



Wednesday, 27 April 2011

SCHOOLS FORUM

A meeting of **Schools Forum** will be held on

Wednesday, 4 May 2011

commencing at **9.00 am**

The meeting will be held in the Ballroom, Oldway Mansion, Torquay Road,
Paignton, TQ3 2TE

Our vision is for a cleaner, safer, prosperous Bay

For information relating to this meeting or to request a copy in another format or language please contact:

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SCHOOLS FORUM AGENDA

1. **Apologies/Changes to Membership**
2. **Minutes**
To confirm as a correct record the minutes of the meeting held on
3. **Matters Arising**
4. **Comparison of School Allocations 2011/12 with 2010/11** (Pages 1 - 6)
Schools Forum to note.
5. **2010/11 Dedicated Schools Grant Outturn**
Verbal report.
6. **Proposed Closure of Chestnut Primary School** (Pages 7 - 8)
Schools Forum to discuss.
7. **Schools Financial Value Standard** (Pages 9 - 14)
Schools Forum to discuss.
8. **A Consultation on School Funding Reform: Rationale and Principles** (Pages 15 - 56)
Schools Forum to note.
9. **Academies' Pre-16 Funding: Options for the 2012/13 Academic Year** (Pages 57 - 62)
Schools Forum to discuss.
10. **Equal Pay Claims DSG Reserve**
Verbal report
11. **Future Meeting Dates**
Thursday 30 June 2011
Thursday 11 November 2011



Comparison of School Allocations 2011/12 with 2010/11

1. General Introduction

The attached paper compares last year's allocations with this year's. However as the DSG now incorporates a range of former grant income a true comparison is not possible. But where it is useful comparisons have been undertaken and the percentage change has been shown.

2. Minimum Funding Guarantee (MFG) for 2011/12

The DfE has set MFG at a level that covers average cost pressures but with efficiencies taken into account. MFG for all schools is set at minus 1.5% to ensure that no school has a cut in its allocation of more than 1.5% per pupil before pupil premium is added.

3. The 2011/12 Funds Allocation Statement

The individual "Funds Allocation" for Schools has been derived using the Funding Formula, which is fully described, in Section 2 of the Scheme for Financing Schools.

The data, formula factors and unit values that are used within each sub formula were provided to each school in their 11th March emailed notification.

4. Inflaters applied to each formula

In overall terms, the funding resource from DfE has remained the same as 2010/11, therefore there has not been any inflation applied to any formula. £50k has been added to primary and special school meals and formulae allocations have changed to reflect need such as the premises formula where overall, floor area has increased due to new school buildings.

5. Key Points to Note about the Formulae

5.1 Newly Qualified Teachers

The funding for this in 10/11 was £177k; this funding is now allocated via the AWPU and therefore allocated based upon pupil numbers.

5.2 Maternity/Paternity/Adoption Leave

This budget of £73k was allocated in February /March each year to those schools whose teaching staff had taken such leave. For 11/12 onwards this sum has been included in the AWPU and allocated based upon pupil numbers.

5.3 Premises and Facilities

This formula now only takes into account age/type of the buildings plus floor area of the school buildings and the site area. Temporary buildings are no longer included.

5.4 School Meals

The £50k referred to in para 5. has been added to the primary school element formula to recognise the increased cost of meals.

5.5 Delegated Statementing

Each school has received a statementing allocation, excluding enhanced provision, based upon information notified to the Finance team as at 3rd March 2011. The bandings have not been inflated.

1:2:1 Tuition £632k the same allocation methodology used in 10/11 based on school size and number of pupils achieving at below age expected level in 2010/11. £20k is retained centrally.

Extended Services - Sustainability. £467k . £250k to be used to provide centrally accessed services such as family support, parenting support workers and targeted youth support workers. This is in line with School Forum agreement in November 2010. £200k to be delegated to schools via pupil numbers.

Extended Services - Subsidy £510k. In 2010/11 this was partly spent commissioning targeted activities and part delegated on FSM numbers. For 2011/12 all this funding is allocated on the number of pupils registered as eligible for free school meals.

Primary Strategy £613k . This encompasses a whole range of grant funding streams such as Primary FL , Targeted schools, AfL, CLLD, SEAL, EY Foundation and Leading teachers also the Every Child schemes. This funding has been allocated centrally on a range of activities across the whole primary phase.

For 2011/12 £300k will be spent centrally on agreed programmes across Torbay primary phase. £313k is delegated to schools to enable participation in school priority activities and cross phase activities with other schools.

Secondary Strategy £193k of which £143k is delegated to schools via an in- house formula and £50k is retained for targeted support programmes across schools.

8. Post 16 YPLA Funding

The allocation for sixth forms is based solely upon information from the YPLA. We have not received the allocations from them and as a result there is a zero entry in this field.

9. Comparisons

Pupil numbers	% Change
Reception to pre 16	-3%
Total Pupil Numbers	+0.1%

AWPU and School Specific -0.2%

Premises 3%

Nursery 15%

School Meals 4%

Threshold -7%

Inclusion 0%

Total Funding 4%

But not a true comparison!

Lisa Finn

Finance Manager (Financial Services /Children's Services)

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SUMMARY COMPARISON OF SCHOOL ALLOCATIONS 2011/12 WITH 2010/11

DIES No.	School Name	2010/11 Pupil NGR Jan-10	2011/12 Pupil NGR Jan-11	2010/11 Pupil NGR Post 16 Jan-10	2011/12 Pupil NGR Post 16 Jan-11	2010/11 NGR Totals Jan-11	2011/12 NGR Totals Jan-11	2010/11 Diff	2011/12 Diff	2010/11 PUPU & Specific	2011/12 PUPU & Specific	2010/11 Diff	2011/12 Diff	2010/11 Premises & Facilities	2011/12 Premises & Facilities	2010/11 Diff	2011/12 Diff	2010/11 Nursery Funding	2011/12 Nursery Funding	2010/11 Diff	2011/12 Diff	2010/11 Off Site Games	2011/12 Off Site Games	2010/11 Split Sites	2011/12 Split Sites	2010/11 WDR Overall Rates	2011/12 WDR Overall Rates	2010/11 Rents	2011/12 Rents	2010/11 School Meals	2011/12 School Meals	2010/11 Diff	2011/12 Diff	2010/11 1-21 Tuition	2011/12 Tuition	2010/11 Threshold	2011/12 Threshold	2010/11 Difference	2011/12 Difference	2010/11 Buildings & Inst. Ex GM Scls	2011/12 Buildings & Inst. Ex GM Scls	2010/11 Adm. Res. & Non-Adm. Functions	2011/12 Adm. Res. & Non-Adm. Functions	2010/11 Recovery of PUPU Factor	2011/12 Recovery of PUPU Factor	2010/11 PUPU Allocation	2011/12 PUPU Allocation	2010/11 Inclusion Excluding SWO's	2011/12 Inclusion Excluding SWO's						
2407	Furzeham Primary and Nursery School	245	269	27	27	272	296	-24	24	604,459	604,459	0	0	65,851	65,733	118	-118	71,180	69,944	11,236	-11,236	6,089	6,089	3,570	3,570	20,548	20,548	38	38	19,022	19,022	0	0	7,875	29,846	-21,971	21,971	28,763	28,763	-3%	3%	61,065	61,065	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100		
2434	Curflesh Primary School	449	369	27	27	476	396	80	-80	846,495	846,495	0	0	110,540	91,242	19,298	-19,298	85,862	91,766	-5,904	5,904	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2438	Oldway Primary School	657	636	27	27	684	663	21	-21	1,341,313	1,341,313	0	0	115,377	115,005	372	-372	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2439	White Rock Primary School	413	421	0	0	413	421	-8	8	891,223	891,223	0	0	74,966	81,530	-6,564	6,564	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2453	Cockington Primary School	388	390	0	0	388	390	-2	2	863,888	863,888	0	0	63,477	46,397	17,080	-17,080	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2454	Elkcombe School	248	247	0	0	248	247	1	-1	562,420	562,420	0	0	56,240	58,511	-2,271	2,271	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2455	Hemel Hempstead Primary School	231	206	24	24	255	230	25	-25	473,721	473,721	0	0	77,140	84,318	-7,178	7,178	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2456	St. Margaret's School	337	342	0	0	337	342	-5	5	744,261	744,261	0	0	74,249	78,317	-4,068	4,068	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2460	Watcombe Primary School	235	203	31	31	266	234	32	-32	484,043	484,043	0	0	89,428	88,207	1,221	-1,221	77,153	125,100	-47,947	47,947	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2468	Shipton Primary School	313	313	0	0	313	313	0	0	691,157	691,157	0	0	56,733	60,430	-3,697	3,697	81,107	90,656	-9,549	9,549	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2488	Sheel Valley Primary School	619	619	0	0	619	619	0	0	1,861,925	1,861,925	0	0	174,955	178,478	-3,523	3,523	92,674	105,111	-12,437	12,437	14	14	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2489	St. Mary's Primary School	630	619	29	29	659	648	11	-11	1,280,109	1,280,109	0	0	127,335	128,805	-1,470	1,470	94,088	98,356	-4,268	4,268	7	7	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2499	St. Andrew's Primary School	421	421	0	0	421	421	0	0	865,133	865,133	0	0	115,854	113,666	2,188	-2,188	93,054	112,024	-18,970	18,970	20	20	6,089	6,089	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
2414	St. Andrew's Primary School	237	237	0	0	237	237	0	0	459,865	459,865	0	0	43,937	43,937	0	0	68,140	86,914	-18,774	18,774	28	28	2,723	2,723	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
3103	St. Andrew's Primary School	220	202	18	18	238	220	18	-18	410,871	410,871	0	0	18,613	19,046	-433	433	68,140	86,914	-18,774	18,774	28	28	2,723	2,723	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
3119	St. Andrew's Primary School	175	174	1	1	176	174	2	-2	412,414	412,414	0	0	18,613	19,046	-433	433	68,140	86,914	-18,774	18,774	28	28	2,723	2,723	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
3120	St. Andrew's Primary School	90	85	5	5	95	90	5	-5	238,884	238,884	0	0	16,966	16,701	265	-265	16,966	16,701	265	-265	1	1	1,330	1,330	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
3121	St. Andrew's Primary School	346	315	23	23	369	338	31	-31	712,616	712,616	0	0	54,997	59,665	-4,668	4,668	75,955	76,471	-516	516	1	1	1,330	1,330	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
3122	St. Andrew's Primary School	210	209	1	1	211	209	2	-2	480,442	480,442	0	0	37,748	39,233	-1,485	1,485	37,748	39,233	-1,485	1,485	1	1	1,330	1,330	3,570	3,570	20,548	20,548	41	41	67,092	65,514	1,578	-1,578	24,000	26,831	-2,831	2,831	61,065	61,065	-3%	3%	155,754	155,754	0	0	160,427	160,427	0	0	36,818	36,818	29,100	29,100
3600	Gaithersburg Primary School	93	89	4	4	97	93	4	-4	483,399	483,399	0	0	27,869	29,844	-1,975	1,975	27,869	29,844	-1,975	1,975	1	1	1,330	1,330	3,570	3,570	20,548	20,548	41	41																								

School Forum 4th May 2011

Proposed Closure of Chestnut Primary

The proposed closure poses some financial questions relating to the Dedicated School Grant allocation for Chestnut primary.

Chestnut Primary school has an allocation of £431k including pupil premium for 2011/12 plus any carry forward from the previous financial year.

The pupils currently at Chestnut will transfer to other schools. In year pupil transfers usually do not involve any redistribution of funding but in these exceptional circumstances it is proposed that Torbay schools receiving pupils transferring from Chestnut receive a full years AWPU allocation. The full year is in recognition that other pupil led funding will not be recalculated in year.

Some of Chestnut's allocation is for specific SEN funding which will follow the individual pupils. There is also a suggestion that some SEN funding is made available to provide additional short term support for Chestnut pupils moving to other schools.

There will be some residual costs associate with maintaining an empty building such as caretaking and security. The site will continue to be used as a Children's Centre and nursery.

A significant cost will be the potential redundancy costs of staff at Chestnut.

Costs of maintaining the school April- August	£180k
Statementing allocations	£37k
AWPU for 61 transferring pupils	£122k
Potential redundancy costs	£130k
Total	£469k

All these costs are indicative but not unreasonable.

In 2012/13 the closure of the school will save recurrent funding of:

School Lump sum	£59k
Premises funding	£44k
NNDR	£21k
Potentially threshold	£11k
Total	£135k

The proposal is to:

1. Use the remainder of Chestnut Primary School's allocation (September-March) to cover one off exceptional costs in 2011/12.
2. Transfer the full AWPU value to Torbay schools admitting Chestnut pupils within the 2011/12 financial year.
3. Fund redundancy costs from the residual of Chestnut schools allocation. Any shortfall to be funded from the Children's Services Redundancy reserve/Schools Redundancy reserve as are other school redundancies.

M Redwood
19.4.2011

SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

Schools manage many billions of pounds in public money, and it is very important that this management is done well, in order both to safeguard public funds, and to get the best value from them. Formal responsibility within schools lies with governing bodies, and this standard is in the first place aimed at governors. It takes the form of a series of questions which school governing bodies should formally discuss with their head teacher and other senior staff. We recommend that this is done annually. The first run through should be before September 2012; and in the case of schools which had not attained the Financial Management Standard in Schools (FMSiS) must be before the end of March 2012.

There is no prescription of the level of evidence or assurance that the governing body should require: the important thing is that they should be in a position to feel confident about their answers. The DfE website includes advice and tools for governing bodies in relation to each question, which they can use if they wish to. The advice and tools provide clarification of what the question implies, examples of good practice, and access to materials which will assist action on that issue where it is necessary.

The governing body may wish to delegate the consideration of the questions to a Finance Committee or similar; but the chair of governors must sign the completed form. There should be at least a minuted report to the full governing body.

Each question requires an answer of Yes, In Part, or No. Where the answer is In Part or No, the column for comments, evidence and proposed actions should be used to enter a very brief summary of the position and proposed remedial action. Where the answer is Yes, the column should be used to indicate the main evidence on which the governing body based its conclusions. At the foot of the list of questions is a section which requires a summary of remedial actions and the timetable for reporting back.

The standard will not be formally assessed like FMSiS. However, a copy of each signed record must be sent to the local authority's finance department, where it will be used to inform the programme of financial assessment and audit. Local authority and other auditors will have access to it, and when they conduct an audit will be able to check whether the self-assessment is in line with their own judgement. They should make the governing body and the local authority aware of any discrepancies in judgement.

The questions which form the standard are divided into five sections.

LIST OF QUESTIONS	ANSWER (Yes/In Part/No)	COMMENTS, EVIDENCE AND PROPOSED ACTIONS
<p>A: The Governing Body</p> <ol style="list-style-type: none"> In the view of the Governing Body itself and of senior staff, does the Governing Body have adequate financial competence among its members to fulfil its role of challenge and support in the field of budget management? Does the Governing Body have a Finance Committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair? Is there a clear definition of the relative responsibilities of the Governing Body and of the school staff in the financial field? Does the Governing Body receive adequate monitoring reports of the school's budget position on at least a termly basis? Are business interests of Governing Body members (and senior staff) properly registered and taken into account so as to avoid conflicts of interest? <p>B: The School Staff</p> <ol style="list-style-type: none"> Does the staff include people who between them supply the school with an adequate level of financial competence? Does the school have adequate arrangements to cope with the absence of specialist finance staff, eg on sick leave? Does the school have policies and mechanisms for deploying the staff of the school to best effect in view of their talents and competencies and the needs of the 		

<p>school?</p> <p>9. Does the school review its staffing structure regularly?</p> <p>C: Setting the Budget</p> <p>10. Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?</p> <p>11. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?</p> <p>12. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?</p> <p>13. Is end year outturn in line with budget projections, or if not, is the Governing Body alerted to significant variations in a timely manner, and do they result from genuinely unforeseeable circumstances?</p> <p>D: Value for Money</p> <p>14. Does the school regularly benchmark its expenditure against that of similar schools and investigate further where any category of spend appears to be high?</p> <p>15. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?</p> <p>16. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?</p>		
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<p>17. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?</p> <p>18. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?</p> <p>19. Can the school give examples of where it has improved the use of resources during the past year?</p> <p>E: Protecting Public Money</p> <p>20. Is the Governing Body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the Governing Body?</p> <p>21. Are there adequate arrangements in place to guard against fraud by staff, contractors and suppliers (please note any instance of fraud detected in the last 12 months)?</p> <p>22. Are all staff aware of the school's whistleblowing policy and to whom they should report concerns?</p> <p>23. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?</p> <p>24. Does the school have adequate arrangements for audit of voluntary funds?</p> <p>25. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?</p>		
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OUTCOME OF SELF-ASSESSMENT

F: Summary of agreed remedial action and timetable for reporting back:

LEADER
Chair of Governors

[signed]

Date:

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A consultation on school funding reform: Rationale and principles

A consultation on school funding reform: rationale and principles

1. Introduction

1.1. In the White Paper *The Importance of Teaching* the Government set out its view that the current funding system is opaque, full of anomalies and unfair and therefore in need of reform. The White Paper said we would consult on the merits of moving from the current funding system to a national funding formula, including the right time to begin the transition to a formula, the transitional arrangements necessary to ensure that schools and local authorities do not suffer undue turbulence, and the factors to take into account in order to assess the needs of pupils for funding purposes.

1.2. This document represents the first stage in that consultation and invites views on the aims and objectives of the school funding system and the high level principles for any potential reforms. Taking into account the views expressed in response to this document, we expect to publish further proposals for consultation later in the spring or in early summer. Because we consider the current system for funding Academies to be unsustainable, we are also publishing more detailed interim proposals for the funding of Academies alongside this consultation, for possible implementation prior to wider system reforms.

1.3. We have not yet carried out an Equality Impact Assessment, since it is not possible to do so until we have developed proposals for the content of a formula. However, the intention of the reforms will be to create a fairer funding system, including ensuring that additional needs of particular groups are recognised. We will carry out an Equality Impact Assessment to be published alongside the second part of the consultation.

2. The ideal school funding system

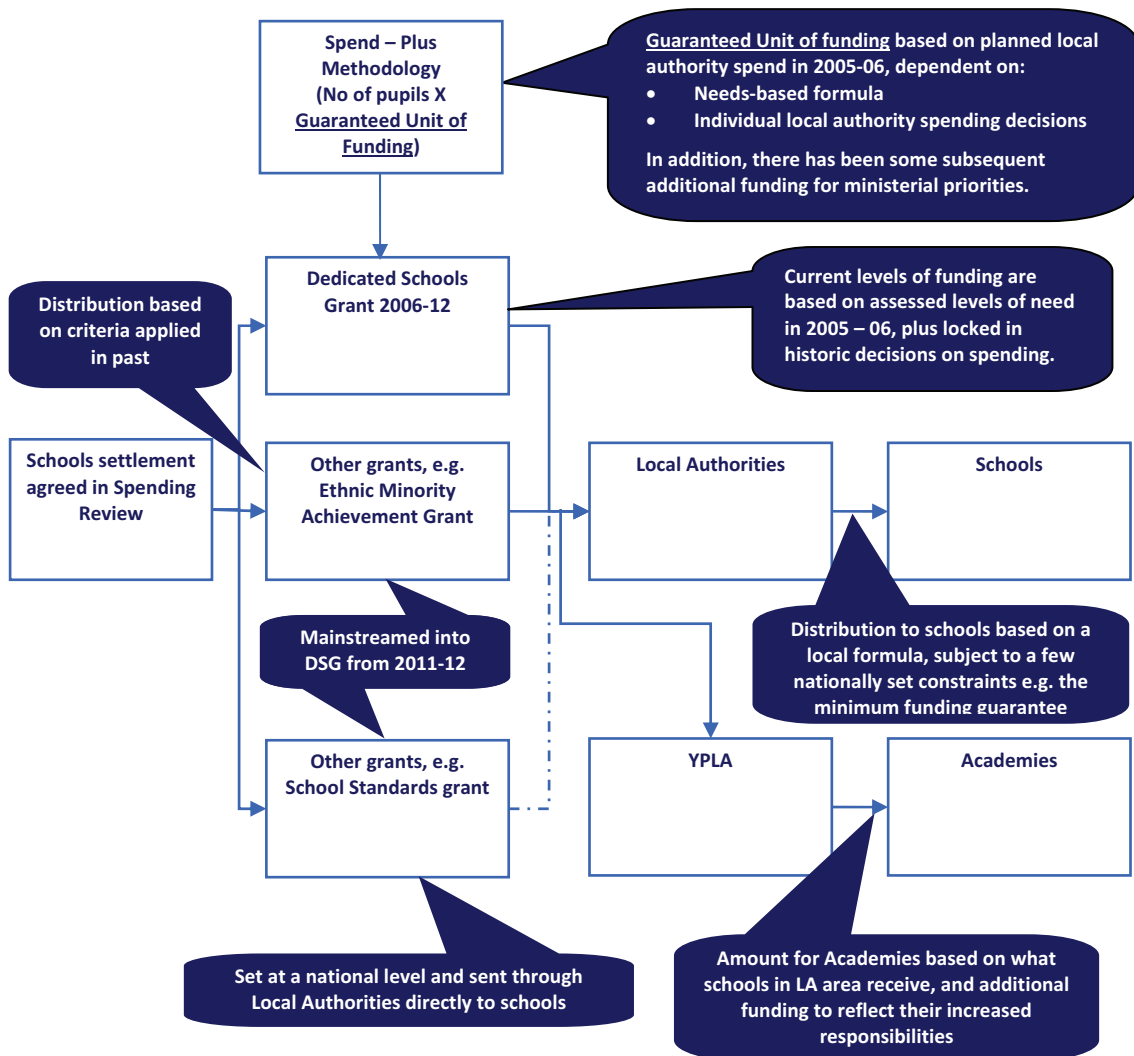
2.1. Our view is that an ideal school funding system would have certain key characteristics.

- **It would distribute money in a fair and logical way.** Schools in similar circumstances and with similar intakes would receive similar levels of funding. Not only would this be demonstrably fairer, but it would increase the accountability of schools for the outcomes they deliver for their children. Schools' budgets would also vary as they respond to the changing characteristics of pupils.
- **It would distribute extra resources towards pupils who need them most.** All children are entitled to a world class education. Yet we know that many children need additional support for which additional funding is necessary. That is why we have already introduced the pupil premium. A funding system which targets extra money at deprived children would help schools to provide them with the support to help them reach their potential, and would help improve the attainment of children overall.
- **It would be transparent and easy to understand and explain.** This would mean that parents would be able to see clearly why their child's school is funded at a certain level and how much money is being invested in their child's education. Transparency would also lead to predictability, with schools understanding why they receive the funding levels they do, and how changes to their pupil population would affect their funding.
- **It would support a diverse range of school provision.** Transparent and fair funding would ensure that all schools operated on a level playing field, be they maintained, Academy or Free School; and would mean that as new schools and providers entered the system it was clear on what basis they would be funded.
- **It would provide value for money and ensure proper use of public funds.** Revenue spending on schools currently represents over £35bn of public money. The school funding system needs to ensure that this represents good value for money, that funds are directed where they are needed, and that they are spent appropriately. In our view, schools are best placed to make decisions about how to use funding for their pupils.

3. The current school funding system and its flaws

3.1. The Department for Education has up until now paid money to local authorities for schools through a number of different grants. The largest of these is the Dedicated Schools Grant (DSG). The DSG is ringfenced – i.e. can only be used for schools, early years or certain services for pupils such as provision for children with special needs. The amount of DSG per pupil for each authority is calculated based on what the local authority received the previous year. Local authorities then fund schools using a local funding formula. The system is set out in the diagram below.

The current school funding system



3.2. This method – called ‘spend plus’ - was started in 2006-07 and represented a reform from the previous method of school funding. When the DSG was created, in 2006-07, its initial level for pupils in each local authority was based on what each authority planned to spend on schools in 2005-06 – the last year before the introduction of the DSG and ‘spend plus’. Therefore, because we still base funding from the DSG on the previous year, current levels of school funding are, in fact, based largely on those in 2005-06.

3.3. The amount spent in 2005-06 was determined by two things:

- an assessment of what the local authorities’ needs were at that time (often using data that was already becoming out of date); and
- the amount local authorities each chose to spend on schools (itself a result partially of decisions made several years previously).

3.4. So, current levels of school funding are based on an assessment of needs which is out of date, and on historic decisions about levels of funding which may or may not reflect precisely what schools needed then. It is

inevitable that over time needs have changed and historic local decisions may no longer reflect local or national priorities.

3.5. This system falls well short of the characteristics set out above. In particular:

- **It is opaque and extremely complex.** The amount of funding a school receives is dependent on a series of decisions taken at different levels in the system over a long period of time. In particular, it is heavily based on a historic assessment of needs, going back to 2005-06 and earlier, which is unlikely to be up to date or reflect the current needs of children in the school. The system is very difficult to explain; in addition to the national complexity, each local authority has a funding formula which is often very detailed. A series of minimum funding guarantees has also locked in previous funding levels for schools that do not reflect current need. The way that schools are funded under the spend-plus system makes it almost impossible to explain to parents why their children's education is funded at the level it is.
- **It is unfair as it leads to schools with similar intakes receiving very different levels of funding.** In any school funding system, we would expect to see some variation in budgets due to different needs. However the current variation cannot be explained by needs, or by local decisions. Schools in very similar circumstances can currently get vastly different levels of funding for no clearly explicable reason. Funding between comparable secondary schools can vary by £1,800 per pupil: across a 1,000 pupil school that means that the lower funded school receives £1.8 million less funding per year.
- **It fails to reflect need accurately.** Additional funding relating to additional need varies widely. For instance, the amount of additional funding targeted at deprived children varies significantly, due to how deprivation funding is distributed to local authorities and variable local policies on passing it on. Furthermore, the funding system does not respond to changes in needs or pupil characteristics. Some areas are now woefully underfunded compared with how they would be if the system reflected need properly, whereas some areas continue to receive funding to which they should no longer be entitled.
- **It does not support the new school system.** The methodology for funding Academies was devised at a time when Academies were expected to form only a small proportion of the total number of schools. It is not suitable for a system where the number of Academies is growing rapidly. In particular, it is not possible, under the current system, to deliver transparent and absolutely comparable funding for maintained schools, Academies and Free Schools and this creates perverse incentives in the system for new providers considering setting up schools or for schools considering opting for Academy status. Chains of Academies see very different levels of funding for their schools in different local authority areas even though they can see that the schools face similar challenges.

3.6. The annex contains further detailed analysis demonstrating these flaws in the current system.

3.7. These substantial flaws mean we need to give strong consideration to reforming the school funding system.

Questions for consultation

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?

4. The Pupil Premium

4.1. The introduction of the pupil premium is our first step towards a fair funding system. It ensures that every disadvantaged child (currently defined for these purposes as a child known to be eligible for free school meals or who has been looked after for six months or more) attracts additional funding for their school, and will enable the school to provide them with the additional support they need to help them reach their potential. In 2011-12, the premium will be worth £430 per child; with the total value of the premium being £625million. By 2014-15, the premium will have risen in total to £2.5billion. As the total spent on the premium grows, we expect both to increase the number of children eligible for the premium and the amount paid for each child.

4.2. The premium is clear and transparent in the way it delivers additional funding for every deprived pupil. However, the underlying school funding system is neither clear nor transparent. Significant weighting is given to deprivation in the current funding system, but it is not transparent how that funding follows pupils, and the amount per child varies from school to school and from area to area. Therefore, outside of the pupil premium, the total level of funding for deprived children is neither identifiable nor consistent across all schools.

4.3. The pupil premium moves us closer to achieving our aim of ensuring that all deprived pupils have the same level of funding for their education, wherever they live in the country. It will continue as clear and additional funding for at least the period of the current Spending Review. However, improvements to the current funding system would enable the Government to deliver on this aim more effectively.

Questions for consultation

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?

5. A Fair Funding Formula

5.1. In the White Paper, the Government set out its long term ambition for a fair, national funding formula. A fair funding formula would lead to clear and transparent funding for primary and secondary maintained schools and Academies. It would give a clear national basis for funding schools and for providing the money to meet the needs of different groups of children. It would not mean that every school received the same level of funding. We believe it is right that different pupils should attract different amounts of funding dependent on their circumstances. That is one of the reasons why we have introduced the pupil premium. But it would ensure that schools serving similar intakes would receive similar levels of funding; and new providers would know what funding to expect since there would be complete clarity about the funding they would receive.

5.2. A key issue in any reform of the school funding system will be who takes decisions about the level of funding for individual schools. Even within a transparent, overarching, fair funding formula there could be locally agreed decisions to vary the level of funding to meet particular circumstances.

5.3. A fair funding formula could involve all schools' budgets being set according to that formula. However, a fair funding formula could also operate so that it stated a national expectation of the funding for schools and set the aggregate level of funding for maintained schools within each authority, but allowed local authorities – in consultation or agreement with the schools they maintain – to vary the actual budgets to meet local circumstances or locally agreed priorities. Such flexibility for local authorities could be limited to particular circumstances or a particular proportion of the budget, or it might be unconstrained.

5.4. The advantage of using a national formula to set schools' budgets is that it would be the clearest and simplest; and would guarantee comparability of funding between individual schools, whether in different parts of the country or between maintained schools and Academies or Free Schools in the same area. However, it would not enable funding levels to be varied to reflect particular local circumstances.

5.5. A system which allowed local flexibility would enable funding to be more responsive to particular local circumstances. And because overall local funding levels would be set in accordance with a consistent fair formula, there would be clear accountability for the decisions taken by central and local government. Such a system would, as now, enable similar schools to receive

different levels of funding. It would also raise questions about the funding of Academies and Free Schools, since we would need to decide whether their funding should also be affected by that local flexibility. If it is, then their funding would be subject to the decisions of the local authority, which would be both inconsistent with their independence and would require us to develop a more manageable system than the current one. If it is not, and their funding was set by the fair formula, then it would vary from that of local schools with similar intakes. This would risk perverse incentives for schools considering Academy status or for potential promoters of Free Schools, for instance to set up in areas where the funding was more favourable.

Questions for consultation

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?

6. The role of local authorities

6.1. The majority of school funding is delegated to individual schools; but some funding is retained by local authorities. There is no set national definition of the balance of funding between what is delegated and what is retained centrally; nor of all the functions that should be delegated to schools and those that should be retained by local authorities.

6.2. If we move to a fair funding formula, with or without local flexibility, it will be necessary to have a clear divide between these responsibilities and the funding for them. Every school and authority would be funded in the same way regarding these responsibilities, despite their current different arrangements. There would likely be freedom for schools to decide to continue to operate particular functions through the local authority or otherwise.

6.3. The next two sections discuss the funding for two of the key areas that need handling outside of a national funding formula for schools - 'High Cost' pupils and nursery provision.

7. 'High Cost' Pupils including children with special educational needs

7.1. A fair funding formula for mainstream schools 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. These pupils' needs are met from schools' delegated budgets at present.

7.2. However, we recognise that there are many pupils whose needs are particularly costly to meet: some of these are in mainstream schools, some in maintained and non-maintained special schools, and some in alternative provision. These would not be readily fundable through a formulaic approach, and we therefore recognise a need for local authorities to have a substantial pot of money for high cost pupils outside the fair funding formula.

7.3. For our second consultation, we will work up proposals for how this pot of money will work. There are a number of important issues to be addressed, including how to distinguish between low cost needs covered by the formula and high cost needs; how to establish the budget for high cost pupils and divide it among local authorities; how to promote personal budgets as promised in the recent Green Paper *Support and aspiration: a new approach to special educational needs and disability*; and whether there is a case for some degree of formulaic funding for high cost providers, while recognising that this will never be able to address all individual needs.

7.4. The recently published Green Paper posed three specific questions about funding for SEN. In order that views on these can be taken into account in the second stage consultation of the review on school funding, we would like to take the opportunity to ask the same questions in this first stage consultation.

7.5. **Funding for SEN support services:** These are currently managed and funded by local authorities, but funding has also been included for them in the budgets of Academies. We need to reach a sustainable, affordable solution for funding them so that schools, Academies, Free Schools and other providers all have access to high quality support services, and responsibility for providing and funding services is clear.

7.6. **Banded funding framework:** We proposed 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. This could improve parents' experience of the assessment process and make funding decisions more transparent to them. Such a framework might set out high-level descriptions of the different types of provision for children with more severe and complex SEN or who are disabled, including, for example, additional curriculum support, therapy services, physical requirements, equipment, home-to-school transport, and family support (including short breaks).

7.7. The framework would not, however, determine the financial tariff associated with a particular type of need. This is because it is not the case that any one child with a particular category of need, for example autistic spectrum disorder, will require exactly the same support as another child with the same category of need. We consider that any national banded funding framework should continue to allow local leaders the flexibility to determine the levels of funding to be associated with each level and type of provision and, therefore,

to put in place personalised packages of support for children, young people and families.

7.8. Alignment of funding across the age range: We also committed to exploring ways in which we can bring about greater alignment of the different funding streams for children and young people with SEN, or who are disabled, from birth to 25. At present, there are separate systems of funding provision for these children and young people pre-16 and post-16. There are also three different funding streams for learners with learning difficulties and disabilities post-16.

Questions for consultation

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?

8. Early years funding

8.1. Every three and four year old is entitled to 15 hours a week of free early education. These hours can be taken in the maintained sector as well as the private, voluntary and independent sector. The funding for free early education is included within the overall school funding system, with local authorities responsible for funding providers. The level of funding for early years varies from local authority to local authority, both because of the national distribution of funding and because of local decisions about the balance of funding between early years and older children. Around a half of free early education for three and four year olds is delivered in schools.

8.2. All local authorities have recently introduced the early years single funding formula (EYSFF). The EYSFF has been intended to increase transparency in how providers are funded in each local authority, as well as bringing greater efficiency through funding on levels of participation and not on capacity. The EYSFF was also intended, through use of financial incentives, to support local authority action to maximise the impact of free early education in tackling disadvantage, increasing the quality of provision and enhancing flexibility for parents.

8.3. Feedback on the introduction of the EYSFF has been mixed. There is greater transparency than previously on early education funding, and participation funding has brought a greater focus on participation levels. However, there have been some suggestions that formulae used in the EYSFF pathfinder LAs were more complex than perhaps was necessary. Additionally, whilst the EYSFF has increased awareness of tackling disadvantage, the quality of provision and the importance of flexibility, it is not clear how effective funding supplements have been in incentivising providers. There are also differences in funding rates paid to providers across the country. Some argue these differences are unfair; others say that they reflect different circumstances in local childcare markets.

8.4. 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, will need to be clarified.

Questions for consultation

14. How successfully has the 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?

9. Elements of a fair funding formula

9.1. Any school funding formula consists of direct and proxy indicators that attempt to measure the needs of different children. Following this first part of the consultation process on a fair funding formula, we would expect to consult in more detail on possible indicators and the balance between them. However, there are some key principles on which we are seeking views now.

9.2. **Pupil vs school characteristics?** A school funding formula would be largely based on pupil-led factors, such as the number of pupils and the number of pupils from deprived backgrounds. However, it could also contain factors based on the characteristics of the school itself, such as funding based on the floor area of the school; or additional funding to support small schools.

9.3. A formula which takes into account the characteristics of a school in addition to just the characteristics of the pupils in the school may be better able to reflect the cost of existing provision. However, it would be less supportive of entry of new providers into the system and risks solidifying the current pattern of provision. It also does not encourage greater efficiency as it can protect less

cost effective provision and create disincentives to moving to more efficient organisation.

9.4. Our view, therefore, is that the formula should be based on pupil characteristics, with the probable exception of some mechanism to support small schools. This mechanism might, for example, be a lump sum element for all primary schools.

9.5. **What pupil factors should a formula contain?** The Government is clear that any formula should include a basic per pupil amount for all pupils (this will be higher for secondary pupils than for primary) plus extra funding per deprived child. The pupil premium will also continue to provide additional funding. It is our long term aim for the pupil premium to be fully integrated within the fair funding formula, and to be the vehicle for clear and transparent distribution of all deprivation funding.

9.6. However, there may be other needs that a formula should take into account. These might include additional funding to recognise different labour costs in different areas (the 'area cost adjustment'); other geographical factors such as rurality; funding for children for whom English is not their first language; underperforming ethnic groups; other proxy measures for additional or special educational needs; and incentives or rewards for improved performance.

9.7. **Complexity vs simplicity.** The simpler a formula, the clearer and more easily understandable it will be. That means it should be clearer to parents and schools why they receive the funding they do, and it will be clearer to potential promoters of new schools what funding they will receive. However, a very simple formula may be less accurate at addressing the differing needs of schools and pupils.

Questions for consultation

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?

10. How should we manage the transition to a new funding system?

10.1. The Government has protected school funding overall at the same cash level per pupil for the Spending Review period, with the pupil premium in addition to that. As demonstrated in the annex, the current funding system delivers very different levels of funding to schools with similar characteristics and similar intakes – in a way that goes beyond local choice. That is both unfair and inefficient. A fair funding formula would remedy that situation. But, by definition, that means that as we move to a fair funding formula, some

schools will see their budgets reducing relatively whilst others see them increasing. This levelling of funding to schools in similar circumstances must be right, but it could cause difficulties for those schools most affected and will need to be managed carefully.

10.2. We would expect, therefore, to implement any move to a fair funding formula with significant protection arrangements. These would be likely to set a maximum level of reduction in budget per pupil any school would receive each year; and to pay for this by constraining the level of increase any school could receive. These are called floors and ceilings.

10.3. We also think that the more notice we can give schools of changes to their budgets, the more able they will be to cope with those changes. There may, therefore, be a case for setting very tight floors and ceilings (ie so no school sees large changes to its budget) in the first years of introduction of a fair funding formula, but to allow greater fluctuations over time with schools notified of these well in advance. For the current Spending Review period at least, we expect the pupil premium to operate outside these transitional arrangements, so every school would receive the full value of the premium, clearly in addition to the rest of their budget.

10.4. There is also the question of when to begin movement to a fair funding formula. In the current fiscal climate, with school funding protected but not seeing large increases, there is an argument for delaying the introduction of a fair funding formula until we can afford additional funding to help pay for transitional arrangements. On the other hand, the current inequitable distribution of funding is inefficient, and it is more important now than ever to ensure we are getting maximum value for every pound of public money we spend. Schools with relatively higher levels of funding per pupil are likely to be comparatively more able to make efficiencies.

Questions for consultation

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?

11. Next steps

11.1. This document is the first stage in our public consultation on a fair funding formula. We would welcome comments on the questions asked and on other aspects of the school funding system by 25th May.

11.2. In the interim, we will continue to discuss reforms to the system with partner organisations. We will then consider responses to this document, before publishing the next stage of the consultation later in early summer.

11.3. Consultation responses can be completed:

- online at www.education.gov.uk/consultations/
- by emailing schoolfunding.consultation@education.gsi.gov.uk
- or by downloading a response form which should be completed and sent to:

Ian McVicar
Funding Policy and Efficiency Team
Department for Education
Level 4
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

Annex – Problems with the current school funding system

The current funding system is difficult to understand

The current school funding system is based on an assessment of pupil need that was made in 2005-06. Funding levels are a mixture of formula results, historical protections, and a multitude of different grants. Complexity exists both nationally, through the way the Dedicated Schools Grant is calculated, and locally, through different local authority formulae.

Local complexity

There are 152 local authorities in England and each local authority has its own formula for calculating school funding. Each formula takes into account different factors and apportions different percentages of funding to each factor. This can mean that different factors, such as site specific factors, attract varying levels of funding in each local authority. For example, in one local authority, site specific factors (pupil-led) constitute 12% of a school's budget share, whereas in a different local authority that has similar pupil characteristics, site specific factors (pupil-led) constitute only 3% of a school's budget share.

The minimum funding guarantee

The minimum funding guarantee (MFG) adds an additional layer of complexity to the system. It was introduced as a protection to school budgets which guaranteed increases or limited decreases in funding and therefore provided stability. However, the way in which the MFG operates alongside the current spend-plus system can prevent the local formula from working properly and, therefore, can be seen as partly responsible for locking in historical differences and creating opacity in the system. In 2010-11, 5,255 schools (nursery, primary, secondary and special) were on the MFG. 26% of all primary schools were on the MFG and 17% of all secondary schools were. For 550 out of the 5,255 schools, the MFG represents over 5% of their budgets (not including grants). This means that in a significant number of schools and local authorities, the local formula is not able to distribute funding in the way in which it intended.

The way that schools are funded under the spend-plus system, makes it almost impossible to explain to parents why their children's education is funded at the level it is.

Funding variations in the system

Schools with similar characteristics receive varying levels of funds

In any school funding system, we would expect some variation in the amounts that schools receive by taking into account different measures such as deprivation and English as Additional Language (EAL). However, none of these factors can explain the variation we currently observe.

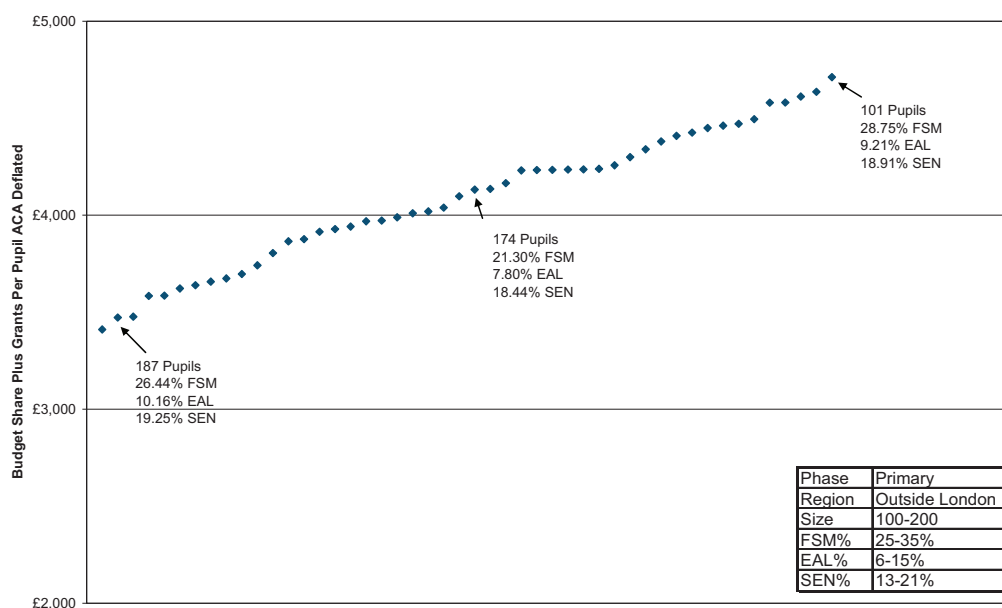
We can look at groups of schools with similar characteristics and similar pupil intakes and see how much their funding levels vary. The following graphs show primary and secondary schools with similar characteristics.

Primary schools

In a fair funding system, you might expect similar primary schools to receive a similar level of funding, i.e. for the graph to show a flat line. However, what the graph in fact shows is a large variation in funding between the similar schools chosen; ranging from around £3,400 per pupil to over £4,700. That difference, in a 150 pupil school, is equal to a total of over £195,000 and could pay for 5 extra teachers.

2010-11 budget share plus grants per pupil* for a selection of similar primary schools

*ACA deflated to ensure comparability



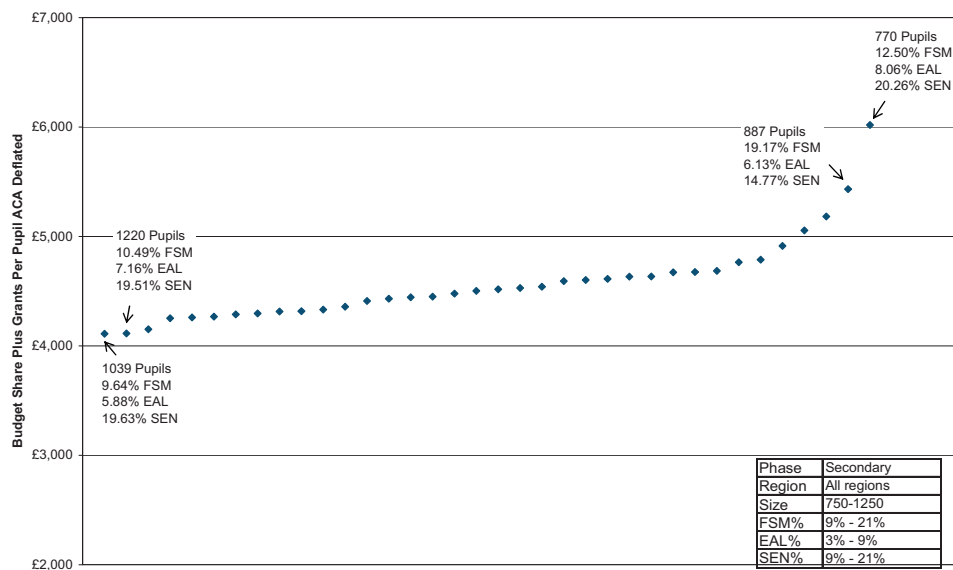
Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

Secondary schools

In a fair funding system, you also might expect similar secondary schools to receive a similar level of funding. However, this graph also shows that there is a large variation in funding between similar schools; ranging from under £4,200 per pupil to over £6,000. That difference, in a 1000 pupil school, is equal to a total of over £1.8m and could pay for 41 extra teachers.

2010-11 budget share plus grants per pupil* for a selection of similar secondary schools without 6th form

*ACA deflated to ensure comparability



Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

When variations of funding between schools occur it is very difficult to explain, to parents of children at the lower funded school, why their children's education is funded at the level it is. Sometimes it is hard to justify the level of funding one school receives in comparison to another similar school, either nearby or elsewhere in the country.

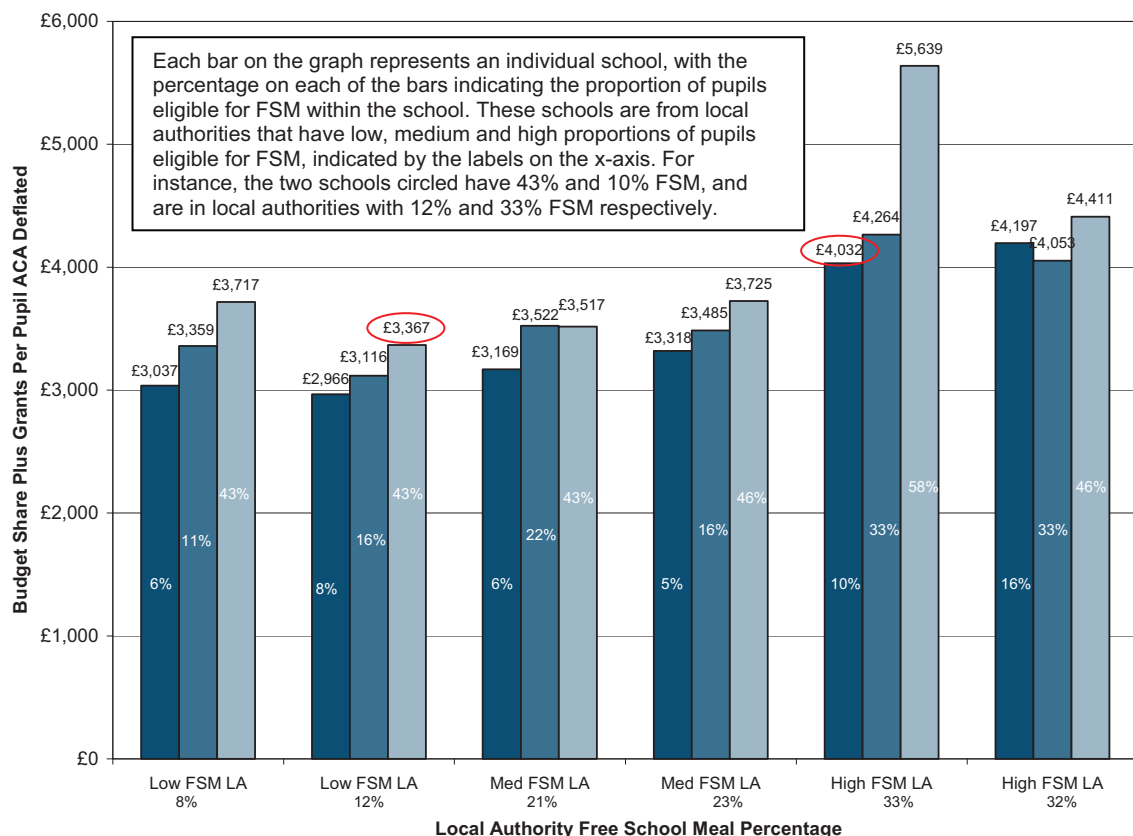
Funding fails to reflect needs accurately

Schools with higher levels of deprivation can receive less money per pupil than schools with lower levels of deprivation

The following graph shows examples of schools with low numbers of deprived pupils in highly deprived areas, receiving a greater amount of funding per pupil than schools with high numbers of deprived pupils in areas with both low and medium levels of deprivation overall. This means for example that a school with 43% of pupils eligible for FSM can receive £665 less funding per pupil than a school with 10% of pupils eligible for FSM (circled on the graph). This is caused by a combination of national and local factors – both the way the authorities have been funded and the way the authorities are funding schools.

Variation in 2010-11 budget share plus grants* between medium size primary schools in local authorities with high, medium and low levels of pupils on FSM (without pupil led SEN funding)

*ACA deflated to ensure comparability



Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

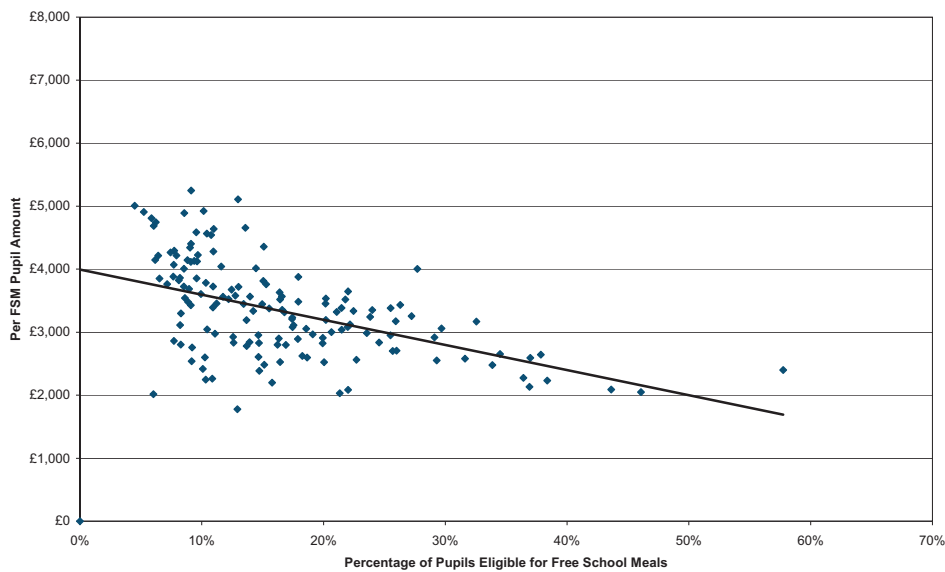
Deprivation funding is not universally well-targeted

There is significant deprivation funding in the current spend-plus system. However, it is not always well targeted and different local authorities have different methods of targeting this funding.

The graph below shows the funding that each local authority allocates for deprived pupils. There is significant variation reflecting local decisions but lower funded authorities tend to allocate higher levels of funding to their deprived pupils. Under the current system, the amount of funding that a deprived pupil receives is dependent on the local authority in which they are educated – both because of local decisions and the way local authorities are funded nationally.

A fair funding formula, alongside the pupil premium, would mean deprived pupils receive comparable levels of funding wherever they are.

Local authorities by percentage of secondary pupils eligible for FSM against extra funding allocated locally per deprived pupil

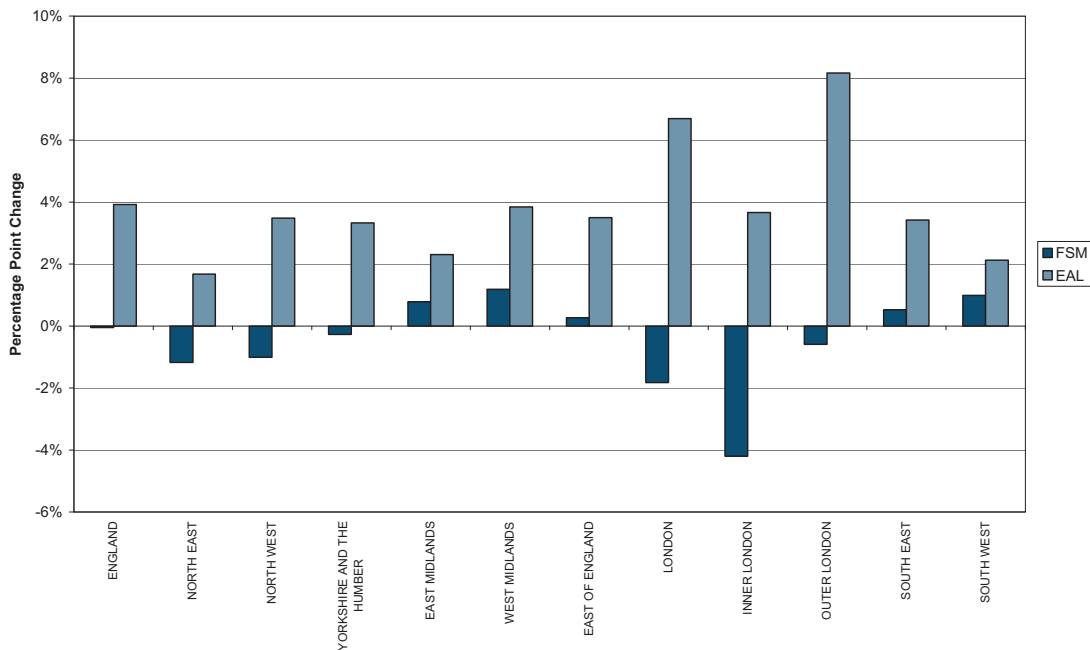


Source: Academic Year 11/12 Free School Ready Reckoner Tool based on analysis on Financial Year 10-11 Data from S251. FSM data from Annual School Census 2010.

The system does not respond to changing pupil characteristics

The current system is based on an assessment of need in 2005. The nature of the system means that historical differences are locked in which, in turn, means that it is unable to respond properly to changing characteristics at a local level.

All regions primary and secondary school change in FSM and EAL between 2005 and 2010^{1,2}



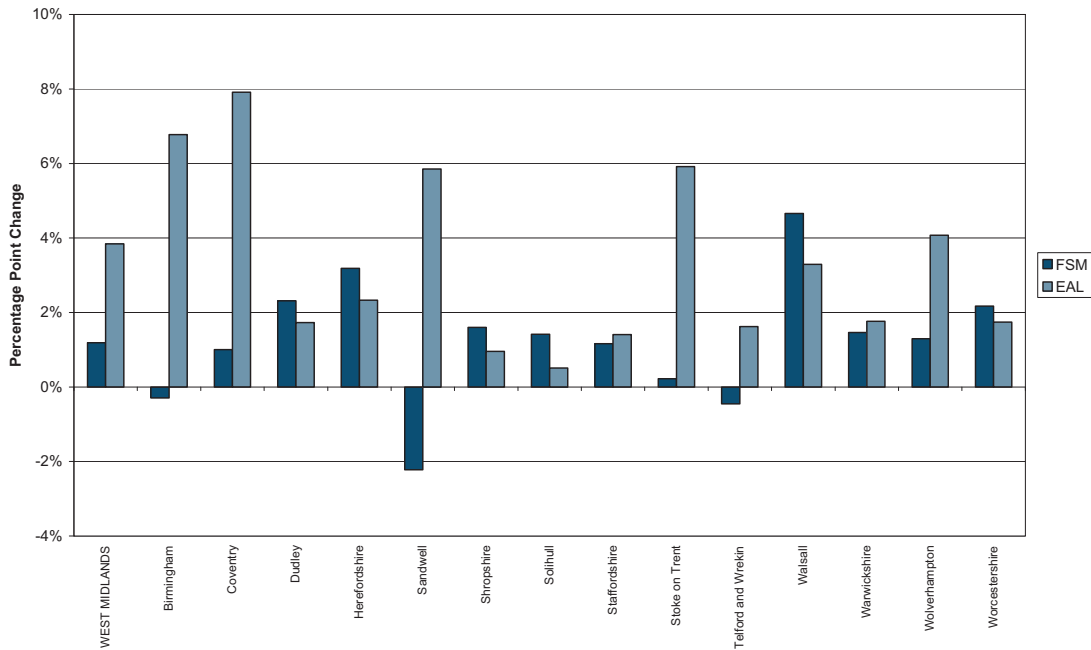
From the graph, we can see that since 2005 all regions have experienced changes in the number of pupils on Free School Meals and the number of pupils with English as an Additional Language (EAL). Local authorities that have seen increases in these pupil numbers will not have received any additional funding (or had their funding relatively reduced) to reflect these changes (before the pupil premium). A responsive system would reflect these changing characteristics.

¹ The underlying pupil characteristics used in setting the Guaranteed Units of Funding for 2005 used the most up to date pupil characteristics data available at the time. The information used for FSM and EAL in this, and subsequent pupil characteristics graphs, has been taken from 2004 and 2010 pupil characteristics. However, in this document it will be referred to as 2005 pupil characteristics as the funding levels were set for 2005 using this data.

² **Source:** Statistical First Release 2004 and 2010 – Schools, Pupils and their Characteristics

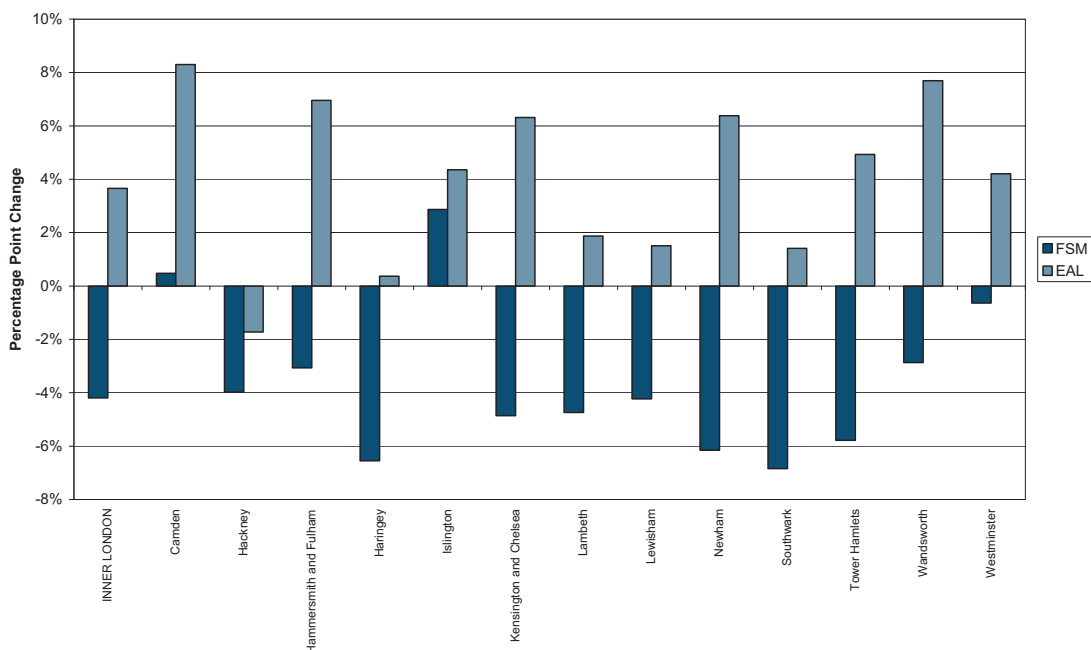
The below graph shows that the West Midlands is an example of a region where both FSM and EAL have increased since 2005 in all but two local authorities. The funding system does not reflect the current level of need in this region.

West Midlands primary and secondary school change in FSM and EAL between 2005 and 2010²,



In contrast to the West Midlands, Inner London has seen both increases and decreases in the percentage of pupils with EAL and on FSM since 2005. These changes will not be reflected in the funding system.

Inner London primary and secondary change in FSM and EAL between 2005 and 2010²,



The ability for local authorities to cope with changing circumstances under the spend-plus system is varied. For example:

- In a West Midlands local authority, EAL increased by 7.91%, and FSM increased by 1%
- An Inner London local authority experienced a 6.84% decrease in FSM and only a 1.41% rise in EAL.

From these examples we could expect that the Inner London authority may have some capacity to cope with the relatively small rise in EAL due to the decrease in FSM. However, the West Midlands authority may not have the capacity to cope with both the rise in FSM and EAL.

If the data was updated to reflect current need, most local authorities would see a change in their funding levels.

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A consultation on school funding reform: rationale and principles

Consultation Response Form

The closing date for this consultation is:

25 May 2011

Your comments must reach us by that date.

THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Education e-consultation website (<http://www.education.gov.uk/consultations>).

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

Please tick if you want us to keep your response confidential.

Name

Organisation (if applicable)

Address:

If you have an enquiry related to the policy content of the consultation you can contact either

Juliet Yates on: Telephone: 020 7340 8313 e-mail: juliet.yates@education.gsi.gov.uk,
or

Ian McVicar on: Telephone: 020 7340 7980 e-mail: ian.mcvicar@education.gsi.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Consultation Unit by e-mail:

consultation.unit@education.gsi.gov.uk, by Fax: 01928 794 311, or by telephone: 0870 000 2288.

Please tick the box that best describes you as a respondent.

<input type="checkbox"/> School	<input type="checkbox"/> Schools Forum	<input type="checkbox"/> Governor Association
<input type="checkbox"/> Teacher	<input type="checkbox"/> Local Authority Group	<input type="checkbox"/> Individual Local Authority
<input type="checkbox"/> Teacher Association	<input type="checkbox"/> Other Trade Union / Professional Body	<input type="checkbox"/> Early Years Setting
<input type="checkbox"/> Campaign Group	<input type="checkbox"/> Parent / Carer	<input type="checkbox"/> Other

If 'Other' Please Specify:

1. Do you agree with the stated characteristics of an ideal school funding system? (Section 2)

All

Some

None

Not Sure

Comments:

2. Are there further characteristics the system should have? (Section 2)

Yes

No

Not Sure

If 'Yes', what are they?

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

Yes

No

Not Sure

Comments:

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

Yes

No

Not Sure

Comments:

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? (Section 4)

Yes

No

Not Sure

Comments:

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

Yes

No

Not Sure

Comments:

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? (Section 5)

Purely National

Some local flexibility

A lot of local flexibility

Not Sure

Comments:

8. If so, should that flexibility be limited, and if so how? (Section 5)

Yes

No

Not Sure

How?

9. If there is local flexibility, what should the roles of local authorities, schools and the Schools Forum be in decision making? (Sections 5 and 6)

Local authorities:

Schools:

Schools Forum:

Comments:

10. If there is local flexibility for maintained schools, how should Academies and Free Schools be funded? (Section 5)

Through the fair
funding formula

Taking into account
local decisions

Not Sure

Comments:

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? (Section 7)

Comments:

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? (Section 7)

Comments:

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? (Section 7)

Comments:

14. How successfully has the EYSFF been implemented? How might it be improved? (Section 8)

Very Fairly A little Not at all Not Sure

Comments:

15. How important is an element of local flexibility in free early education funding? What might alternative approaches look like? (Section 8)

Very Fairly A little Not at all Not Sure

Comments:

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? (Section 8)

Comments:

17. Should the formula include only pupil led factors or also school led factors? (Section 9)

Only pupil-led factors

Include school-led factors

Not Sure

Comments:

18. What factors should be included? (Section 9)

Comments:

19. What is the right balance between simplicity and complexity? (Section 9)

Comments:

20. What level of change in budgets per year can schools manage? (Section 10)

Comments:

21. How much time do schools need to plan for changes in their funding? (Section 10)

3 months 3 – 6 months 6 – 12 months More than 1 year Not Sure

Comments:

**22. When is the right time to start moving towards a fair funding formula?
(Section 10)**

2012 – 13 2013 – 14 2014 - 15 2015 - 16 Not Sure

Comments:

23. Have you any further comments?

Comments:

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DfE consultations are conducted, please contact Donna Harrison, DfE Consultation Co-ordinator, tel: 01928 794304 / email: donna.harrison@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 25 May 2011

Send by e-mail to: schoolfunding.consultation@education.gsi.gov.uk

Send by post to:

Ian McVicar
Funding Policy and Efficiency Team
4th Floor
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

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

1. Introduction

In the White Paper, "*The Importance of Teaching*", the Government set out its long term ambition for a Fair Funding Formula which ensures clear, transparent and fairer funding for all schools, including Academies and Free Schools, based on the needs of pupils.

The main consultation document "*A consultation on school funding reform: rationale and principles*" available on the Department for Education e-consultation website (www.education.gov.uk/consultations) invites views on our aims for the school funding system and high level principles for reform, including how a Fair Funding Formula might operate. This could be a national funding formula, which would involve all schools budgets being set according to a central formula. Alternatively, it could involve locally agreed decisions to vary the level of funding for individual schools to meet particular local circumstances.

The main document also asks for views on when any reform might be introduced. However, if reform is not in place by 2012/13, we believe there is a strong case for making changes to the way Academies are funded, in advance of changes to the rest of the sector. This document explains why we believe the current model for funding Academies is unsustainable going forward and would want to make changes for funding Academies in the financial year 2012/13 (FY2012/13). It sets out the principles behind finding an alternative approach and options for doing so.

2. The current system

The main school funding consultation document sets out the case for change across the sector and sets out the principles which should underpin any system funding maintained schools and Academies. This document does not seek to pre-empt decisions informed by the main school funding consultation on extent and timing of changes across the school sector. However, we believe it is imperative to make improvements in the way Academies are funded from academic year 2012/13 (AY2012/13) and are therefore consulting on interim changes here that can be made in advance of wider reform.

Academy funding for the AY2011/12 will be made up of the following main blocks:

General Annual Grant (GAG): In order to keep to the principle that Academies should receive equivalent funding to a similar maintained school in the same area, the main portion of an Academy's funding seeks to mirror the local school funding formulae. An Academy's School Budget Share is the level of funding which would be provided

through the Local Authority's (LA's) funding formula for FY2010/11 if the Academy had been a maintained school. It includes allocations for grants, such as the Standards Fund Grant, which have been mainstreamed into school and Academy budgets from the FY2010/11. For each Academy the Young People's Learning Agency "replicates" the LA funding model, applies it to the Academy's pupil characteristics and adds in any mainstreamed grants. Funding is based on the previous financial year due to the timing of financial information available from the Section 251 LA return on which models are based.

LA Central Spend Equivalent Grant (LACSEG). As independent institutions, Academies have to provide services which a Local Authority would provide for a maintained school, such as behaviour support services, licences and subscriptions, pensions returns and the production of financial accounts. An Academy may choose to buy services back from the LA or it can make other arrangements to suit its pupils' needs. The LACSEG gives Academies funds to provide these services, at an equivalent rate to which the LA would have provided the services. It is calculated by the Department for Education using financial information supplied by Local Authorities in Section 251 statistical returns. Amounts vary substantially between authorities because of differences in the way LAs delegate funding to maintained schools and can reflect large swings between years as LA funding decisions change to reflect changing patterns of provision.

Insurance: As Academies typically have higher insurance costs than maintained schools, Academies receive a payment to reflect this.

Pupil Premium: Academies receive the Pupil Premiums for pupils known to be eligible for Free School Meals, Service Children and Looked After Children in the same way and at the same rate as maintained schools. This is additional to core funding.

Taken as a whole, this adds up to a complicated system that we believe needs reform for the following reasons.

The process is not transparent. The replication models and LACSEG models are hard to understand at an Academy and local authority level. Funding allocations are based on figures that relate to activities many months behind the activity for which an Academy is providing the service to its pupils.

It does not quickly reflect local circumstances. As pupil characteristics change in an Academy - e.g. the number of pupils eligible for free school meals or identified with special educational needs - the replication process does not ensure that these are reflected in actual funding amounts for the year in which the service is now needed.

There is a risk of error during the replication process. There are risks involved, mainly arising from the difficulty of accurately duplicating a local authority formula without mistakes that can sometimes lead to significant

errors in the level of funding allocations, even from very small formula errors.

The process becomes more difficult with an increasing number of Academies. The method of replication was appropriate for a small number of Academies, where individual anomalies could be discussed and agreed with a local authority. It is not an appropriate mechanism to automatically set funding levels for an increasing number of schools.

It is not sustainable. There are some local authorities which are likely to have no maintained secondary schools soon, as they will have all converted to Academies. This would mean that the local authority would have no need for a formula for their secondary schools, and therefore there would be no formula to replicate. And if all an authority's schools become Academies, then LACSEG will reduce to zero because the local authority would have no need for central expenditure on maintained schools.

It is not administratively efficient. Replication is extremely labour intensive. YPLA estimates that an average replication model takes 3-5 days to build but may take up to three weeks to verify as further information and clarification is sought from a local authority. This funding system also means additional data burdens for Academies.

3. Principles for an alternative funding method

Our view is that an alternative method for funding Academies in AY2012/13 would have certain key characteristics.

It would enable a smooth transition to a new approach across the funding system. This might be a short-term, interim measure to ensure stability in the system before we move to a new approach to funding across the system, or it might mean some kind of trial approach is required.

It would ensure that funding is equivalent between Academies, free schools and maintained schools. We would want to avoid any option which gave a financial advantage or disadvantage to schools wishing to convert to Academy status.

It would be transparent and easy to understand. If an alternative method is implemented, local authorities and Academies must be clear about how calculations are made and how funding levels may change.

Questions for consultation

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

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

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

4. School budget share

We think that there are three main options for funding Academies in 2012/13. It would be impossible, at this stage, to show the precise impact on actual funding levels if we pursued any of the particular options for an individual Academy as this would involve detailed modelling work for which the data is not currently available. However, we are able to provide an initial assessment of the options based on how they would most likely work.

The largest element of an Academy's funding is the school's core funding, known as its delegated school budget share. This is currently the same as a maintained school's current budget share received from the local authority, with some small adjustments. In AY2012/13 we could change how the school budget share is calculated for Academies.

The proposals here concentrate on Sponsored Academies and Converter Academies. We will want to consider further whether any changes are necessary to the way the budget share for Free Schools is calculated for AY2012/13. We are conscious that as the first Free Schools will open in September 2011 and new applications are currently being developed for AY2012/13, any interim changes would need to be considered against ensuring a necessary degree of certainty going forward for what will be very new institutions. The main consultation document, which is consulting on the principles on wider reform, includes Free Schools within its scope for wider system reform going forward.

Roll Forward. We would ensure that per pupil funding amounts are kept level, rolling forward the per pupil school budget share figures from the previous year. This approach would mirror the Spending Review's overall Schools Budget Settlement for FY2012/13 for maintained schools. We would intend to roll forward the per pupil school budget share that was the basis of the calculations for the previous year's budget, before any transitional protection, such as the Minimum Funding Guarantee (MFG) was applied. This consultation does not propose any MFG (or similar) protections next year but our assumption would be that if there were to be any additional protection for the maintained sector going forward, this would also be applied to Academies.

For Academies that are open before September 2012 we would roll forward their per pupil funding for the AY2011/12. Schools converting to Academy status during AY2012/13 would receive their allocation as if they were still a maintained school with additions for LACSEG.

It is important to note that this would not mean that Academies would receive the same total budget as in the previous year. This could either increase or decrease depending on how pupil numbers fluctuate at an Academy.

An important advantage of this approach is that funding for Academies and schools converting to Academy status would be predictable. The main drawback is that certain funding levels - such as deprivation funding - would remain tied to historical funding levels. However, this would be a relatively simple option which could work in the short term. Academies would also still receive Pupil Premium funding relating to their pupils as this is additional to core funding.

We believe that the roll forward option would give us a transparent interim method of funding Academies in FY2012/13 that maintains the comparability between Academies and the maintained sector. For these reasons, it is our preferred option going forward.

A fair funding formula for Academies only. We would fund Academies through a single formula on which we would consult later in the spring. This would be a useful way to trial a Fair Funding Formula for all schools. However, funding for Academies would move significantly away from comparable maintained schools and therefore does not meet our principle that Academies should not have a financial advantage or disadvantage.

Local authority based calculations. We could require local authorities to calculate Academy budgets using formulae they already hold. This would be advantageous in that Academy funding would be calculated on the financial year data closest to the academic year going forward and would not be lagged in the way it currently. However it has the disadvantage that Academies would receive indicative and final funding allocations later than now. Currently Academies receive indicative funding letters in the December in advance of the following September, with final allocations in March. This option would shorten the advanced notice that Academies have of budgets in the following year. Another disadvantage would be that Academies, as autonomous institutions, would be more reliant on local authority formulae and decisions.

Questions for consultation

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

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

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

5. Local authority central spend equivalent grant (LACSEG)

This is additional money for an Academy to cover central services that a local authority no longer provides. This is not a uniform figure nationwide and reflects the amount that a local authority spends on particular central services

on behalf of schools.

Currently there are services and costs funded from a local authority's Schools Budget, which form 30% of the total grant. There are also services and costs funded from other local authority sources, which form 70% of the total grant nationally. We will consider how LACSEG calculations should be made in FY2012/13, how they could be simplified and how they could reflect changes in LA settlement for FY2012/13. Our assumption is that any changes to LACSEG would also apply to Free Schools.

Questions for consultation

Are there changes you think we should consider to the way the local authority central spend equivalent grant (LACSEG) is calculated for FY2012/13?

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

6. Next steps

This document is part of the first stage in our consultation on changes to the schools funding system. As such, we would welcome comments on the questions asked in this document by 25 May 2011 rather than to the usual full 12 week consultation period. In the interim, we will continue to discuss the options for funding Academies in FY2012/13 with partner organisations.