

Cabinet
29 September 2011**14. RESPONSE TO THE DEPARTMENT FOR EDUCATION
NATIONAL SCHOOL FUNDING PROPOSALS 'A
CONSULTATION ON SCHOOL FUNDING REFORM:
PROPOSALS FOR A FAIRER SYSTEM'****Relevant Cabinet
Member**

Mrs J A Potter

Relevant Officer

Director of Children's Services

Recommendation

- 1. The Cabinet Member with Responsibility for Education and Skills recommends that the Cabinet:**
 - (a) having regard to the Department for Education (DfE) consultation undertaken in July 2011, approves the formal response to the consultation as detailed in Appendix 2;**
 - (b) requests further reports on further key DfE proposals as indicated in paragraph 9 of this report;**
 - (c) notes the issues made in the response to the short DfE consultation on the future transfers of central funding for Academies, the Local Authority Central Services Equivalent Grant, as detailed in paragraph 20 of this report and in Appendix 2; and**
 - (d) notes the deliberations of the Worcestershire Schools Forum as detailed in paragraph 23 of this report.**

Background Information

2. The existing national funding system for schools provides allocations to Local Authorities (LAs) of Dedicated Schools Grant (DSG) to provide funding for schools, early years provision, high needs pupils including Special Educational Needs and Alternative Provision together with services for schools retained centrally by the LA. The characteristics and issues within the current system are:

- The DSG is based upon historic spending allocations made to LAs by the Department for Education (DfE)

- prior to the introduction of the DSG in April 2006
- This has been used to calculate a DSG Guaranteed Unit of Funding per pupil for each LA based using estimated pupil numbers
- The DfE have on an annual basis increased the Guaranteed Unit of Funding by the "spend plus" methodology taking account of cost pressures and national Ministerial priorities
- In 2011/12 the DfE mainstreamed into the DSG a number of specific grants formerly paid through the Standards Fund and other funding streams which are now reflected in the Guaranteed Unit of Funding
- Although all LAs have seen increases in funding for schools over the period the current methodology has significantly increased the funding gap between the highest and lowest funded LAs and does not take account of the current need of pupils
- LAs have the responsibility to allocate the relevant share of the DSG to their schools on the basis of a local funding formula which must comply with the parameters set out by the DfE in the national School Funding Regulations
- LAs are able to delegate to schools all of the DSG. However, the regulations allow for LAs to centrally retain elements of the DSG in order to provide cost effective services to all schools. Such areas include Special Educational Needs support including non-maintained school provision, short stay schools, insurance, school admissions, school specific contingencies and capital expenditure funded from revenue. The extent of this is a matter for individual LAs to decide but the DfE set limits of the level of increase in the centrally retained part of the DSG compared to the delegated element.

3. In 2011/12 the DfE also introduced the Pupil Premium as additional targeted funding outside of the DSG. It is aimed at the most deprived pupils to enable them to receive the support they need to reach their potential. It is based upon those known to be eligible for Free School Meals and the national rate set for 2011/12 is £430 per pupil. There are also further Pupil Premium allocations for children looked after and from service families.

4. In addition to the DSG, Worcestershire County Council (WCC) is required to provide services for schools from the LA budget funded through its general formula grant. Such areas include funding for Home to School Transport, Education Welfare, School Improvement, Asset Management, Supply of School Places, Arts and Music and Outdoor and Environmental Education.

5. On 13 April 2011 the DfE launched an initial consultation

**DfE Consultation on
School Funding Reform:
Proposals for a Fairer
System**

on the rational and principles for school funding reform.

6. This was a short six week consultation designed to be the first stage of a two-part consultation on the future of school funding. The DfE contended the current DSG system:

- Is opaque and extremely complex being locked into historic spend and a system of minimum funding guarantees
- It is unfair as it leads to schools with similar intakes receiving very different levels of funding. It fails to reflect need accurately for areas such as deprivation.

7. WCC and the f40 Group have been campaigning for change for some time. WCC is a member of the f40 Group of LAs which represents a group of the lowest funded LAs in the country. The aim is to influence and secure changes in the way the Government allocates funding for schools to LAs on a more equitable and fair basis. Fundamentally the group is campaigning for a change in the system to close the funding gap allowing the lowest funded LAs to catch up.

8. The DfE suggested that there will be consideration of the potential for:

- A new model for allocating the DSG to LAs hopefully based upon an objective assessment of current need and not a historic model
- A new funding formula for all schools (by either a national funding formula or a national model with local discretion), which is transparent and easy to understand and reflects pupil characteristics.

9. On 19 July 2011 the DfE launched part two of the consultation. Replies are requested by 11 October 2011 giving a consultation period of 12 weeks. Due to the complexity of the issues raised and the variety of responses that are likely to be received, the DfE have indicated that following this period they will programme further work and consultation in the Autumn 2011 and Spring 2012.

10. It is a significant and technically detailed consultation. The document contains 54 pages plus Annexes and a consultation document requesting responses to 48 questions. The documents and a summary of the key issues have been circulated to all schools, the Worcestershire Schools Forum, the Worcestershire Association of Governors and the Teacher and Staffing Associations. All have been encouraged to make responses.

11. A detailed summary of the issues within the consultation is provided in Appendix 1. The key issues for consultation are summarised in the following paragraphs 12 to 15.

12. Overall Issues

- The DfE propose to introduce a new Dedicated Schools Grant (DSG) formula which will provide funding to LAs, maintained schools and academies on a fair and transparent basis
- These reforms will require funding to be moved between schools and areas, and will take time to have effect, so there will be transitional arrangements
- The DfE plan to continue with the current system for schools in 2012/13
- The plan is to either implement the new system from 2013/14 or wait until the next spending review in 2015/16.

13. New DSG

- There will be three main blocks of funding for LAs in the proposed revised DSG model – Schools, High Needs Pupils and Early Years
- There is also proposed a small fourth block for non-delegated items within the Schools Budget to include areas such as co-ordinated admissions, servicing of schools forums, supply cover for LA wide trade union and public duties and carbon reduction commitment
- The DfE will continue to ring fence the whole of the grant so it is spent on functions for which it is meant but the individual blocks will not be so
- The schools block will include – a basic amount per pupil, deprivation, small primary schools and area costs to reflect the variation of staffing costs and the cost of living across the country
- For High Needs Pupils there is consideration of a "base" level of funding per pupil with individualised "top up" including post-16 and whether funding is on the basis of places or pupil numbers
- The requirement for an Early Years Single Funding formula, for the funding of 3 and 4 year olds on the basis of actual participation across the range of maintained and Private, Voluntary and Independent providers, will remain. The DfE are also considering on whether, over time, there should be a move to a nationally determined formula to distribute this funding.

14. Local Schools Funding Formula

- The DfE are not proposing to introduce a national formula for individual schools with no local flexibility
- There is recognition that there are likely to be specific needs and school specific factors that need to be met which may not be possible to accommodate in any national formula

Consultation Response

- However, the DfE contend the current list of allowable formula factors, within the School Funding Regulations, is too long and needs to be rationalised
- A more limited number of additional local factors e.g. basic per pupil, additional needs, business rates, split site, Private Finance Initiative (PFI) and lump sums could be available.

15. Pupil Premium

- The DfE intend to keep this separate from the DSG formula for the duration of this Spending Review period
- However, the DfE are also consulting on how to distribute the Pupil Premium from 2012/13 with the intention to:
 - Increase the amount available per pupil
 - Widen the Free School Meal scope
 - Whether to retain the current national rate or recognise area differences.

16. The formal response to the consultation is attached at Appendix 2. This deals with the technical aspects of the consultation.

17. The overall messages it includes on the funding issues are as follows:

- The existing DSG funding model is flawed. There needs to be a fundamental and full review that requires the basic per-pupil entitlement to be fully costed and funded prior to any "top ups" for deprivation and area costs
- There is a recognition of the need for variations in funding between LAs but not to the current extent, which has widened over the "spend plus" period. For example, in 2011/12 the Guaranteed Unit of Funding analysis is:

WCC	£4,601	
All England	£5,083	WCC variance £482
Birmingham	£5,689	WCC variance £1,088
- There is a need to narrow considerably the differential funding gap between LAs. This is paramount and the new system needs to recognise the funding difficulties experienced at the bottom of the funding league table.

18. In particular for the WCC it indicates:

- The need to secure a Fairer Funding settlement for its services funded from the new DSG to that received currently on the basis of a core entitlement for all pupils. This requires a significant narrowing of the funding gap between the highest and lowest funded

DfE Consultation on the Basis for the Decision on the Appropriate Amount of Academies Funding Transfer for 2011/12 and 2012/13

The Role of the Worcestershire Schools Forum (WSF)

LAs. It is extremely disappointing that the timescales indicate any changes are unlikely to be implemented before 2013/14 at the earliest

- In comparison to other areas of the country the funding allocated to WCC is grossly unfair
- There is clear evidence of underfunding in the lowest funded authorities in spite of great improvements in efficiency. At current levels there is very little scope for manoeuvre.

19. In summary, it is clear currently the funding allocated to WCC is insufficient for purpose and particularly in comparison to other areas of the country is grossly unfair. In the context of any changes WCC would want these to redress the inequalities of the current system at a pace that will benefit our schools and pupils as soon as possible.

20. On 19 July 2011 the DfE also launched a further consultation providing LAs the opportunity to comment on the national proposals for the methodology for the calculation of future transfers of central funding to Academies, known as Local Authority Central Services Equivalent Grant (LACSEG). This was a much shorter consultation ending on 16 August 2011. In order to meet this deadline a response was agreed with the Leader of the Council and Cabinet Member with Responsibility for Education and Skills. The issues raised in the response have also been reiterated in the response to the above school funding consultation in Appendix 2, questions 21 and 22.

21. There is a statutory requirement on all LAs to have a fully constituted Schools Forum. In summary, the LA is required to consult their Schools Forum on funding matters related to schools. The Schools Forum also has specific decision making powers.

22. As required the WSF continues to fulfil its statutory role as the principal consultation forum for matters relating to school funding. As well as representing schools maintained by the LA, the Schools Forum continues to have a statutory responsibility to represent Academies in the LA area with its membership required to have relevant representation from that sector.

23. The LA is therefore required to consult and get a view from the WSF on the national funding consultation. The WSF have been consulted on the DfE proposals and met on 14 September 2011 to discuss the detailed draft consultation response.

24. The WSF considered all of the detailed consultation issues and responses detailed in Appendix 2. The key areas

that the WSF agreed for reporting to the Cabinet were:

- The need for consistency and transparency by the DfE in the funding arrangements for Free Schools (Question 8)
- Support for the longstanding and previously made arguments against the unfairness and inequity of the current Area Cost model (Question 15)
- The need for the funding system to recognise the funding pressures of newly arrived pupils with English not their first language (Question 16)
- Support for the significant concerns already raised with the DfE on the proposals for the future arrangements for the Local Authority Central Services Equivalent Grant (LACSEG) (Questions 21 and 22)
- Recognition of the complexities for the funding of High Needs Pupils (Questions 23 to 39)
- The need for the implementation of changes to the current funding arrangements to be introduced as quickly as possible (Question 47)
- Their full support of the summary of issues and requirements of the County Council from the new funding system (Question 48).

25. In summary, the WSF fully endorsed all of the issues contained in the recommended formal response to the consultation detailed in Appendix 2.

Supporting Information

- Detailed Summary of the Consultation Issues – Appendix 1
- Formal Consultation Response – Appendix 2

Contact Points

County Council Contact Points

Worcester (01905) 763763, Kidderminster (01562) 822511
or Minicom: Worcester (01905) 766399

Specific Contact Points for this Report

Heather Costello, Head of Resource and Programme Management (01905) 766342

Email: hcostello@worcestershire.gov.uk

Andy McHale, Service Manager Funding and Business Development (01905) 766285

Email: amchale@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Director of Children's Services) the following are the background papers relating to the subject matter of this report:

DfE Consultation Document – 'A Consultation on School Funding Reform: Proposals for a Fairer System' – July 2011