

**REPORT FOR: EDUCATION  
CONSULTATIVE FORUM**

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<b>Date of Meeting:</b>	27 June 2011
<b>Subject:</b>	INFORMATION REPORT - Department for Education Consultation on School Funding Reform
<b>Responsible Officer:</b>	Catherine Doran, Corporate Director Children's Services
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix A - Response to consultation on School Funding Reform: Rationale and Principles

**Section 1 – Summary**

On 13 April 2011 the Department for Education (DfE) issued the expected consultation document on introducing a new national school funding regime which would apply to all schools including maintained, academies and free schools. This report updates the Education Consultative Forum (EdCF) on the proposals included in the consultation including a copy of the council's response to the proposals.

**FOR INFORMATION**

## **Section 2 – Report**

### **Introduction**

The government wishes to move to a national funding formula for schools as soon as possible. The basis of the consultation is that the current funding system is flawed and unfair and that a new, mainly national, funding formula should be introduced. This is the first of two consultations, which covers the underlying principles. The consultation closed on 25 May 2011 and a further consultation, which is expected to propose the detail especially on the more complex areas such as special educational needs, is due in the summer.

### **New National Funding Formula**

Currently the majority of school funding is allocated to Harrow based on pupil numbers through the Dedicated Schools Grant (DSG). It is then distributed to Harrow schools based on the Harrow School Funding Formula. This formula is mainly historic but has been developed over a number of years, in conjunction with Schools Forum, to reflect local circumstances. If implemented a new national funding formula would no longer be subject to local variation apart from a few specified exceptions. The one exception mentioned is a mechanism to support small schools.

If the government proceed with a national funding system for schools, the local authority would have very few responsibilities with regard to funding schools. This does raise issues regarding the future of the Schools Forum which are not addressed in the consultation. Moving from a system where Schools Forum has a key role, to a national funding formula controlled by central government, appears to move influence and control away from schools.

### **Likely Factors in a New National Funding Formula**

Any school funding formula consists of indicators that attempt to meet the different needs of pupils and schools. It is expected that the next consultation will discuss in detail such factors, but they are seeking views on some key principles now. The current view appears to support pupil led characteristics more than school characteristics, therefore the majority of the funding would be allocated on pupil numbers with deprivation being recognised through the Pupil Premium. The school census collects data on pupils so it is easier for central government to allocate based on pupil factor rather than school factors. It is also more supportive of allowing new providers.

The following areas are recognised as being problematic in moving to a national funding formula:

- **'High Cost Pupils' including Children with Special Educational Needs**

The aim is that the national funding formula should be able to meet the needs of most pupils, including the majority of children with special educational needs, who are educated in mainstream schools. They recognise that there are many pupils whose needs are costly to meet and that cannot be met through a formulaic approach, and therefore there will be a need for local authorities to have a substantial pot of funding for high cost pupils outside the funding formula.

How this pot of funding will work will be the subject of the second consultation, especially the key issue of how to distinguish between low cost needs covered by the formula and high costs needs. This will cover the issues raised in the SEN green paper including:

- **Funding for SEN Support Services** - It is expected to address the issue of double funding of SEN support services with academies to ensure that “responsibility for providing and funding services is clear”.
- **Banded funding framework** – the DfE propose to explore a national banded framework for funding high cost provision for children and young people with SEN or who are disabled, in addition to what is normally available in schools. It is expected that there would be local flexibility to determine the levels of funding to be associated with each level and type of provision.
- **Alignment of funding across the age range** – to bring greater alignment of the different funding streams for children and young people with SEN, or who are disabled, from birth to 25 years of age.

- **Early Years Funding**

If a fair funding formula is introduced for reception to year 11 provision, there will obviously be implications for how free early education funding will operate. The relationship between free early education funding and the fair funding formula, as well as how early education funding is distributed, still needs to be clarified.

## **Transitional Arrangements**

DfE acknowledge there will be a need for significant protection arrangements as some schools will see their budgets decrease and other schools will see the converse. They also recognise that the more notice they give schools of changes to their budgets the more they will be able to cope with those changes. For the current spending review the DfE expect the pupil premium to operate outside these transitional arrangements.

The council submitted a response to the consultation, attached as Appendix A. As the consultation only ran for 5 weeks it limited the ability to incorporate stakeholder comments, however the response was considered by Schools Forum at their meeting in May. For the second, more detailed consultation, due in the summer views from a wider scope of stakeholders will be sought including all schools.

## **Financial Implications**

As this is at the consultation phase there are no immediate financial implications arising from this report. If implemented the proposals are likely to have significant financial implications and would need to be subject to further consideration and approval by both Schools Forum and the Council.

## **Risk Management Implications**

Following confirmation of the detailed proposals a full risk assessment will be undertaken to identify key risks and manage them as part of the programme governance.

## **Equalities Implications**

The proposals, if implemented, would have an impact on Special Educational Needs provision and therefore are likely to require an Equalities Impact Assessment. Given that any resulting changes will be statutory, and that the Local Authority has no real power of veto, then the focus long term will be on the residual responsibilities.

## **Corporate Priorities**

These considerations will support the Council's Corporate Priorities:

- United and involved communities: a Council that listens and leads
- Supporting and protecting people who are most in need

### **Section 3 - Statutory Officer Clearance**

Name: Emma Stabler



on behalf of the  
Chief Financial Officer

Date: 14 June 2011

### **Section 4 - Contact Details and Background Papers**

**Contact:** Emma Stabler, Finance, Business Partner – Children’s Services  
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**Background Papers:** “A Consultation on School Funding Reform:  
Rationale and Principles” - Department for Education  
<http://www.education.gov.uk/consultations/index.cfm?action=conResults&consultationId=1756&external=no&menu=3>

## **Appendix A**

### **Response to ‘A consultation on School Funding Reform : Rationale and Principles’**

- 1. Do you agree with the stated characteristics of an ideal school funding system?**
- 2. Are there further characteristics the system should have?**
- 3. Do you agree with the analysis of how the current system falls short of these aims?**
- 4. Do you agree with the case for reforming the system?**

While few would disagree that the current system has flaws it has provided schools with relatively stable budgets. The proposed characteristics of a good funding formula should include stable and predictable.

Any desire to achieve fairness needs to be tempered by the need to ensure that school budgets are not subject to significant variances. When introducing a new funding regime there should be adequate transitional arrangements in place to minimise the turbulence on school budgets.

#### **Pupil Premium**

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

Ensuring that all deprived pupils get the 'same level of funding' is not the same as every deprived pupil attracting equal funding. Due to the extra employment costs in London and the South East the same cash grant secures less support for pupils. It is a fundamental flaw of the pupil premium that it does not include an area cost adjustment to recognise the additional staffing costs of London schools.

#### **A Fair Funding Formula**

- 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?**
- 8. If so should that flexibility be limited and if so how?**
- 9. If there is local flexibility what should the roles of local authorities' schools and the Schools Forum be in decision making?**

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

There are instances where having local flexibility is vital. The following areas are recent examples where Harrow's Schools Forum has amended its school funding formula to respond to local issues:

- To provide timely funding for teachers and equipment where schools agree to run additional classes in order to provide places for growing pupil numbers. A national funding formula, based on lagged pupil numbers, would risk schools being financially penalised by agreeing to run an additional class, as they would have to wait until the next financial year before receiving funding for the extra pupils. This will significantly hamper Harrow in managing the current significant increase in primary pupils.
- Significant amendments were needed to the funding formula to support the change to the age of transfer that Harrow undertook in September 2010. Any National Funding Formula will have to consider how it will deal with a whole range of school reorganisation issues if it is to be sustainable and viable in the longer term.
- The schools contingency managed by the Schools Forum provides a safety net for Harrow schools. If they are facing exceptional financial circumstances they have an opportunity to make a bid to the Forum where it's considered by education professionals who have knowledge of Harrows' schools.

Academies and free schools are also likely to benefit from a funding formula that is responsive enough to adapt to local issues.

## **'High Cost Pupils' including Children with Special Educational Needs (SEN)**

- 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?**
- 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 for local flexibility?**
- 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?**

There are significant flaws in the current SEN funding regime which would benefit from review including:

- Recoupment of SEN costs between authorities which is bureaucratic, costly and litigious
- The split of funding responsibilities for post 16 which is complex, opaque and unfair.
- The system of costed statements which again is costly and bureaucratic and may not even be that effective at meeting pupil's needs.
- Significant influence of the tribunal system.

Any new funding regime needs to reduce rather than add to these issues. It needs to recognise the interdependence between SEN provision in mainstream schools, special schools and specialist independent provision. For example if schools do not receive adequate funding to commensurate for the additional costs of SEN education there will be increasing levels of pupils with SEN being pushed out mainstream schools into more costly specialist provision. Also any funding formula should not ignore the significant pressure nationally on SEN budgets at every level.

## **Early Years Funding**

- 14. How successfully has the Early Years Single Funding Formula (EYSFF) been implemented? How might it be improved?**
- 15. How important is an element of local flexibility in free early education funding? What might alternative approaches look like?**
- 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 implementation of the EYSFF was relatively successful however the system does have inherent flaws, for example the schools element is covered by the minimum funding guarantee which doesn't extend to private, independent and voluntary providers. A national funding formula for PVI providers would have benefits as there are often chains of providers who cross authority boundaries although local flexibility to respond to PVI providers would be welcomed.

## **Elements of a Fair Funding Formula**

- 17. Should the formula include only pupil led factors or also school led factors?**
- 18. What factors should be included?**



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

There is always a balance to be sought between simplicity and fairness. The more simple the formula the less it will take into account the unique characteristics of individual schools. Harrow's current funding formula takes account of a number of school characteristics including:

1. premises related funding
2. business rates
3. landlord building maintenance
4. Key Stage 1 funding for small class sizes
5. Small school allowance

### **How should DfE manage the transition to the new funding system**

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

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

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

Transitional protection will be key in implementing a successful formula. The constraints on total funding will restrict the speed at which schools can move to a new funding formula without causing significant problems for schools. Given that schools spend approximately 80% of funding on staff, cuts in budgets will inevitably lead to a reduction in staff. In order to avoid large scale redundancies schools will need to be given time to adjust staffing levels through natural wastage. Schools are facing high inflation on other costs such as energy costs which will hamper their ability to manage budget reductions. Based on the experience of the change to the age of transfer I would suggest that schools need at least 3 years to deal with a budget reduction. If the reduction is in excess of 10% then they would need significantly longer.