



COUNTY COUNCILS NETWORK

CCN Response to the Schools National Funding Formula Consultation

April 2016

Introduction

1. The County Councils Network (CCN) welcome the opportunity to submit a response to stage one of the Government's consultation on the schools national funding formula.
2. CCN represents 37 English local authorities that serve counties. CCN's membership includes both county and county unitary authorities who serve over 25m people (47% of the population). CCN is a member-led organisation which works on an inclusive and cross-party basis.
3. We have been calling for the development and implementation of a fairer schools funding formula for a number of years. We welcome the acknowledgement by Government the distributional formula for schools funding is 'out of date, arbitrary and unfair' and the supporting consultation.
4. However, CCN member councils have a number of concerns relating to the proposals outlined in the stage one consultation. In particular the dilution of the role of local authorities in setting local formulae that most accurately reflect local needs, circumstances and priorities through schools fora.
5. The current system, although flawed in terms of levels of funding, provides flexibility for local schools fora to transfer funding between the Dedicated Schools Grant (DSG) funding blocks. It is unreasonable to think that a centrally set formula can take local circumstances and intricacies fully in to account.
6. The proposals outlined in this consultation, along with those in the White Paper 'Educational Excellence Everywhere' will lead to the role and influence of local authorities being significantly reduced. The proposed academisation of all schools by 2022 means that local authorities will maintain responsibility for provisions such as home to school transport and school place planning, without being in control of a number of factors that impact costs. For example, local authorities will not be responsible for identifying the sites of new schools, but will be responsible for the home to school transport costs. In such cases, it would be unreasonable for the local authority to fund additional transport costs.

County Context

7. In 2015/16 the Coalition Government provided an additional £390 million in funding to what it described as the 'least fairly funded' local authorities, which has subsequently been rolled forward to 2016-17. This funding was a clear acknowledgement that counties have been historically underfunded. This is illustrated by the fact that thirty-

two, (almost fifty per cent) of the recipients of additional funding were CCN member authorities.

8. 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 muted in a White Paper in 2010, are difficult to quantify.

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Schools National Funding Formula: Response to Consultation Questions

Q1	<i>Do you agree with our proposed principles for the funding system?</i>
	<p>The overarching principles set out in the consultation are on the whole admirable if taken in isolation. However, CCN opposes the principle that the proposed funding system must get 'funding straight to schools'.</p> <p>The consultation documents does not put forward a compelling, evidence-based case as to why passporting funding straight to schools would be the most effective means of addressing specific local needs. The present system whereby local authorities, in partnership with their schools fora, have the flexibility to divide their total DSG across the DSG blocks taking into account local circumstances. Such a system is inclusive as it involves representatives from local authorities, headteachers and governors. The proposed system bypasses this local decision making body and as such imposes a 'one size fits all' model across the board.</p>
Q2	<i>Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?</i>
	<p>The principle of delivering a fairer national funding formula that more accurately reflects the needs of the local population is one that CCN has been calling for over a number of years. However, we contend that the introduction of a school-level national funding formula should not automatically lead to the end of local authority involvement in setting local formula.</p> <p>A centrally set formula cannot fully address local need and circumstances in an equitable way. It is imperative that some local flexibility and choice remains in the distribution of schools funding, through local authorities, in consultation with their schools forum. For example, in local areas where there are small schools consisting of predominantly children from military families, there can be significant in-year shifts to the school population. The current system allows for such circumstances to be taken in to account and for local authorities and the schools forum to take appropriate action.</p>
Q3	<i>Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?</i>
	<p>Agreed, it is practicable that funding levels reflect the complexity of the curriculum and the increased costs associated with this.</p>
Q4	<i>a) Do you agree that we should include a deprivation factor?</i>

	<p><i>b) Which measures for the deprivation factor do you support?</i></p> <ul style="list-style-type: none"> • <i>Pupil-level only (current FSM and Ever6 FSM)</i> • <i>Area-level only (IDACI)</i> • <i>Pupil- and area-level</i>
	<p>a) We agree that a deprivation factor should be included. This is particularly important in county areas as between 2010/11-2014/15 the percentage of young people achieving five or more A*-C (inc Maths and English) who are eligible for free school meals is the lowest of any local authority type. As stated previously, 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. Therefore, those areas that historically received significantly higher funding per pupil such as Inner (51%) and Outer London (43%) achieved significantly higher results than CCN member councils (30%). The pupil premium has only served to reinforce this attainment and funding gap for pupils in receipt of free school.</p> <p>b) Prior to acceptance of the inclusion of a deprivation factor, it is important that schools and local authorities are assured that there will be no double funding for the same issue. There is no clear commitment to the continuation of the pupil premium beyond 2019/20, the future of this grant requires clarity so that schools have assurance over the level of funding they can expect to receive beyond the end of this Parliament.</p>
Q5	<i>Do you agree we should include a low prior attainment factor?</i>
	<p>Agreed. This factor is used by the majority of upper tier authorities as part of their local formulae for secondary schools. As such, this factor is a core measure for distributing funding at a local level and should continue to be used.</p>
Q6	<p><i>a) Do you agree that we should include a factor for English as an additional language?</i></p> <p><i>b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)?</i></p>
	<p>a) As stated previously, decisions about how funding should continue to be determined by schools for a, as these bodies are best placed to take in to account local needs and circumstances.</p> <p>However, if Government decide to passport funding directly to schools, then an evidenced-based approach must be taken to ensure a consistent approach to funding, especially given the variation highlighted in the consultation document. Given that the consultation document states that overall attainment for EAL pupils by the end of Key Stage 4 'is broadly in line with their EAL peers', it may be that this factor is not required and improved support is funded via other factors such as low attainment , deprivation and the pupil premium.</p> <p>b) We do not have a view on the use of specific EAL indicator.</p>
Q7	<i>Do you agree that we should include a lump sum factor?</i>
	<p>Agreed. Stability of funding is important for both primary and secondary schools as the basis for sound financial planning. As stated in the consultation document, this lump sum is important for smaller schools with fewer than 150 pupils as the proportion of 'school cost' factors is significantly higher than larger schools. This is particularly relevant in county areas</p>

	where schools are more geographically dispersed, tend to be smaller, but still are subject to basic fixed cost pressures faced by all schools.
Q8	<i>Do you agree that we should include a sparsity factor?</i>
	<p>Agreed. A sparsity factor must be included within the national formula. There are basic additional costs which fall on schools in sparse areas.</p> <p>LG Futures research undertaken on behalf of DCLG and DEFRA (December 2014) highlighted the drivers of service costs in rural areas. Applying this research to schools highlights that there are basic additional costs that will fall upon them as a result of sparsity. For example, where schools contract services in clusters there will be additional costs relating to fuel and a smaller number of service providers. In addition, travel time between sites will impact upon how efficiently services can be provided.</p>
Q9	<i>Do you agree that we should include a business rates factor?</i>
	Agreed, a business rates factor should be included within the national funding formula and should be based on the actual charge to schools. However, this factor will not be as relevant by 2022 if Government pursues its proposed policy of forced academisation as academies are eligible for charity relief. Charitable status for academies will also lead to a loss of income for local authorities as the local government funding system will be funded by business rates retention.
Q10	<i>Do you agree that we should include a split sites factor?</i>
	Agreed, schools should be compensated for additional costs incurred as a result of building and facilities being situated on split sites.
Q11	<i>Do you agree that we should include a private finance initiative factor?</i>
	There is significant variance in how Private Financial Initiative's (PFI) have been financed across the country. As such, Government must consider how to best reflect this in a national funding formula, ensuring that all local authorities, schools and academies are in a position to meet their commitments.
Q12	<i>Do you agree that we should include an exceptional premises circumstances factor?</i>
	Disagree. Under the present arrangement schools for a can take such circumstances in to account though local formula, however, it would be problematic for this to be part of a transparent national formula covering all schools. Other schools may not understand why such a small proportion of schools (462 in 2015/16) would be treated in a different manner when all schools have their own unique challenges.
Q13	<i>Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?</i>
	<ul style="list-style-type: none"> • <i>Business rates</i> • <i>Split sites</i> • <i>Private finance initiatives</i> • <i>Other exceptional circumstances</i>
	Agreed. However, Government must consider how to factor in the proposed business rates

	reevaluation in 2017, as this may have a material redistributive impact across schools.
Q14	<i>Do you agree that we should include a growth factor?</i>
	Agreed.
Q15	<i>Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?</i>
	Government should not allocate funding for growth to local authorities based on historic spend as this may not accurately reflect future growth patterns. It would be preferable for Government to enable local authorities to top slice DSG in 2017/18 and 2018/19 to fund actual growth.
Q16	<i>a) Do you agree that we should include an area cost adjustment?</i> <i>b) Which methodology for the area cost adjustment do you support?</i> <ul style="list-style-type: none"> • <i>general labour market methodology</i> • <i>hybrid methodology</i>
	a) Agreed. The inclusion of an area cost adjustment is sensible given the variations in cost by geographical location. b) We support the use of the hybrid methodology as this better reflects actual costs using as it is based on notional averages for the regional pay bands.
Q17	<i>Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?</i>
	It is essential that outcomes for looked-after-children are improved significantly. The attainment of looked-after-children in counties and all local authority areas is a cause for concern, with only 15% of those pupils achieving 5 A*-C grades (inc English and Maths) in county areas. It is imperative that specific funding is made available in a targeted, efficient and transparent manner. Ideally this factor should form part of the national funding formula. Running the pupil premium and pupil premium plus in tandem with a national formula builds complexity and bureaucracy in to the system which is at odds with the principles of the reforms set out in this consultation document.
Q18	<i>Do you agree that we should not include a factor for mobility?</i>
	We have no strong view as to whether this factor should be included in a national formula.
Q19	<i>Do you agree that we should remove the post-16 factor from 2017-18?</i>
	Agreed. However, in line with other proposals contained within the consultation this should be done in a phased manner rather than implementing it in 2017/18.
Q20	<i>Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?</i>

	<p>CCN strongly disagree with this proposal. It is imperative that over the transitional period that local authorities retain their ability to move funding between DSG blocks in order to ensure that there is sufficient funding for high needs. The high needs block has been historically underfunded and as such this proposal would only serve to heighten this disparity.</p> <p>The removal of this flexibility would also remove the funding necessary for most local authorities to meet their statutory responsibilities for the most disabled children with the highest level of needs.</p>
Q21	<i>Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?</i>
	<p>Disagree. A local minimum funding guarantee would only be required if there was insufficient room for manoeuvre to set a formula within the current legislation and guidance. If there is insufficient funding to meet school funding requirements, then this shortfall must be funded by Government and not local authorities.</p>
Q22	<i>Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?</i>
	<p>We do not agree that local authorities' ongoing responsibilities should be funded as set out in the consultation. To ensure that an effective and transparent central schools block is established Government must undertake in-depth and holistic scrutiny of local authority responsibilities. If such an approach is not taken then key functions risk being overlooked as they are not part of the consultation.</p>
Q23	<i>Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?</i>
	<p>This proposal is not in line with the proposed principles of the reforms, in particular the development of an efficient, fair and simple system. These commitments are already listed within budgets and were entered in to in good faith. Therefore, local authorities should not be subjected to a bureaucratic process to justify historic commitments.</p>
Q24	<i>Are there other duties funded from the Education Services Grant that could be removed from the system?</i>
	<p>It is inexplicable that academies will be allowed a three year period to manage their reduction in ESG funding, whilst local authorities are expected to do this in 18 months. Such an approach is not in line with the overarching principles of the reforms, in particular a system that is predictable, transparent and fair.</p> <p>Local authorities will be forced develop new services, consult schools on them and ascertain whether schools wish to contribute their resources to them in what is an extremely tight timescale. The remaining local authority responsibilities to be delivered under a reduced ESG have yet to be finalised, further reducing the time that local authorities have time to put in place efficient, effective and sustainable services.</p>
Q25	<i>Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?</i>
	<p>Agreed. Local authorities should be able to maintain some of their maintained schools DSG</p>

centrally- in agreement with maintained schools and the schools for- fund duties that they carry out for maintained schools.

The proposals outlined in this consultation, along with those in the White Paper 'Educational Excellence Everywhere' means that the role and influence of local authorities will be significantly reduced. The proposed academisation of all schools by 2022 means that local authorities will maintain responsibility for provisions such as home to school transport and school place planning, without being in control of a number of factors that impact costs. For example, local authorities will not be responsible for identifying the sites of new schools, but will be responsible for the home to school transport costs. In such cases, it would be unreasonable for the local authority to fund additional transport costs.