the pooling and distribution funding in partnership with local schools beyond 2019/20. This would allow local authorities to mitigate some of the local circumstances that a one-size fits all formula cannot address.

9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term? (Pages 34-37)

The principle of using lagged pupil growth data seems a sensible interim option to inform the distribution of the growth factor. However, the development of a more sophisticated measure should be underpinned by a review of how growth in existing and new schools is funded. It is imperative that there is a consistent approach and guidance to funding growth and also the provision of new schools.

It should be noted that there are concerns amongst our membership that using lagged pupil growth data will lead to schools having in-year funding shortfalls, this is extremely important where schools experience significant in-year growth. Where schools are already under financial pressure, in-year shortfalls may be extremely difficult to manage without impacting upon the quality of education provided and the supporting facilities.

Funding Floor

10. Do you agree with the principle of a funding floor? (Pages 37-39)

Yes

The principle of providing stability and protection to those schools that will lose funding as a result of the implementation of a national schools funding formula is a valid one to ensure that no schools fall off a cliff edge, particularly if Government are unable to identify new and additional funding.

However, the existence of a floor ultimately means that the proposed national funding formula does not deliver on addressing the significant historical funding discrepancies that exist between schools and pupils with similar characteristics. This was something that was highlighted by the Secretary of State for Education when making a statement on the launch of the second stage of the national funding formula consultation:

'What has been created over time is a funding system that allows similar schools with similar students to receive levels of funding so different that they put some young people at an educational disadvantage'

As previously stated, funding certainty is required beyond the end of the current Parliament. This stance is supported by the results of CCN's survey of Cabinet Members with responsibility for Children's Services, with 60% of respondents stating that funding certainty is required for a period of 3-6 years to provide stability. This should include the publication of target allocations in order to address the existing historical discrepancies over a set period of time that sees Inner London schools funded at an average rate of 47% per pupil above CCN member council areas.

To provide stability and to safeguard those underfunded schools in county areas from closure as a result of the implementation of the new formula, Government should identify new and additional funding. Without such investment, the formula in its current form may bring into question the viability of already underfunded, in particular small rural schools. If such funding is identified then Government consider increasing the level of the funding floor beyond 3% and increase the 'gains' that current underfunded authorities can make beyond the 2.5% stipulated for 2019/20, or remove these caps altogether.

11. Do you support our proposal to set the funding floor at minus 3%? (Pages 37-39)

No – the floor should be lower (i.e. allow losses of more than 3% per pupil)

As stated above, the existence of the floor will continue to embed the significant historical discrepancies that the introduction of the national schools funding formula fails to address.

Government should identify new and additional funding to provide stability for those schools that will lose high levels of funding due to the implementation of the proposed formula. As stated above, such transitional funding would also facilitate those schools that are deemed to be underfunded to progress towards per pupil funding levels that are more comparable with schools that have similar characteristics, either through the increase of the floor and gain levels, or through the removal of these altogether.

However, as stated above, in the absence of new funding a floor would be required as otherwise already underfunded schools in county areas that would lose funding under the proposed formula would be put in an increasingly perilous financial position.

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 yet) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity? (Page 43)

Yes

CCN agree with the principal that new or growing schools may require additional protections. However, Government must ensure that the application of the floor does not lead to the over protection and over funding of such schools.

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

Yes, continuing the minimum funding guarantee (MFG) of -1.5% per pupil provides sufficient stability to ensure that year-on-year changes in funding happen at a manageable pace.

Further Considerations

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

Movement between blocks- Providing a ring-fence for only the schools block promotes further inequalities as schools budgets are protected, whilst the high needs, early years and central block funding is not.

The ability for local authorities, in consultation with their schools forum, to move funding between blocks is an essential facet of the current system, in particular as it allows empower local areas to address local circumstances and funding pressures. The proposals in their current form will remove this flexibility in full from 2019/20, which will leave other elements of the block, in particular the high needs block, exposed to funding pressures.

The consultation proposes a mechanism whereby schools in an area could agree, with their local authority, to pool some funding that could then be directed towards those schools that need it most for their pupils with SEN and disabilities. CCN welcome and support this flexibility and feel that it should continue beyond 2019/20 in order to build resilience into local education systems. We would suggest that local authorities, in partnership with their schools forum, should continue to play a lead strategic role in the pooling and distribution of such funding.

Schools Forum- The consultation fails to set out a clear role for the schools forum beyond 2018/19. Given the potential anomalies that could be experienced in different areas of the country as a result of the introduction of the national formula, Government should consider an ongoing role for schools forum.

Central School Services Block (Pages 66-72)

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

Yes

The principle of allocating a proportion of the central school services block through a deprivation factor to reflect expenditure on particular services, such as education welfare services, seems reasonable.

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

No - limit reductions to less than 2.5% per pupil per year

It is important to recognise that local authorities will require transitional support, in the same manner as schools and academies, to make reductions in funding manageable and to realign services.

However, it should be noted that CCN's survey found that 93% of Cabinet Members with responsibility for Children's Services felt that the proposed central block does not provide sufficient funding to deliver their council's ongoing responsibilities and statutory duties.

It would be more appropriate to limit losses to no more than 1.5% per pupil, in line with the minimum funding guarantee. Such an approach would provide local authorities with a greater funding certainty to ensure that the delivery of statutory services can be maintained, whilst working with schools on how to deliver services that can no longer be funded through the revised budget envelope, e.g. through traded services.

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

Education Services Grant (ESG)- the cessation of ESG funding will have a negative impact on both maintained schools and academies. Maintained schools will be subject to additional charges to access services previously supported by ESG, whilst academies will need to fund the purchase of such services from their General Annual Grant.

Government's provision of approximately £190m from September 2017 for school improvement services, falls well short of the £600m that was previously provided for ESG activities. The impact of these reductions are clearly shown by the results of CCN's survey of Cabinet Members with responsibility for Children's Services, 54% of respondents stated that they would only deliver the minimum statutory level of service for school improvement once the proposed formula is implemented.

The value of local authority run services is clearly shown by the fact that in CCN member council areas, 68% of academies purchase school improvement services from their county council or county unitary. In some counties, every single academy purchases these services from the local authority.

Equalities Analysis

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?

None