



## School funding: moving towards a national funding formula

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Section Social Policy

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This note details the Government's strategy for a national funding formula for schools, setting out the original strategic intent and how it has developed following a number of consultations. In its November 2010 education White Paper, the Government stated its intention to introduce a national formula. Describing the funding system it inherited as "opaque and extremely complex", it set out its strategy and undertook consultations to refine the approach.

The Department for Education has also made some changes to the ways in which local authorities may distribute funding to schools, including reducing the number of local factors that can be taken into account in order to "begin to ensure that most funding is pupil-led and that decisions taken locally are transparent and easily understood".

In March 2014, the Government consulted on its funding proposals for 2015-16. These included a proposal to make an additional £350 million funding available to what it described as the least fairly funded local authorities. Alongside this was a proposal to maintain funding at 'cash flat' per pupil for all local authorities. The extra funding, plus an additional £40 million, was confirmed in June 2014 and reflected in the Dedicated School Grant (DSG) allocations that were published in December 2014.

The Government has said that it would take forward its plans to introduce a full national funding formula in the next Parliament, once the outcome of the spending review for this period is known. It would also reform funding for high-cost special educational provision and early years. This note is one in a series of Library Standard Notes on school funding, see also:

- [School funding: Pupil Premium](#) (SN/SP/6700)
- [Education spending in the UK](#) (SN 01078)

Academy funding is covered in section 1.9 of [Free schools and academies:FAQ](#) (SN 07059)

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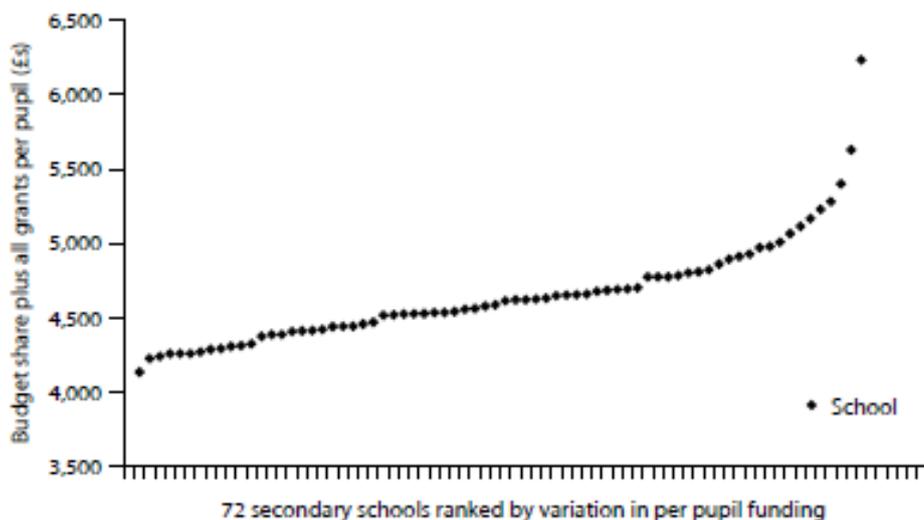
## 1.1 Government analysis of the prevailing funding system (2010)

The Government published its White Paper, *The Importance of Teaching*, in November 2010, followed by *A consultation on school funding reform: Rationale and principles* in April 2011; both considered the current funding system and made proposals for reform.

In the White Paper, the Department for Education (DfE) assessed the arrangements as they stood then as an “opaque, anomalous and unfair school funding system which reflects the historic circumstances of local authorities rather than the specific needs of individual schools and pupils”:<sup>1</sup>

The funding of schools should be fairer and more transparent, enabling schools to meet the needs of their pupils. Extra resources should clearly follow those pupils who might need extra help and support, such as pupils from poorer backgrounds. Our current system falls well short of this. Over recent years, more money has gone into schools’ budgets overall, but its distribution has not been fair. At present, as demonstrated by the graph below, inequalities in the funding system lead to huge variation in the money similar schools receive. We compared 72 secondary schools outside London, with similar size and intakes and found a variation in funding per pupil from just below £4,000 to well over £5,500.

### Variation in budget share plus grants per pupil in 72 secondary schools without sixth forms, with 1,000-1,250 pupils of which between 9–13 per cent are eligible for free school meals, outside of London



At the same time, only around 70 per cent of the money that is intended for the most deprived pupils is actually allocated to schools on that basis. And the funding system has become increasingly opaque and unresponsive, with the money that schools receive depending more on what they received in the past than the characteristics and needs of pupils in the school now. Post-16 funding, although distributed on a more transparent basis, is also inherently unfair, with school sixth forms being funded on average £280 more per student than general FE colleges and sixth form colleges.<sup>2</sup>

In the April 2011 consultation on the rationale and principles of the school funding system, the DfE provided a more detailed critique of the DSG funding system the new Government

<sup>1</sup> Department for Education, *The Importance of Teaching*, Cm 7980, November 2010, p82, para 8.10

<sup>2</sup> As above, p78, paras 8.1–8.2

had inherited (see the [Annex](#) of the consultation document), saying that “the amount of DSG per pupil for each authority is calculated based on what the local authority received the previous year”, adding:

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.<sup>3</sup>

The DfE added that the DSG methodology as it stood then “falls well short” of the Government’s view of the “ideal school funding system”, and that it:

- “is opaque and extremely complex”
- “is unfair as it leads to schools with similar intakes receiving very different levels of funding”
- “fails to reflect need accurately”
- “does not support the new school system”.<sup>4</sup>

A schema of the school funding system in April 2011 can be found in the Annex to this note.

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<sup>3</sup> Department for Education, [A consultation on school funding reform: Rationale and principles](#), April 2011, pp3–4

<sup>4</sup> As above, p4, para 3.5

## 1.2 Setting the strategy (November 2010)

### ***Speculation about funding responsibility shifting to the DfE***

Prior to publication of the White Paper, there had been speculation in the media that there would be a wholesale reform of the school funding system. The *Financial Times* reported that drafts of the White Paper proposed that “state schools in England will be directly funded from Whitehall for the first time” through a “single ‘national funding formula’”, a move which, the *FT* said, would “sideline local authorities from managing education spending.”<sup>5</sup>

It was subsequently reported that the reform would not be pursued, with the Education Secretary, Michael Gove, saying in advance of the White Paper’s publication, “we will be funding schools through local authorities as we do at the moment”. It was reported that “local councillors [had] come out strongly against the proposals” for direct funding from Whitehall.<sup>6</sup>

### ***The November 2010 Importance of Teaching White Paper***

In the White Paper, the DfE said that its “aim is that money is distributed more fairly so that it is the schools most able to make efficiencies which are asked to so do”, adding it would:

- Consult on developing and introducing a clear, transparent and fairer national funding formula based on the needs of pupils, to work alongside the Pupil Premium.
- In the meantime, increase the transparency of the current funding system by showing both how much money schools receive on a school-by-school basis and how they spend their funds.
- Devolve the maximum amount of funding to schools, making information and tools available to governors and head teachers which will support them in making good spending decisions.<sup>7</sup>

The DfE said that it wanted “all schools to be funded transparently, logically and equitably” and wished to “see schools funded in such a way that every parent knows how much is being spent on their child, and every parent can see what proportion of education spending is not going direct to schools”. It noted that it intended to move towards a “national funding formula” for schools in the long-term:

While the majority of schools are local authority maintained schools, funding will continue to pass to them through the local authority. But as more schools become Academies, with funding being given directly rather than through the local authority, so the requirement for a greater degree of transparency and consistency in allocating school funding becomes more pressing.

Because we plan, over time, to make Academy status the norm and wish to ensure more resources go direct to the frontline in a fairer way, our long term aspiration is to move to a national funding formula to ensure that resources going to schools are transparent, logical and equitable. In the short term, we will ensure that the amount available for the education of every child at school level is published and more money is passed directly to more schools as they become Academies.<sup>8</sup>

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<sup>5</sup> “Schools face shake-up to funding”, *Financial Times*, 12 November 2010

<sup>6</sup> “Gove drops school funding plans”, *Financial Times*, 21 November 2010

<sup>7</sup> Department for Education, *The Importance of Teaching*, Cm 7980, November 2010, pp78–79, paras 8.3 and 8.5

<sup>8</sup> As above, p82, paras 8.9 – 8.11

### 1.3 Rationale and principles – April 2011 consultation

#### *The consultation paper*

The 2010 White Paper made a commitment to consult on the new school funding proposals, and the subsequent [A consultation on school funding reform: Rationale and principles](#) was “the first stage in that consultation”. The document, published in April 2011, invited “views on the aims and objectives of the school funding system and the high level principles for any potential reforms”.<sup>9</sup>

The consultation paper took the original principles in the White Paper and expanded on them, setting out the DfE’s view of an “ideal school funding system”:

- **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.<sup>10</sup>

In order to help achieve the “ideal school funding system”, the Government considered several elements including:

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<sup>9</sup> Department for Education, [A consultation on school funding reform: Rationale and principles](#), April 2011, p1, para 1.2

<sup>10</sup> As above, p2, para 2.1

- a “Fair Funding Formula”, which would “give a clear national basis for funding schools” and “ensure that schools serving similar intakes would receive similar levels of funding”, although issues of local flexibility were noted;
- the DfE’s aim of ensuring that all deprived pupils have the same level of funding for their education, including through the Pupil Premium, and improving the current funding system “to deliver on this aim more effectively”;
- the role of local authorities, as a national funding formula would mean “it will be necessary to have a clear divide between these responsibilities and the funding for them”;
- “elements of a fair funding formula”. The DfE said “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”, including “pupil vs school characteristics”, “what pupil factors should a formula contain”, and “complexity vs simplicity”;
- managing the transition to a new funding system.<sup>11</sup>

In addition, the DfE acknowledged that funding for two of the key areas needed handling outside of a national funding formula for schools: ‘High Cost’ pupils including some with Special Educational Needs (SEN); and nursery (early years) provision.<sup>12</sup>

The Government stated that the consultation on the rationale and principles of the school funding reform would close on 25 May 2011, and then, “taking into account the views expressed in response to this document, [DfE] expect to publish further proposals for consultation later in the spring or in early summer”.<sup>13</sup>

### ***Responses to the consultation***

In July 2011, the Government announced the outcome of the consultation. While a total of 803 responses were received, 218 of which were in the form of responses and petitions from residents in Haringey concerning the issue of area costs,<sup>14</sup> while 78 did not address the questions set out in the consultation.<sup>15</sup>

On the Government’s view of the characteristics of an “ideal school funding system”, the DfE reported that:

Nearly all correspondents (98%) agreed with some or all of the stated characteristics of an ideal school funding system. Some respondents raised issues about the balance between a simple and transparent system and one that is able to include the diverse needs of individual schools. Whilst most respondents agreed that transparency should be an aim of a future funding system and recognised the complex nature of the current

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<sup>11</sup> As above, pp5–7 and 10–12, paras 4.3, 5.1–5.5, 6.1–6.2, 9.1, 9.2, 9.5, 9.7, 10

<sup>12</sup> As above, p7, para 6.3

<sup>13</sup> As above, p1, para 1.2

<sup>14</sup> Area costs is the issue of the different costs of employing teachers depending on location.

<sup>15</sup> Department for Education, [Consultation on school funding reform: rationale and principles 13 April 2011 to 25 May 2011 – Summary of consultation responses](#), July 2011, p1

system, some however felt that it was more important to ensure that the funding system is fit for purpose and able to meet the needs of all children.<sup>16</sup>

However, 83% of respondents were of the view that there were “further characteristics the system should have”, although opinions varied. For example, on the rigidity of budgets, “some called for the setting of 3 year budgets but others stressed the need for budgets to be flexible and responsive depending on the schools circumstances. Some suggested in-year adjustments to cater for influxes of pupils and the distribution of funding based on a termly, rather than annual, census”. Other issues included local flexibility, issues for rural areas, local salaries, and school and pupil characteristics.<sup>17</sup>

On local flexibility, “just over 70% of respondents thought that there needed to be at least some degree of flexibility for local authorities in any new funding arrangement” – 38% thought there should be “some local flexibility”, and 34% thought there should be “a lot of local flexibility”. Just under half of respondents but well over half of schools thought that local flexibility should be limited. Just under a third of all respondees but well over a half of local authorities responding were against any such action.<sup>18</sup>

While the consultation found that “some respondents considered that the Dedicated Schools Grant methodology needs review but that the local authority formula element of the system is fit for purpose, particularly given the Schools Forum role”, 80% of respondents agreed with “the case for reforming the system”: “respondents felt that the current differential levels of funding between similar schools are unfair and unjustified”.<sup>19</sup>

On the question, “How much time do schools need to plan for changes in their funding?”, the DfE reported that:

Most respondents thought at least a year was needed to plan but said it would depend on the level of change required and the circumstances of the school. For many this assumed a level of transitional protection of around 2% or 3%. For those suggesting less than a year, a call for multi-year budgets was made, to allow stability and more strategic planning. Many suggested that transitional arrangements should operate for a number of years, with 3 years the most commonly mentioned, but some thought that while floors and ceilings needed to be tight in the first year, they could be loosened in subsequent years.<sup>20</sup>

When asked “When is the right time to start moving towards a fair funding formula?”, while 43% of respondents thought 2012–13, and 23% 2013-14 (with 18% not sure), “many respondents said that the answer to this question would depend on the level and impact of change. The importance of effective transition and protection arrangements was mentioned by respondents giving different timescales in their answer”.<sup>21</sup>

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<sup>16</sup> As above, p3

<sup>17</sup> As above, p4

<sup>18</sup> As above, pp9–10

<sup>19</sup> As above, pp5–6

<sup>20</sup> As above, p20

<sup>21</sup> As above, p21

## 1.4 Strategy details – July 2011 consultation

### **Consultation paper**

In July 2011, the DfE launched a second, related consultation on its proposal; this second consultation was open until 11 October 2011.

### **Timing of the introduction of the national funding formula**

The consultation sought views on whether to implement the national funding formula in 2013–14, or the next spending period:

We are aware that despite the strong reasons for reforming the system, it is essential that we take time to get it right given the likely redistribution and the need for schools, Academies and local authorities to plan for changes. We are therefore consulting on when we should begin this process. We could either implement the new system from 2013-14 or we could wait until the next spending period (from 2015-16). We will use responses at this stage to help shape the development of the formula but will seek further views on timing when we publish the shadow settlement.<sup>22</sup>

### **Splitting DSG into blocks**

One of the key proposals was to split the DSG into its constituent parts, in order to make the funding system “much more transparent and more clearly reflect need”. The DfE proposed “allocating funding in three main blocks to local authorities”. These blocks would cover:

- Schools
- High Needs Pupils, and
- Early Years

There would be a “small” fourth block for “services currently within the Schools Budget that are not suitable for delegation”.

The DfE noted that “These four blocks represent the totality of what is currently funded through the DSG”.<sup>23</sup> It should be noted that a fifth block would be formula grant from the Department for Communities and Local Government, split into two halves: “what must be done or paid for by the local authority for all maintained schools and Academies”, and “functions which must be done by the local authority for maintained schools but would be within Academy budgets”.<sup>24</sup>

On ringfencing the four blocks, the DfE proposed that it would “continue to ringfence the whole of the grant so that it is spent on the functions for which it is meant. However, the individual blocks will not be ringfenced. This will enable local authorities, in consultation with their Schools Forums, to move funding between the blocks, mirroring the current situation”, subject to the following provisos:

The only restrictions to the extent to which local authorities can move money between these functions are that i) money retained centrally by local authorities, including for high needs pupils, must not increase faster than the schools’ budget without approval from the Schools Forum or the Secretary of State; and ii) the Minimum Funding

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<sup>22</sup> Department for Education, [Consultation on school funding reform: Proposals for a fairer system](#), July 2011, p48, para 9.4

<sup>23</sup> As above, p6, paras 1.2 and 1.3

<sup>24</sup> As above, pp24 and 25, paras 4.12 and 4.13

Guarantee (MFG) limits how much money can be taken from the schools pot. We intend to keep these restrictions in place.<sup>25</sup>

### ***Proposal for the national funding formula for the schools block***

In terms of the formula for the schools block, the DfE proposed:

7. We will develop a formula that helps schools to meet the needs of pupils by ensuring that additional resource is targeted towards pupils who have additional needs. For instance, children from deprived backgrounds are less likely to reach their potential than other children, and schools therefore need additional funding to provide them with the necessary support to enable them to do so. The new national formula will include the main elements that are likely to require additional resource.

8. The new national formula will include:

- a) A basic amount per pupil;
- b) Additional per pupil funding for deprivation;
- c) Additional funding to protect small schools;
- d) An adjustment for areas with higher labour costs [Area Cost Adjustment].

9. In addition, we are consulting on including additional funding for pupils who have English as an Additional Language (EAL) and sometimes need additional support to help them to achieve.<sup>26</sup>

In terms of how the national funding formula would interact with local funding decisions, the DfE explained:

These factors will be used in the formula to determine the level of resource for each local authority. Local authorities and Schools Forums will then agree a formula to distribute funding locally between schools in order to meet local priorities and needs. This formula could also be used to calculate the budgets of Academies in the area. Academies will be represented on the Forum to ensure decisions take their needs into account. We will take steps to simplify the local formula so that whilst there remains local flexibility in order to deal with particular needs and priorities, there is also more consistency between areas [see section overleaf on local flexibility].<sup>27</sup>

For the deprivation indicator, the DfE put forward four possible options:

1. pupils who were currently receiving free school meals (the indicator used in 2011–12);
2. pupils who were currently receiving free school meals and also those who had received them in one of a certain number of previous years;
3. benefits data; and
4. the income deprivation affecting children index (IDACI).<sup>28</sup>

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<sup>25</sup> As above, p6, paras 1.2 and 1.3

<sup>26</sup> As above, p3

<sup>27</sup> As above, p3, para 10

<sup>28</sup> As above, p17, para 3.17

The consultation question asked: “do you agree that we should use Ever FSM [free school meals] to allocate deprivation funding in the national formula? Should this be Ever 3 or Ever 6?” [i.e. pupils who had at any point during the last three or six years ever received FSM].<sup>29</sup>

In addition, the DfE stated that it would review the allocation of deprivation funding in the light of the introduction of Universal Credit.

### **Local flexibility and School Forums**

The DfE stated that “We are not proposing to introduce a national formula for individual schools with no local flexibility. We recognise that there are likely to be specific needs that need to be met which may not be possible to accommodate in any national formula”.<sup>30</sup>

The document noted that, at the time, “local authorities have a great deal of flexibility in deciding how to allocate money to individual schools”; annex A of the consultation noted the 37 local factors which local authorities could apply.<sup>31</sup> While observing that some local factors were “important” and “could not easily be taken into account at a national level”, the DfE said:

we believe that there is scope to rationalise this list. This would provide greater consistency in funding across the country by limiting the degree to which local authorities can diverge from the national formula. It would also mean that, at a local level, it is easier to see how individual schools are funded.<sup>32</sup>

The DfE sought opinions through the consultation on its proposed rationalisation of the local formula factors to:

- a) Basic entitlement per pupil (currently Age-Weighted Pupil Units)
- b) Funding for additional educational needs (e.g. deprivation, SEN, EAL)
- c) Rates
- d) Exceptional site factors (e.g. split site, PFI and rent)
- e) Lump sums for schools.<sup>33</sup>

On the local flexibility and the role of School Forums, the DfE said:

The consultation strongly supported some local flexibility in the system, but with that flexibility being limited in some way. This document sets out options on how to implement this. Our preferred option is to restrict the number and scale of additional local factors that can be used. This will ensure that all formulae are built on a comparable basis and can be understood easily by schools, Academies and others. We are also considering how we should improve the role of Schools Forums, so that they are more representative of all types of provision and that they have greater powers to challenge proposals if they think they are unfair.<sup>34</sup>

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<sup>29</sup> As above, p17, question 10

<sup>30</sup> As above, p4, para 15

<sup>31</sup> Department for Education, [A consultation on school funding reform: Proposals for a fairer system – Annexes](#), July 2011, Annex A

<sup>32</sup> Department for Education, [Consultation on school funding reform: Proposals for a fairer system](#), July 2011, p10, paras 2.7 and 2.8

<sup>33</sup> As above, p10, para 2.9

<sup>34</sup> As above, p4, para 16

### **Timing for the implementation of the new national funding formula**

In terms of the timing to implement the reforms, in the light of the earlier consultation the DfE proposed to maintain the current system of funding in 2012–13 “to enable further consultation and sufficient time for local authorities, Schools Forums, schools and Academies to interpret the reforms and the settlement”. It added:

9.2. In order to enable further full and detailed consultation, and to enable schools, local authorities and Academies to plan, we intend to issue a “shadow” settlement in 2012-13. This will illustrate the potential allocations under the new system for the financial year 2012-13 in respect of local authorities and maintained schools, and the academic year 2012/13 in respect of Academies. As well as allowing final consultation on the detail, this will help to identify any problems that need to be resolved both locally and nationally in advance of full implementation of the new system. We expect to publish this “shadow” settlement in the spring of 2012.

9.3. We intend to continue the existing practice of providing multi-year settlements for local authorities within the spending review periods to enable greater predictability of budgets for both local authorities and schools. We will explore how these could work and which aspects would be updated, such as pupil numbers, as we develop the new formula.

9.4. We are aware that despite the strong reasons for reforming the system, it is essential that we take time to get it right given the likely redistribution and the need for schools, Academies and local authorities to plan for changes. We are therefore consulting on when we should begin this process. We could either implement the new system from 2013-14 or we could wait until the next spending period (from 2015-16). We will use responses at this stage to help shape the development of the formula but will seek further views on timing when we publish the shadow settlement.<sup>35</sup>

### **1.5 Reaction to the consultation**

The Association of Schools and College Leaders said:

We have been telling successive governments for many years that the funding system has been in need of review so we are pleased that the current administration is given a commitment to tackle the inequities in the current system. We certainly agree with the report that similar schools serving pupils with similar needs should be funded in broadly similar ways, no matter where they are.

As with all such consultation, the devil will be in the detail and we have a major concern that in the search for a simple formula it will become simplistic and could end up delivering a different set of inequalities. The government should not fear complexity if it leads to a more equitable funding system.

We believe that in order to ensure that the funding formula is fit for purpose the department should develop a method of activity referencing their current ideas. It is also essential that detailed financial modelling at school level is carried out so that they are aware of the impact on each and every school. As any change in funding distribution will lead to some schools facing a reduction in their budgets, the transitional arrangements need to be made clear at an early stage.<sup>36</sup>

The NASUWT issued the following press release:

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<sup>35</sup> As above, p48

<sup>36</sup> Association of Schools and College Leaders, *School Funding Reform Consultation*, 19 July 2011

Commenting on the statement on school funding made to the House of Commons today by the Secretary of State, Michael Gove, Chris Keates, General Secretary of the NASUWT, the largest teachers' union, said:

"The statement is yet another attempt to distort the facts to distract from the dubious decisions that have been made by this Secretary of State in relation to school funding.

"The Secretary of State claims that the current funding system is unfair and opaque. The only unfair and opaque practices have been those used by the DfE to seek to extract money unfairly from local authorities to seek to bribe schools into academy conversion.

"A transformational building project for schools was scrapped entirely and is being replaced by a survey of school buildings, the revival of regulations that should never have been removed in the first place, a strategy to give more public money to the private sector and plans for cut-price, flat-pack schools.

"To add insult to injury, a critical consultation on school funding is issued at the start of the school Summer break, curtailing the opportunities for schools to be involved in the process.

"The Secretary of State is clearly ending the academic year as he began it."<sup>37</sup>

## 1.6 Institute for Fiscal Studies analysis

Following the publication of the DfE's July 2011 consultation document, in November 2011 the Institute for Fiscal Studies (IFS) published a report, *School funding reform: an empirical analysis of options for a national funding formula*, the purpose of which was to "describe the options for a national funding formula for schools and examine how different options would affect the finances of different schools or areas of the country". This noted that the DfE's second consultation document did not include such analysis.<sup>38</sup>

Based on a number of assumptions, the report found the following:

- The first key finding from this analysis is that the funding formula must be designed extremely carefully: features currently proposed by the government could lead to a redistribution of funding from secondary to primary schools. This can easily be prevented by adjusting the ratio of secondary to primary school funding. It is also important to recognise that current deprivation funding (measured by the implicit premium for free school meals) is geared strongly towards secondary schools.
- Changes in funding will be concentrated in particular local authorities; some could see average gains or losses of 10% or more. In some cases, the changes amongst primary and secondary schools are offsetting, reflecting greater harmonisation across local authorities in the ratio of secondary to primary school funding. In other cases, both primary and secondary schools are expected to see large changes in funding. If one believes that a single national funding formula represents an appropriate system of school funding, then such local authorities would be deemed to be currently over- or under-funded. Alternatively, one might believe that such local authorities have higher or lower levels of educational need than those implied by the factors upon which a national formula might be based.

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<sup>37</sup> NASUWT, *NASUWT comments on the parliamentary statement on school funding*, 20 July 2011

<sup>38</sup> Institute for Fiscal Studies, *School funding reform: an empirical analysis of options for a national funding formula*, November 2011, p3

- The third key finding is that, whatever formula is chosen, it will lead to a large number of winners and losers relative to existing policy. This is an inevitable consequence of replacing the current system, where funding levels can be based on myriad historical and local factors, by a simpler version that seeks to make funding more transparent and consistent across the country.
- We consider the likely time period required to smooth the transition to a national funding formula. Any transition period of less than a decade will involve significant, sustained losses for some schools. For example, in a transition lasting six years, some schools would incur annual cash-terms funding losses of up to 5%.

The crucial question for the government is whether the advantages of a national formula – simplicity, transparency and responsiveness of funding – exceed the costs that the adjustment process would entail. However, maintaining the status quo is unlikely to be desirable either. Without reform, school funding may become less transparent and less related to educational needs over time. The fact that there will be winners and losers per se is not necessarily an argument against reform. If one believes that a national funding formula represents the most desirable system, then the numbers of winners and losers merely show how far the status quo is from an ideal scenario. Moreover, failing to implement substantial reforms to school funding would lead to a further drift away from the desirable system and a greater cost of implementing reform towards it in future.<sup>39</sup>

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<sup>39</sup> As above, pp2–3

## 1.7 Next steps towards implementation – March 2012

### **Strategy paper**

Following the July 2011 consultation, in March 2012 the Secretary of State for Education announced the publication of the document, *School funding reform: Next steps towards a fairer system* in a written ministerial statement.

The DfE noted that while “support for reform was widespread”, feedback suggested that the model presented in the July 2011 consultation “would need refinement and careful implementation”, adding that the *Next Steps* document explained “how we plan to proceed from 2013-14 and invites views on areas where there are different options”.<sup>40</sup> The Secretary of State noted that: “getting the components and implementation of a fair national funding formula right is critical and we need to manage transition carefully so there is the minimum disturbance for schools. In the current economic climate, stability must be a priority”.<sup>41</sup>

The Secretary of State added that “the plans we are setting out today in “School funding reform: Next steps towards a fairer system” are our first steps towards introducing a national funding formula and explain how the system will operate from 2013-14”, and continued:

The plans we are setting out today in “School funding reform: Next steps towards a fairer system” are our first steps towards introducing a national funding formula and explain how the system will operate from 2013-14.

They show how local decision-making will be much simpler, more transparent and efficient. They will mean that administrative burdens on schools, academies and local authorities will be reduced and that funding arrangements are more understandable to head teachers, principals and governors, with less need for complex data and calculations. Local arrangements will be strengthened by improvements to schools forums.<sup>42</sup>

The building blocks referred to included the following changes (some of which are explored further below):

- Simplifying local funding arrangements, which will “not only stand us in good stead to move towards a national funding formula, it will also enable a more efficient and effective means of funding Academies on a comparable basis to maintained schools”, through the following steps:
  - “as many services and as much funding as possible will be delegated to schools”;
  - reduce the number of factors that can be used in local formulae to distribute funding from 37 to ten; and
  - make changes to School Forum arrangements;
- because “applying a national funding formula will mean that funding will need to move between schools and areas so that it is fair across the country”, while the DfE “work[s] through how this will operate”, in order “substantially improve the way local areas are funded”, the *Next Steps* document confirmed there would be three, unringfenced,

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<sup>40</sup> Department for Education, *School funding reform: Next steps towards a fairer system*, March 2012, p4, para 4

<sup>41</sup> [HC Deb 26 March 2012 c88WS](#)

<sup>42</sup> [HC Deb 26 March 2012 c88WS](#)

notional blocks for the allocation of DSG (Schools Block, Early Years Block and High Needs Block) – the fourth small block (to cover central services) proposed in the July consultation was dropped, and instead incorporated into the three main blocks.<sup>43</sup> In addition, the pupil premium would continue to be paid as a separate block outside of the DSG in order to ensure that it is “clearly identifiable”.<sup>44</sup>

- “put in place a more effective, sustainable system for funding” Special Education Needs (SEN) pupils and students;
- “support local authorities to simplify funding for early years provision and ensure greater transparency. We will also ensure that deprivation funding has more impact on disadvantaged children”.<sup>45</sup>

The DfE concluded that “overall, the reforms will mean we are well placed to introduce a national funding formula during the next Spending Review period”.<sup>46</sup>

### ***Local flexibility and School Forums***

On the proposal to move to ten local formulae factors to distribute funding, rather than 37, the DfE explained that this move would “begin to ensure that most funding is pupil-led and that decisions taken locally are transparent and easily understood” and also “stand us in good stead to introduce a national funding formula on a similar basis in future”.<sup>47</sup>

The DfE acknowledged that “the removal of some of these factors will cause some turbulence” but continued: “our view is that a more transparent system, with more funding following the pupil, gives schools greater autonomy and freedom to decide how to spend their money. We will of course put in place protections in order to limit any significant reductions to the budgets of individual schools”.<sup>48</sup>

The ten factors were:

- 1) A basic per-pupil entitlement – which allows a single unit for primary aged pupils and either a single unit for secondary pupils or a single unit for each of Key Stage 3 and Key Stage 4 (see below);
- 2) Deprivation measured by FSM and/or the Income Deprivation Affecting Children Index (IDACI);
- 3) Looked after children;
- 4) Low cost, high incidence SEN;
- 5) English as an additional language (EAL) for 3 years only after the pupil enters the compulsory school system;
- 6) A lump sum of limited size;
- 7) Split sites;
- 8) Rates;

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<sup>43</sup> As above, p11, para 1.2.13 and p12, para 1.2.21

<sup>44</sup> As above, p32, para 2.4.2

<sup>45</sup> As above, pp4–6, paras 9–22

<sup>46</sup> As above, p7, para 23(k)

<sup>47</sup> As above, p12, para 1.3.4

<sup>48</sup> As above, p14, para 1.3.8

- 9) Private finance initiative (PFI) contracts; and,
- 10) For the 5 local authorities who have some but not all of their schools within the London fringe area, flexibility to reflect the higher teacher cost in these schools.<sup>49</sup>

There would be discretion for the Education Funding Agency (EFA) to consider exceptional circumstances relating to premises.<sup>50</sup>

The *Next Steps* document also proposed changes to the operation of School Forums, as the previous consultations had found them to be “often too large and unwieldy, making it difficult to have a genuine discussion; and that it is sometimes difficult to see how decisions are made”.<sup>51</sup> While not proposing at this stage to amend the powers of School Forums, the next steps document proposed:

- 1.6.6 For 2013-14 we will therefore amend the Schools Forums Regulations to:
  - a) Remove the requirement to have a minimum of 15 people on a Forum;
  - b) Limit the number of other local authority attendees from participating in meetings unless they are a Lead Member, a Director of Children’s Services (or their representative) or are providing specific financial or technical advice (including presenting a paper to the Forum);
  - c) Confine the voting arrangements to allow only schools members and providers from the private, voluntary and independent sector to vote on the funding formula;
  - d) Require local authorities to publish Forum papers, minutes and decisions promptly on their websites; and,
  - e) Require Forums to hold public meetings – as is the case with other council committees.

- 1.6.7. We will also give the EFA observer status at School Forum meetings.<sup>52</sup>

### ***Timing for the implementation of the new national funding formula***

On the question of when to implement the new funding system, Mr Gove said that a national funding formula should be introduced in the next spending review (i.e., from 2015-16), as opposed to in 2013-14.<sup>53</sup>

The Secretary of State added that “the plans we are setting out today [...] are our first steps towards introducing a national funding formula and explain how the system will operate from 2013-14”. He continued:

They show how local decision-making will be much simpler, more transparent and efficient. They will mean that administrative burdens on schools, academies and local

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<sup>49</sup> As above, p13

<sup>50</sup> The EFA will “play a role in upholding the fairness of local decision-making” – the DfE explains that the EFA is “a new executive agency of the Department for Education that, from April 2012, will be responsible for capital and revenue funding for 3-19 education and training. The EFA will directly fund Academies, Free Schools and 16-19 providers; it will fund local authorities for maintained primary and secondary schools; and it will be responsible for the distribution of capital funding and advice on capital projects” [Department for Education, *School funding reform: Next steps towards a fairer system*, March 2012, p5, footnote 3]

<sup>51</sup> As above, p23, para 1.6.2

<sup>52</sup> Department for Education, *School funding reform: Next steps towards a fairer system*, March 2012, p24

<sup>53</sup> [HC Deb 26 March 2012 c89WS](#)

authorities will be reduced and that funding arrangements are more understandable to head teachers, principals and governors, with less need for complex data and calculations. Local arrangements will be strengthened by improvements to schools forums.<sup>54</sup>

The *Next Steps* document said: “getting the components and implementation of a fair national funding formula right is critical. We will start to put the building blocks in place now so that it can be introduced during the next Spending Review period with the minimum disturbance for all schools and Academies”.<sup>55</sup>

## 1.8 Reaction to the Next Steps document

Following Mr Gove’s statement, ATL issued a press release:

Martin Johnson, deputy general secretary of the Association of Teachers and Lecturers (ATL), said:

"The confirmation that many schools will suffer from a 1.5% cut in cash for each of the next two years says everything about this government's real commitment to learning for all - its actions speak louder than a thousand ministerial words about the importance of education.

"Despite the government spending 2011 consulting on how to reform school funding, it is now planning to keep a system which becomes more unfair each year because ministers didn't like the answers they got. Ministers want a simple national funding formula for all schools rather than a fairer revised national formula with local discretion to meet local needs. But school funding is complex and the reality is that it is not possible to have a system that is both simple and fair.

"The government has been forced to make funding more level between academies and other schools due to economic necessity rather than an interest in fairness, but how level the funding is will depend on the detail."<sup>56</sup>

The *Times Educational Supplement* noted that the *Next Steps* announcement had stated that the new funding formula would not be introduced until the next spending review:

### Funding reform is off the agenda

*Michael Gove accused of ‘bottling it’ over plans to overhaul ‘unfair’ system*

Local authorities representing the worst-funded schools in the country have accused education secretary Michael Gove of “bottling it” over plans to bring in a fairer funding system that would eliminate financial inequalities between schools.

Last year, the government launched a consultation to radically reform how schools were funded by 2013-14 in an attempt to deal with disparities that have led to similar schools being funded at drastically different levels.

Speaking at the time, schools minister Lord Hill was clear that it was a “priority”. “Headteachers tell us that the current funding system is unfair and illogical,” he said. “Having a fairer system is not just right in principle - it would enable parents to see more clearly how schools are doing with the funding they receive.”

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<sup>54</sup> [HC Deb 26 March 2012 c88WS](#)

<sup>55</sup> Department for Education, [School funding reform: Next steps towards a fairer system](#), March 2012, p4, para 8

<sup>56</sup> ATL, [ATL comment on government's funding plans for schools](#), 26 March 2012

But this week, Mr Gove admitted that he has been forced to drop any plans to rush through a new settlement within this Parliament. He said that, while there is a clear need to tackle the differences in funding between schools, the current economic climate means that “stability must be a priority”.

The sheer complexity of the current system and the size of the existing inequalities, Mr Gove said, mean that “we need to take care in how we proceed”. He added that the government has decided “to make gradual progress towards reform”.

His decision to kick the reforms into the long grass - certainly until after the next election in 2015 - has led to concerns among campaigners that the policy has been effectively shelved.

The move comes as a bitter blow for the country’s worst-funded schools, with the f40 group, an organisation that campaigns for fairer school funding in the country’s lowest-funded local authorities, stating that it was “devastated” by the news and that Mr Gove had “bottled it”.

The current funding system means that the funding per pupil in a primary school can vary by as much as £1,300 in different parts of the country, while the disparity between secondary schools can reach £1,800 per student. In a 1,000-pupil school, the funding system can mean a secondary receiving £1.8 million less - the equivalent of around 40 new teachers.

Schools in central London, for instance, receive far greater sums per pupil than schools in Somerset.

Ivan Ould, chair of the f40 group and a Leicestershire county councillor, added that the announcement to put off a fairer funding formula was “totally unacceptable”.

“Mr Gove and his government have made it clear that they accept that the present system is unfair, so to put off meaningful change for a further three years - but probably many more - is just plain wrong,” Mr Ould said.

The f40 group has been campaigning for a change to how schools are funded for nearly 20 years, and it added that it will be pushing for an increase in funding to its members’ schools over the remainder of this Parliament.

“Even if only 0.25% had been offered immediately and again in the next few years, that would have been a start to narrow the disparity gap,” Mr Ould added.

Kevin Bullock, head of Fordham Church of England Primary School in Cambridgeshire, said that he and his colleagues were “longing for the day” when schools were more equally funded.

“The council does the best it can with limited resources but, at the end of the day, it isn’t fair,” Mr Bullock said. “I am not sure that there is the political will to change the system. Call me cynical, but I’ve been head here for 16 years and we’ve always had less funding - I won’t be holding my breath that it will come any time soon.”

The government is keenly aware of the problems that beset the way the country’s schools are allocated money, but has been pegged back by the sheer complexity of the existing funding method.

But while the country’s worst-funded schools have expressed their disappointment, the decision to delay a new funding formula has been welcomed by heads’ and teachers’ leaders.

The Association of School and College Leaders (ASCL) has repeatedly warned that any new formula could produce new inequalities in the system.

Speaking at the ASCL's annual conference last weekend, the education secretary pointed out the level of complexity in the existing funding formula, claiming that "even Malcolm Trobe", the ASCL's deputy general secretary for policy, could not say why schools end up with the amount of cash they do.

And Mr Trobe acknowledged that, while it was a disappointment for the worst-funded schools, the delay was a "sensible decision". "Rushing into overly simplistic funding changes without proper testing would simply be rearranging the deckchairs," Mr Trobe said. "Because it is so difficult to predict the knock-on effect of changing one part of the formula, the proposals must be thoroughly modelled at both local authority and school level before they are implemented."

NUT general secretary Christine Blower added that changing a funding system at a time of budget constraints "was not fair".<sup>57</sup>

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<sup>57</sup> "Funding reform is off the agenda", *Times Educational Supplement*, 5 April 2012

## 1.9 Progress made in the 2013–14 funding arrangements

On 28 June 2012, Michael Gove announced the final arrangements for funding schools from 2013-14, saying that it “provides a vital step towards a national funding formula, which will create a funding system that is fair, logical and distributes extra funding towards pupils who need it the most”. He stated that the 2013–14 local funding arrangements “pave[d] the way for this broader reform”.<sup>58</sup>

The accompanying document, [School funding reform: Arrangements for 2013-14](#), as the name suggests, focused on the detailed funding policy for 2013–14 rather than the strategic objective of a national funding formula. However, given that the 2013–14 funding arrangements were intended to be a stepping stone to the national funding formula, it is perhaps worth highlighting here some of the key changes since the March 2012 consultation.

As the June 2012 document stated that “most of the next steps we set out in March remain unchanged, this document highlights important aspects of detail that have been clarified or firmed up”, including:

- the exceptions to delegation to schools i.e. where funding will either be returned to, or retained by, the local authority to provide a service centrally were expanded to include equal pay back-pay and the funding of non-SEN places in independent schools, and the option for local authorities to create a “growth fund” to better coordinate provision for growth in pupil numbers;
- changes to the details of some of the 10 local formula factors, plus the addition of two extra factors (post-16, and pupil mobility).
- the EFA to have observer status at School Forum meetings with the right to participate in discussions, in order to “enable the EFA to support the local process and to provide a national perspective”;
- include Pupil Referral Units as a separate group among schools members, to reflect their receipt of delegated budgets from April 2013.<sup>59</sup>

A number of changes to School Forums were subject to a [short consultation](#), and subsequently the *Schools Forums (England) Regulations 2012* (S.I. 2012/2261) were made, which featured a number of changes including:

- no minimum or maximum size for a Forum (previously there was a minimum of 15 members);
- forum meetings to be open to the public, and papers, agenda and minutes to be publicly available;
- a representative of the EFA, appointed by the Secretary of State may be appointed as an observer to attend and speak at Forum meeting.<sup>60</sup>

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<sup>58</sup> [HC Deb 28 June 2012 c22WS](#)

<sup>59</sup> Department for Education, [Dear Colleague letter – Consultation on changes to the Schools Forums regulations 2010](#), 13 June 2012, p2

<sup>60</sup> Department for Education, [Schools Forums: Operational and Good Practice Guide](#), September 2012, p4, para 1.3, p10 para 1.39 and p11, para 1.42

## 1.10 Further changes for 2014–15

The DfE published [School Funding Reform: Findings from the Review of 2013-14 Arrangements and Changes for 2014-15](#) in June 2013.

This is perhaps best viewed as an incremental step towards the national funding formula; as the document noted: “most of the arrangements we put in place for 2013-14 will remain in place next year. We will however make a number of changes which will move us closer to a national funding formula and which will address the unintended consequences which arose as a result of the 2013-14 reforms”.<sup>61</sup>

In an accompanying written statement, the Minister for Schools, David Laws, told the House:

The Secretary of State ... announced a number of changes to the school funding system to pave the way for a national funding formula. These changes took effect from April 2013.

This started a welcome journey towards a fairer and more transparent funding system, but following consultation with the sector a number of improvements to the initial arrangements need to be made.<sup>62</sup>

The Minister highlighted the following changes for 2014–15, which included:

- local authorities would be required to allocate a minimum of 80% of their funding on the basis of pupil characteristics;
- the setting of a minimum per-pupil amount;
- local authorities would be able to provide additional funding for schools in sparsely populated areas;
- new flexibilities to provide different amounts of funding to cover the fixed costs of primary and secondary (as well as middle and all-through) schools;
- targeted support for deprived and vulnerable pupils: local authorities will be required to target additional funding to deprived pupils in addition to the pupil premium, and extra funding to those under-attaining.<sup>63</sup>

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<sup>61</sup> Department for Education, [School Funding Reform: Findings from the Review of 2013-14 Arrangements and Changes for 2014-15](#), p5, para 6

<sup>62</sup> [HC Deb 4 June 2013 c89WS](#)

<sup>63</sup> See: [HC Deb 4 June 2013 cc89WS–90WS](#)

## 1.11 2013 Spending Round statement

In his statement on the Spending Review, the Chancellor, George Osborne, told the House:

I can announce today that schools spending will be allocated in a fairer way than ever before. School funding across the country is not equally distributed; it is distributed on a historical basis with no logical reason. The result is that some schools get much more than others in the same circumstances. That is unfair and we are going to put it right. Many MPs on both sides of the House have campaigned for that. My hon. Friend the Member for Worcester (Mr Walker) has been a particular champion in this Parliament. Now, the lowest-funded local authorities in this country will at last receive an increase in their per-pupil funding as we introduce a national funding formula to ensure that no child in any part of our country is discriminated against. We will consult on all the details so that we get this historic reform right.<sup>64</sup>

The Treasury document, *Spending Round 2013*, included the following under the DfE's settlement:

The Government will consult on how best to introduce a fair national funding formula for schools in 2015-16, supporting schools reform and taking a vital step towards fixing the historic and unfair differences in funding between schools in different local authorities. In future, the amount of funding a school receives will be based on a fair and rational assessment of the needs of its pupils, including how many pupils are disadvantaged.<sup>65</sup>

## 1.12 Changes for 2015 to 16 – 'fairer schools funding'

In March 2014, Schools Minister David Laws announced in an [Oral Statement](#) that the Government intended to take two further steps, but stopped short of announcing the implementation of a full national funding formula. The Government would make available an additional £350 million school funding available to areas that were currently the 'least fairly funded', and DfE would set minimum funding levels. From March 2014 to 30 April 2014, it ran a [consultation](#) on these proposals, which were described as "the biggest step toward fairer funding for schools in a decade".<sup>66</sup>

The DfE explained the rationale as follows:

We are now determined to provide additional funding to the least fairly funded local authorities in 2015-16. After we have met our commitment to fund all local authorities at the same cash level per pupil as in 2014-15, we have decided to add a further £350m to fund schools in the least fairly funded authorities. This will be the first time in a decade that funding has been allocated to local areas on the basis of the actual characteristics of their pupils and schools, rather than simply their historic levels of spending. No local authority or school will receive less funding as a result of this proposal.

Although these proposals do not represent implementation of a national funding formula, this is the biggest step towards fairer funding for schools in a decade. The proposals we are announcing today put us in a much better position to implement a national funding formula when the time is right. This will be when the government has set spending plans over a longer period of time, allowing us to give schools and local

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<sup>64</sup> [HC Deb 26 June 2013 c311](#)

<sup>65</sup> HM Treasury, *Spending Round 2013*, Cm 8639, June 2013, p33, para 2.2

<sup>66</sup> DfE, *Fairer schools funding in 2015-16*, 13 March 2014, Pp. 3.

authorities more certainty about how the formula will affect them over a number of years.<sup>67</sup>

In terms of determining which local authorities would receive the extra money, the Government said those LAs where pupils and schools already attracted a determined 'minimum funding level' would not attract extra money; Those not receiving the MFL would.

In determining the overall minimum funding level, the DfE would set minimum funding levels also for five pupil characteristics:

- a per-pupil amount ('age weighted pupil unit');
- pupils who are from deprived backgrounds;
- pupils who have been looked after<sup>1</sup>, for example in foster care;
- pupils with low attainment before starting at either their primary or secondary school;
- pupils who speak English as an additional language.<sup>68</sup>

There would be two other minimum funding levels for:

- a per-school 'lump sum' in addition to per-pupil funding
- small schools essential to serving rural areas.

### ***Reaction to 'fairer schools funding' proposals***

The F40 group represents what it says are "the lowest funded education authorities in England". Following the publication of the March 2014 consultation it said it "warmly welcomed [the] ... announcement that extra funding will be made available by the government to begin the process of making the allocation system fairer".<sup>69</sup>

In its consultation response, the Association of School and College Leaders (ASCL) gave a more mixed response, saying that while the money was welcome, it had concerns about aspects of the proposals; the funding, it said, may also do little to address the budget difficulties some areas were experiencing:

ASCL welcomes the commitment to move to a national fair funding formula and the additional £350million that is being provided in 2015-16 but draws the Department to the comments made in paragraphs 9 and 10 below.

8 ASCL recognises that these proposals will be a major assistance to financially hard pressed schools in a number of parts of the country and for schools in some authorities this moves them in the direction of a fairer and more equitable funding system. However we take issue with some of the statements given in this section of the consultation paper (paragraphs 1 to 4) surrounding the proposal to provide an uplift above the flat cash level to some Local Authority areas but that fall outside the remit of the very specific invitation for views. The consultation makes assumptions about which areas are least fairly funded as there is no rationale given for determining what constitutes 'fair funding'. There is also a significant overstatement about how far these

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<sup>67</sup> As above, Pp. 3

<sup>68</sup> DfE, *Fairer schools funding in 2015-16*, 13 March 2014, Pp. 4

<sup>69</sup> F40 press notice, *F40 welcomes extra funding for poorest-funded schools*, 17 March 2015.

proposals take authorities away from 'their historical levels of spending' when for all authorities this remains the starting base level for the funding calculations.

9 Having said that we welcome any attempt to improve the funding situation particularly in unfairly low funded areas. Unfortunately this proposal must be viewed in the context of an increasingly difficult situation where the demands placed on schools through the accountability system, specifically performance tables and the work of Ofsted, is in some parts of the country outstripping the capacity of the system to deliver. This funding pressure is compounded in schools with sixth forms by the wholly inadequate level of 16-18 funding.

10 The increase in teacher on-costs with the increase in employers' pension contributions in September 2015 and following that, the proposed rise in employer National Insurance contributions in April 2016 will place further pressures on hard pressed school budgets. When those factors are added to general inflation costs and unfunded pay awards the situation looks serious across many areas and the current proposal to allocate an additional £350m to some areas, whilst a help to them, does little to meet with our policy position that funding should be sufficient in all schools across the whole country.<sup>70</sup>

While welcoming the additional fairer funding, the National Association of Head Teachers (NAHT) urged the Government to recognise the cost pressures on schools, and to press ahead with the development of a fair national funding formula:

Russell Hobby, general secretary of NAHT (National Association of Head Teachers), said: "We welcome the announcement of additional funding for schools, particularly as it is targeted at those schools who receive much less than the national average.

"Cost pressures on schools are growing severe and we are staring at more redundancies without increases in funding. The simultaneous announcement of additional employer pension contributions only adds to the pressure. It is vital, however, that the government honours pension commitments, after so many years of cuts, so the new funding is doubly welcome.

"The government has announced minimum funding levels for a variety of factors and will direct the new funds on this basis. This is a small step towards a fair national funding formula. We urge the government to continue the journey.

"There are glaring injustices where schools are held accountable for the same results with vastly different resources."<sup>71</sup>

In their joint consultation response, London Councils and the Association of London Directors of Children's Services said that while they welcomed the announcement of the additional money, they also wanted the DfE to:

Address the lack of flexibility within the proposals which undermines the role of the local authority in a national funding formula and its ability to address and respond to local, emerging issues

Reduce the heavy emphasis on per pupil factors as this does not sufficiently recognise local needs and the impact of multiple factors such as deprivation

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<sup>70</sup> ASCL, *Fairer schools funding in 2015-16. Response of the Association of School and College Leaders*, 30 April 2014. Pp. 1 -2.

<sup>71</sup> NAHT, *NAHT welcomes David Laws' £350m increase in school budgets*, 13 March 2014.

Include pupil mobility as a characteristic. It is not clear why pupil mobility has been ignored, particularly when it is such a significant cost driver for schools in urban areas

Provide a more accurate area cost adjustment, and remove the LCA lower protection limit. The proposed ACA underestimates the cost of teacher pay and risks transferring funding from expensive areas to inexpensive area

Address the significant revenue and capital spending pressures London schools are facing<sup>72</sup>

They also cautioned “It should be noted that whilst this funding would benefit some schools, others could result in a real terms cut which would put them under significant financial strain in the current climate.”<sup>73</sup>

### **Next steps**

On 17 July 2015, Schools Minister David Laws confirmed in a [Written Statement](#) that the DfE would allocate an extra £390 million - £40 million more than originally indicated – to sixty nine qualifying local authorities.<sup>74</sup> The Minister said that priorities for the next Parliament would be introducing a full national funding formula and reforming funding for high-cost special educational needs and early years provision.<sup>75</sup>

A list of the LAs that would receive a share of the £390 million can be found in Annex B to the guidance *Fairer schools funding. Arrangements for 2015-16*, published alongside the statement. A DfE [technical note](#) explains how the schools block units of funding (SBUFs) for the 2015-16 DSG was being calculated.

The 2015-16 DSG settlement was subsequently announced in a [Written Statement](#) on 17 December 2014.<sup>76</sup> As expected, the underlying school budget was to be kept at ‘cash flat’ per pupil, with an increase in schools block funding for the sixty nine identified LAs. Technical guidance, conditions of grant and allocation tables can be found on the relevant Gov.uk [web page](#).

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<sup>72</sup> London Councils/ ALDCS, *Fairer schools funding in 2015-16 Consultation. Response by London Councils and the Association of London Directors of Children’s Services*, Pp. 1-2.

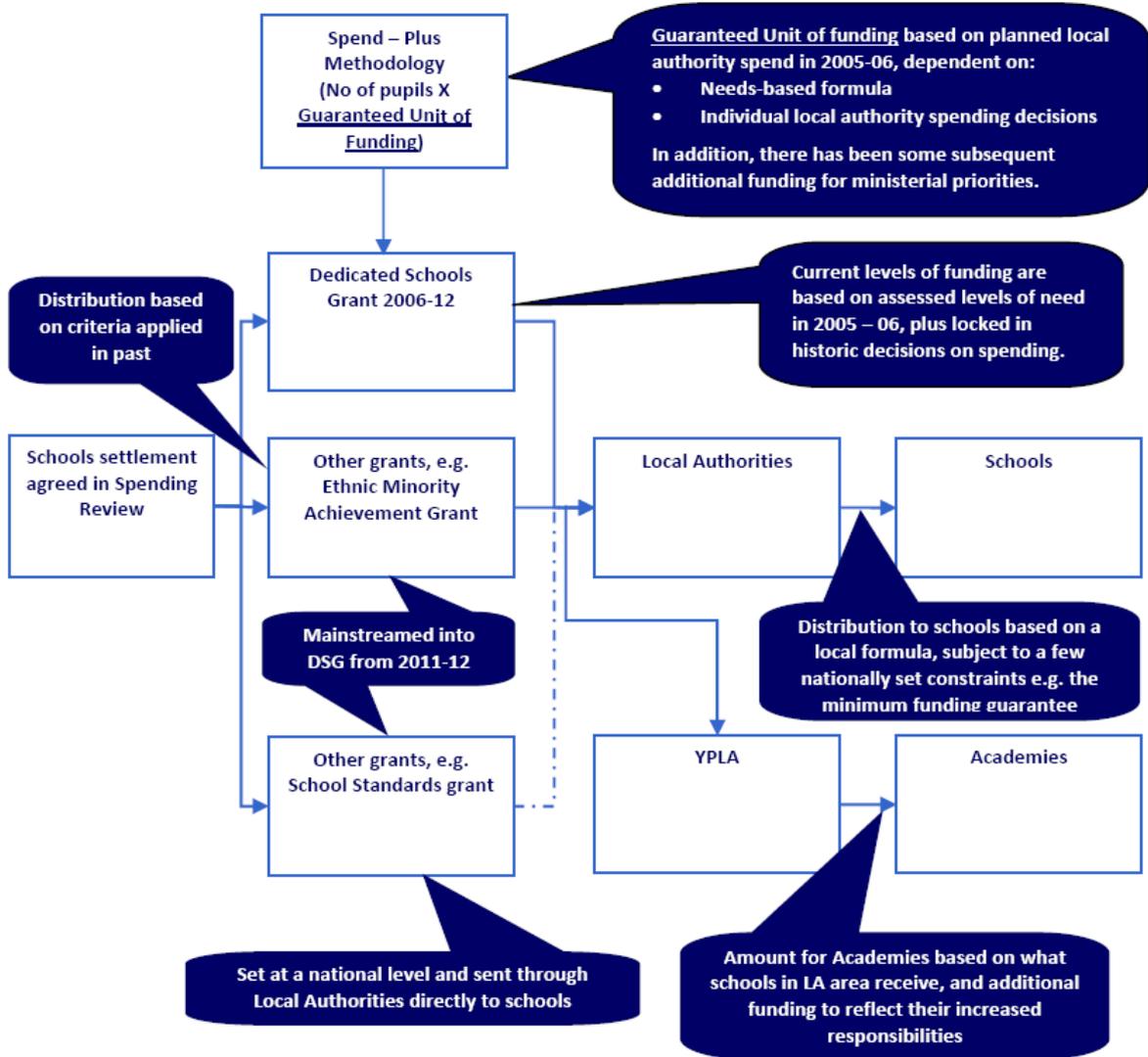
<sup>73</sup> As above, Pp. 2

<sup>74</sup> David Laws, Written Statement, *Fairer school funding*, 17 July 2014

<sup>75</sup> As above.

<sup>76</sup> David Laws, Written Statement, *School Revenue Funding Settlement: 2015 to 2016*, 17 December 2014. HCWS123

The school funding system in April 2011



Source: Department for Education, *A consultation on school funding reform: Rationale and principles*, April 2011, p3