



## BRIEFING PAPER

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# School funding in England. Current system and proposals for 'fairer school funding'

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# Summary

## What is the issue?

The average amount of per pupil school funding individual local authorities in England receive from the Government each year varies considerably. Funding is distributed onwards to schools using local funding formulas, which give different weights to different factors, meaning that different schools, even within the same area, receive different levels of per pupil funding.

Critics argue that these disparities are unfair, and that funding should more closely reflect area, school and pupil characteristics.

## What is the current Government proposing?

The Government is proposing the phased introduction of a new national funding formula from 2018-19. Originally, the intention was to introduce the formula from 2017-18.

The Coalition Government began reforms, holding a number of consultations and allocating some additional funding to the 'least fairly funded' areas. However, they stopped short of introducing a national funding formula.

## First stage consultation – March 2016

In March 2016 then-Education Secretary Nicky Morgan announced the first of two major consultations on further funding reform. This proposed a national school funding formula to include a basic per-pupil amount, and factors reflecting pupil characteristics, school and areas costs. The precise composition of the formula, and weighting given to the different factors would be the subject of a further consultation later in 2016. It is difficult to say at this stage how particular areas or schools are likely to be affected.

The Government intends that most funding – with the exception of high need funding – will eventually be given directly to schools and not routed through local authorities, as now (in the case of maintained schools).

'High need' funding largely supports special educational provision. For this funding, the Government is also proposing the introduction of a national formula which will be used to allocate money to local authorities. However, for at least the next five years, funding allocations would continue to be calculated, in part, on the basis of LAs' planned high needs spend in 2016-17 and not solely on assessed area needs, in order to ensure stability.

## Second stage consultation

On 14 November 2016, Minister Nick Gibb said that the Government remained committed to issuing the second stage consultation "later this year" and would make final decisions in the New Year. The intention was still to introduce the new funding arrangements from April 2018.<sup>1</sup> Education Secretary Justine Greening said that "ensuring that we have a fair formula which makes our funding follow need involves an incredibly complex calculation, but that is what we are doing."<sup>2</sup>

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<sup>1</sup> [HC Deb 14 November 2016, c 10](#)

<sup>2</sup> [HC Deb 14 November 2016, c 20](#)

## Reaction

There has been widespread welcome for the principle of moving toward a more transparent distribution of school funding. Some have expressed concern about the detail and implementation of the proposals, and the potential for areas that are now comparatively 'well-funded' – including much of London and some other urban areas – to lose funding.

### **Delay to introduction of national funding formula – July 2016**

Again, reaction to the announced delay has been mixed. Some commentators have welcomed the fact that the Government has listened to sector feedback on proposals, but others have argued that schools in 'low funded' areas cannot afford any delay and need extra interim funding.

## How are English schools funded now?

### **The Dedicated Schools Grant**

The main source of revenue for state-funded schools in England is the Dedicated Schools Grant (DSG). In 2015-16 total DSG was worth £40.2 billion. This is notionally divided into three non-ringfenced blocks, the largest of which is the Schools Block at £32.2 billion, or 80 per cent of total DSG, in 2015-16. The Schools Block is intended to cover core provision for pupils in mainstream primary and secondary education up to the age of around sixteen.

Schools Block allocations are largely calculated based on how much an area received per pupil in the previous year, subject to some adjustments. A key factor, therefore, in how much areas receive per pupil is how much they received historically.

### **Local funding formula**

Local authorities don't distribute school funding straight on to their maintained schools; they apply a locally-determined funding formula first. There is some variation between local formulas in terms of the relative importance given to different factors like prior attainment, deprivation and sparsity. The local formula is also used in part to determine academy schools' funding.

## Progress on school funding reform since 2010

Coalition Government changes included:

- Splitting the DSG into three notional but non-ringfenced blocks in 2013: the Schools Block; the Early Years Block; and the High Needs Block.
- Incorporating most separate grants into the DSG.
- Simplifying local authority funding formulas.
- Allocating an extra £390 million in 2015-16 to the 'least fairly funded' local authorities.
- Introducing the pupil premium grant in respect of disadvantaged children and service children. This was worth £2.5 billion in 2015-16, the large majority (93%) of which was the deprivation element of the premium.

Since taking office in May 2015, the Conservative Government have:

- Rolled forward the 2015-16 £390 million fairer schools funding to 2016-17 and 2017-18.

- In 7 March 2016, launched a consultation on the introduction of a national funding formula with funding, for the most part, going directly to schools. A further consultation will follow later in 2016.
- In July 2016, announced a delay to the implementation of the new national funding formula. This is now expected to begin from 2018-19, and not from 2017-18 as originally planned.

## **The wider school funding context**

Schools in England report that they are facing rising cost pressures, especially from increased staffing costs.

In the November 2015 Spending Review, the Government said that the core schools budget would be protected in real terms over the Spending Review period, and that per pupil funding levels will be maintained in cash terms. Funding for the pupil premium would also be protected in cash terms.

Savings of around £600 million would be made from the Education Services Grant (ESG). This is additional funding given to academies and local authorities for services such as human resources, school improvement and education welfare services.

The Institute for Fiscal Studies (IFS) estimated in April 2016 that there would be at least a 7% real terms reduction in per-pupil spending between 2015-16 and 2019-20, or by about 8% if changes in the costs likely to be faced by schools are also accounted for.

This note relates to England only.

# 1. Current school funding system in England: what determines how much a particular school gets?

## 1.1 Stage 1: the Dedicated Schools Grant

The main source of revenue funding for state-funded 5 to 16 schools in England is the Dedicated Schools Grant (DSG). DSG is paid to local authorities, minus deductions ('recoupment') for academies and subject to certain other adjustments.

The overall value of the DSG in 2015-16 (as at July 2016) was £40.2 billion. The DSG is notionally divided into three non- ring-fenced blocks:

- The largest block, the Schools Block: £32.2 billion or 80 per cent of DSG (all figures 2015-16, as at July 2016).
- The High Needs Block: £5.2 billion/ 13 per cent of DSG.
- The Early Years Block £2.7 billion/ 7 per cent of DSG.

On 17 December 2015, the Education Funding Agency (EFA) published local authorities' Schools Block, High Needs Block and provisional Early Years Block allocations for 2016-2017:

- [EFA, Dedicated schools grant allocations: 2016 to 2017 financial year, updated July 2016](#)

## How are local authorities' DSG allocations worked out?

There is currently no national 'from scratch' formula used to calculate all local authorities' DSG allocations each year. A key determinant of how much a local authority receives per pupil in its Schools Block is how much it received per pupil in its Schools Block in previous years.

In discussions of how much funding different local authorities receive, per pupil, the figure that's usually referenced is what's known as the 'Schools Block Unit of Funding', or SBUF. In 2016-17, local authorities' SBUFs varied from just over £4,000 in Wokingham to just under £7,000 in Tower Hamlets. There are, however, other sources of income for schools including post-16, high need, early years and pupil premium funding.

For 2016-17 local authorities' Schools Block allocations were calculated by carrying forward the previous year's allocation, subject to adjustment for the number of pupils on roll and a small number of other factors. Similarly, Schools Block allocations in 2015-16 were based largely on the previous year's allocation, but with some formulaic 'fairer school funding' uplifts for what the DfE described as the 'least fairly funded' areas.

## **‘Fairer school funding’ in 2015-16 and subsequent years**

The Coalition Government provided an additional £390 million in funding in 2015-16 to what it described as the ‘least fairly funded’ local authorities. This fairer schools funding was baselined or ‘rolled forward’ in future years.

A list of the 69 local authorities that received additional funding in 2015-16 can be found in Annex B to the [DfE’s guidance document, Fairer schools funding. Arrangements for 2015-16](#), published July 2014.

## **Finding information on how DSG is calculated and conditions of grant**

Further detailed information on how DSG was calculated for 2016-17, and the conditions attached to the grant, can be found in the following documents:

- [EFA, Dedicated schools grant. Conditions of grant 2016 to 2017, December 2015](#)
- [EFA, Dedicated schools grant. Technical note for 2016 to 2017, December 2015](#)
- [EFA guidance, Schools Block units of funding 2016-2017. Technical note, July 2015](#)

## **History of the Dedicated Schools Grant**

The DSG system was introduced in 2006-07. This was a pivotal point in determining how much local authorities would receive in future years. On its introduction, the then Labour Government took the decision to peg 2006-07 DSG allocations to what a local authority had spent per pupil in 2005-06. 2005-06 can therefore be considered the baseline year for the current funding system in many respects, with differences in funding levels at that point carried forward from 2006-07 onward.

In the years after 2006-07, the method of calculating LA funding was called spend plus which, as the name suggests, worked by providing per pupil funding at the level received in the previous year, subject to various adjustments and uplifts.

## **Calculation of funding prior to 2006-07**

The system for allocating funding to local authorities for their education functions prior to 2006-2007 was partially based on a consideration of area needs, taking into account factors such as deprivation and additional educational needs (using local area data on income-related benefits, ethnicity, language and birth weight), population sparsity (to account for higher costs of small mainly rural primary schools) and area costs (generally higher wage costs in and around London).

Most of the authorities with the lowest levels of funding in 2005-06 had relatively low levels of deprivation, additional needs, or additional area costs on the measures used. Therefore, their funding was among the lowest in the 2005-06 baseline used for the DSG and this position has, to a large extent, been locked in to the system ever since.

## 1.2 Stage 2: the local funding formula

Local authorities do not pass DSG funding straight on to schools. In allocating funding, they must consult with their local schools forum and with all maintained schools and academies in their area. Schools forums are statutory bodies that must have representatives from schools and the local authority, and can also have other members. Schools forums have decision-making powers in some circumstances.

The local authority, in consultation with the forum, determines the overall individual schools budget for schools in the area, any funding to be centrally retained, and whether any funding should be moved between the three blocks of the DSG. It also determines a local funding formula which is used to distribute the individual schools budget between local schools.

### Factors used in local funding formulas

Local funding formulas must use certain factors, and can use a number of optional ones. For 2016-17, there are fourteen allowable factors.

Mandatory factors include:

- Per pupil amount – there are minimum amounts for primary and secondary pupils
- Deprivation – LAs can use either Income Deprivation Affecting Children Index (IDACI) or free school meals data.

Optional factors include things like:

- A lump sum payment (in 2015-16 this was used by all local authorities)<sup>3</sup>
- Children in care
- Prior attainment
- English as an Additional Language (EAL)
- Sparsity (schools serving rural areas)

Since 2014-15, the Education Funding Agency (EFA) has required 80 per cent of delegated funding to be allocated based on pupil-led factors.

### Application of local funding formula to academies and free schools

The EFA calculates academies' shares of the individual schools budget using the local funding formula, and recoups this from local authorities. The recouped funding is then paid to academy trusts via the General Annual Grant (GAG).

Academies also receive Education Services Grant (ESG) funding to cover the cost of services that local authorities would otherwise provide, for example, human resources and school improvement services. The November 2015 Spending Review announced that savings of around £600 million would be made via cuts to the ESG. In 2015-16, £564 million has been allocated via ESG, down from £717 million in 2014-15.

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<sup>3</sup> See: EFA, [School revenue funding 2016-17. Operational guide version two](#), December 2015, Pp. 7. All websites last accessed 18 November 2016.

Revenue funding for some free schools in their first year of opening is currently not included in the DSG. They get their funding directly from the EFA. However, the Government plans to change this, making all free schools recoupable from their first year of opening. A [consultation](#) on this issue closed on 21 September 2016.<sup>4</sup>

### 1.3 Capital funding

The EFA provides separate grants to local authorities, maintained schools and academy trusts for building maintenance, refurbishment and rebuilds. These funding streams are covered in a separate [House of Commons Library briefing paper, School buildings and capital funding \(England\)](#).

### 1.4 Other school revenue funding

#### **Pupil Premium**

Schools receive additional funding each year for disadvantaged pupils and qualifying children from service families via the pupil premium. In 2016-17 the pupil premium is worth £2.4 billion, the large majority (92%) of which is the deprivation element of the premium. This money is given to local authorities who pass it on to their maintained schools, and directly to academies and free schools. Funding for looked after and previously looked after children is overseen by local authorities' virtual school heads.

A separate Library briefing paper gives information on the pupil premium:

- [Commons Library briefing paper, School funding: pupil premium](#)

#### **Education Services Grant**

The Spending Review announced that further savings of around £600 million would be made from the Education Services Grant (ESG). This is additional funding that academies and local authorities receive for centrally provided services such as human resources, school improvement and education welfare services. ESG allocations for 2015-16, as at November 2015, totalled £563 million, down from £717 million in 2014-15.

Information on ESG allocations for 2015-16 can be found on the Gov.uk website:

- [Education Services Grant allocations 2015-16, updated 21 March 2016](#)

On 17 December 2015 the EFA announced ESG allocations for 2016-17:

- [Education Services Grant allocations 2016-17, last updated 23 August 2016](#).

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<sup>4</sup> DfE, Consultation: [Adjustments to local authority funding related to free schools](#), 21 July 2016.

**Self-generated income**

Most schools generate a proportion of their income themselves. Fundraising activities include asking for parental contributions, leasing out premises for community use, and sponsorship from business.

The proportion of income raised in this way varies greatly between schools. Schools cannot charge for education during school hours and must make clear that parental contributions, where requested, are voluntary.

## 2. Finding information on local schools' and local authorities' current funding levels

### Dedicated Schools Grant allocations

Spreadsheets setting out local authorities' DSG allocations for 2016-17 can be found on the Gov.uk website:

- [EFA, Dedicated Schools Grant 2016-17, updated July 2016.](#)

### Schools Block allocations

An EFA spreadsheet provides headline data on the per pupil funding each school receives through the Schools Block only. The data for maintained schools are for the financial year 2016-17. The figures for academies are for the academic year 2016-17:

- [EFA, Schools Block funding allocations 2016-17, 10 November 2016.](#)

### Pupil premium allocations

Information on the pupil premium, including allocations to schools and conditions of grant, can be found on the Gov.uk website:

- Gov.uk website article, '[Pupil premium: funding and accountability for schools](#)', updated 30 June 2016.

## 3. Proposals for change under Conservative Government

### 3.1 A note on earlier Coalition Government reforms and consultations

The current proposals for reform follow on from earlier changes and consultations undertaken by the Coalition Government. More detailed information about funding reforms and policy proposals consulted on during this period can be found in Annex A to this note.

### 3.2 Conservative General Election Manifesto pledge and November 2015 spending review

The Conservative Party Manifesto for the 2015 general election stated:

[...] we will make schools funding fairer. We have already increased funding for the 69 least well-funded local authorities in the country, and will make this the baseline for their funding in the next Parliament.<sup>5</sup>

It was reported that in response to questions at the National Governors' Association summer conference on 27 June 2015, the Education Secretary stated that a new funding formula would not be ready until after 2016-17. A *Schools Week* article quoted Ms Morgan as saying:

I'm well aware of issues of inequity in our funding system. We made a manifesto commitment to implement fairer funding.

It can't be right there are thousands of pounds difference between neighbouring authorities and we have to iron this out.

We took the first step with approving the additional £390m to the lowest funded authorities. We are working on it.

We have to come up with the right system. We've already made the case on the need to restore balance and have proper fairness in the funding formula.

But it's not straight forward and in a climate where you don't have lots of money, we have to do this in a way that deals with the problems but doesn't cause lots of turbulence. We will have to look at the impact on areas that have been overly funded.

We also want to look at high needs funding and we are working hard. We will then have to consult on it.

It would be tough to do it for 2016-17 as we don't want to rush it, but then we are looking at how quickly we can bring it in thereafter. I'm determined we will make progress on this.<sup>6</sup>

The Spending Review of November 2015 confirmed that the Government would consult on the introduction of a national funding

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<sup>5</sup> Conservative Party, [Conservative Manifesto 2015](#), p. 34

<sup>6</sup> ['Morgan: We're working hard on a national fair funding formula, but it won't be ready for at least two years'](#), *Schools Week*, 29 June 2015

formula for schools, early years and high needs early in 2016. Announcing the plans, Chancellor George Osborne said:

We will phase out the arbitrary and unfair school funding system that has systematically underfunded schools in whole swathes of the country.

Under the current arrangements, a child from a disadvantaged background in one school can receive half as much funding as a child in identical circumstances in another school.

In its place, we will introduce a new national funding formula. I commend the many MPs from all parties who have campaigned for many years to see this day come.<sup>7</sup>

### 3.3 f40 group

The f40 group describes itself as a representative organisation for the lowest funded education authorities in England.<sup>8</sup> It is currently chaired by Cllr. Ivan Ould; vice chairs are Vernon Coaker MP and Alex Chalk MP. Information about f40's proposals and preferred funding approach can be found on the campaign group's website:

- [F40 Campaign's website](#)

### 3.4 March 2016 – DfE publishes consultation on a national funding formula

On 7 March 2016, then-Education Secretary Nicky Morgan announced the launch of two initial consultations on the future of school funding and on the funding of high need provision. Both consultations closed on 17 April 2016. A Written Statement to Parliament provides further details on the consultations:

- [Nicky Morgan, Funding for Schools: Written statement - HCWS584, 7 March 2016.](#)

The consultation documents can be downloaded from the Gov.uk website:

- [DfE consultation document, Schools national funding formula, 7 March 2016.](#)
- [DfE consultation document, High needs funding reform, 7 March 2016](#)

### Proposals for the national funding formula

To summarise, the March 2016 consultations proposed:

- A national formula, with phased implementation. The formula would be made up of the following basic elements:
  - A per-pupil cost factor

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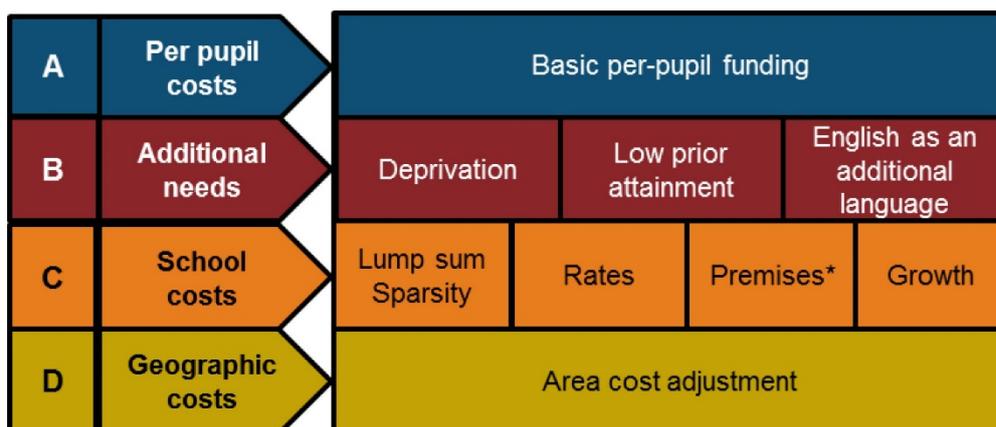
<sup>7</sup> [HC Deb 25 Nov 2015, c1370](#)

<sup>8</sup> See: [f40 group website homepage](#)

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- Additional needs funding based on low prior attainment, deprivation and English as an Additional Language indicators, among other things.
- School costs factor – including a lump sum for e.g. fixed costs, and sparsity (rurality) factors.
- Geographic costs factor – i.e., higher average wage costs.

The following graphic shows the building blocks of the proposed formula:



(source: [DfE consultation document, Schools national funding formula, 7 March 2016](#), Pp. 18)

The original proposal was to introduce a 'soft' formula in 2017-18, to distribute central government funding to local authorities. For a two year transition period, local authorities would then continue to share out this money on the basis of a locally-determined formula.

From 2019-20, a 'hard' version of the formula would be used to distribute most funding directly to schools, the main exception being high need funding, which local authorities would continue to distribute.

### Exclusion of some existing formula factors, including mobility

The March 2016 DfE consultation proposes that three formula factors local authorities can currently use would be excluded from the national funding formula:

- **Pupil mobility factor.** This can currently be used to target funding to schools where over 10 per cent of pupils typically join during the school year and where there are consequently high rates of pupil churn.
- **Sixth form factor:** This can be used to provide some additional funding for post-16 students; these students are mostly funded via a different 16-19 formula.
- **Looked-after children factor:** the Government says it can better promote the interests of this group of children through other means- namely increasing the amount paid via the pupil premium plus.

## Other proposals in the March 2016 consultation document

The national funding formula consultation document also proposed:

- Retaining the pupil premium, pupil premium plus and service premium as a separate grant and, from 2017-18, increasing the premium payable in respect of looked after children and those who have left care via adoption, special guardianship or child arrangements order.
- Allocating some funding to local authorities where local flexibility is required, as well as to fund authorities' statutory responsibilities.
- Caps on both losses and gains under the new formula.
- An 'invest to save' fund to support schools.

The DfE also proposed some other changes, including:

- The addition of a fourth central schools block of funding to cover central services and some other functions.
- Reducing the existing flexibility to move money between different DSG blocks and, specifically, requiring LAs to pass on all of its Schools block to schools from 2017-18.

## Likely impact of March 2016 proposals for particular areas

It is not possible to model the likely impacts of any new funding arrangements on particular local authorities, schools or constituencies until more details are provided on what weight and value will be given to the different formula factors. The March 2016 document says that the second consultation paper, expected later in 2016, will include information on the relative weightings of the factors, and will "show the impact on funding at school and local authority level."<sup>9</sup>

## Proposals for high need funding

The proposals on reform to high need funding are complex, but include:

- The introduction of a national formula to distribute high need funding to local authorities. This would include a basic unit of funding for pupils in specialist SEN provision. It would also be based on proxy measures of need such as disability and health indicators, prior attainment, deprivation and a 'population factor'. There would also be an area cost adjustment.
- For at least the next five years the high needs formula will include an element of planned local authority spending on SEN in 2016-17. This is in recognition of the fact that to do otherwise could mean funding turbulence and disruption to pupils' established placements.
- Local authorities will retain responsibilities for distributing high need funding locally in most cases.
- Funding for infrastructure changes and restructuring as local authorities and providers adjust to the new funding arrangements.
- Changes to the way post-16 SEN provision is funded.

<sup>9</sup> [DfE consultation document, Schools national funding formula, 7 March 2016](#), Pp. 44

The system of funding high-need will remain largely unchanged in 2017-18 while details of the reformed system are finalised. Details on how high need funding will operate in 2017-18 can be found in:

- [Gov.uk guidance, High needs funding: operational guide 2017 to 2018](#), 13 October 2016

### 3.5 Reaction to March 2016 proposals

In a press notice released alongside their consultation response, the National Association of Head Teachers (NAHT) and the National Association of School Business Management (NASBM) "welcomed [the]... proposals overall" while raising some specific concerns:

[...] Russell Hobby, general secretary of school leaders' union NAHT, says: "NAHT has campaigned for a funding formula for schools for a long time, so we welcome an opportunity to help make this a reality.

"Our response to the consultations highlights concerns school leaders have, and ways in which these can be remedied. The weighting of factors within the formula will be crucial, and for schools the devil will be in the detail. We're disappointed not to see a pupil mobility factor within the formula, as this presents an enormous challenge for some schools.

"The high needs funding formula has not gone far enough. Proposals fail to tackle the discrepancy in how different local authorities allocate top up funding to meet the needs of children with SEND needs. This creates some of the greatest inequities in school funding.

"The demise of the Education Services Grant (ESG) will also be a concern to academies, who will have to cover the auditing and administrative costs this currently covers. At a time when budgets are at breaking point, this is an unwelcome additional cost for schools."

Stephen Morales, Chief Executive of NASBM, says: "We welcome plans to move to a national funding formula for schools. This is the right thing to do. We have long argued for as much funding to go directly to schools as possible, empowering the profession.

"However, we would like to see further detail on the relationship between high needs funding and the schools block, ensuring that funding adequately meets the needs of both mainstream and high needs pupils - we want to avoid robbing Peter to pay Paul. If pupil mobility is removed as a factor, we would seek assurances that this crucial aspect of funding is reflected elsewhere within the funding mechanism.

"For school business managers a big issue will be how quickly we move to a new formula. Too quickly and this will cause turbulence in education; too slowly and we risk a drawn out transition that delays the delivery of a fair funding system. We'd like to see sensible, well thought-out milestones put in place."<sup>10</sup>

The f40 campaign group welcomed the consultation, saying that it would "be a relief to get rid of the irrational and unfair allocation

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<sup>10</sup> ['Joint response to school funding consultation'](#), NAHT press release, 15 April 2016

arrangement that has created incredible inconsistencies in funding for individual schools with similar characteristics across the country”:

“After 20 years of making the case for change we have finally reached the point where something concrete is to be done to give fairer funding to all children, no matter where they are educated”, said F40 Chairman, Councillor Ivan Ould.

“We have won the argument for fair funding and the end is nigh for the existing arbitrary and unfair system that has disadvantaged hundreds of thousands of children for too many years.

[...]

F40 Vice Chairman Graham Stuart MP, who has led a major Parliamentary campaign calling for reform throughout the last year, added: “It’s excellent news that ministers have unveiled their proposals to start delivering fair school funding, with the process hopefully beginning as early as next year. Tens of thousands of people up and down England signed Fair School Funding petitions last year, reflecting their desire to end a system where children have thousands of pounds less spent on their education if they happen to live in the wrong place – like the East Riding of Yorkshire.

“Establishing consistent core funding to which every pupil is entitled represents a huge step forward and shows ministers are delivering on their promises to end this long-standing unfairness. I now look forward to reviewing the proposals in detail with colleagues and funding experts. We need to keep up the momentum for this final crucial stage of the process and secure the best possible outcome.”

However, whilst F40 member authorities are delighted that fair funding is finally on the cards, there is dismay that their involvement in allocating funding to schools may be ended. Ivan Ould said, “Local authorities have provided essential management and accountability to ensure the most appropriate allocation of resources in the light of local knowledge and experience. Taking local authorities out of the funding equation is not the answer and we will argue that this idea is unnecessary.”<sup>11</sup>

Jonathan Simons, Head of Education at think tank Policy Exchange, observed:

**This isn’t as lightweight a consultation as I and some others had feared** – although the principles themselves of how to build the formula are relatively uncontroversial (an amount per pupil, more funding for pupils with additional needs, extra funds for some schools based on their characteristics and a geographic uplift), the detail of indicators is genuinely a question for discussion (for example, the mixture of pupil level and area level factors for measuring deprivation

[...]

**2. This isn’t all about London vs the rest, or even deprived urban areas vs shires.** The current funding system means that similar LAs by type of population and deprivation allocate their total budgets very differently, as illustrated below; meaning similar schools in different LAs can get wildly varying sums.

[...]

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<sup>11</sup> [‘Consultation presents real opportunity for fair funding for schools](#), F40 blog post, 9 March 2016

**3. The biggest policy decision that has been proposed is to route all funding through schools directly, rather than through LAs.** This makes sense if you believe in an all Academised system, as I do, and if you want all pupils in identical situations in different areas to be funded the same way. It does mean a significantly reduced role for LAs (following the reduction in ESG funding already announced) and you can expect considerable pushback from them on this – the F40 group of low funded LAs has already flagged this as a concern. In steady state, DfE are proposing a new separate block of funding which will stay with LAs even under a hard formula, to pay for central services they will still provide for all schools like admissions, pupil welfare services (like educational psychology and attendance services) and other statutory and regulatory duties.

[...]

And finally,

**10. London LAs will still claim that this should be solved by everyone getting as much money as them.** A press release from London Councils this morning [set out the position that](#) "we will be responding to the government's consultation on the basis that there should be a levelling up of schools funding across the country. By providing extra investment the government would be giving all schools the tools to be able to match London's best performing schools." File that one under "well you can't blame them for trying" ...<sup>12</sup>

### 3.6 London and other comparatively 'well-funded' areas

Prior to the consultation's publication, London Councils issued a press release (2 March 2016), '[One million and more reasons London must get fair school funding](#)'. This drew attention to a meeting of the All-Party Parliamentary Group for London, for which London Councils provides the secretariat:

London MPs joined forces today to discuss government plans to reform school funding, amid concerns that these plans do not fully recognise the needs of the more than one million children and young people at schools in the capital.

Making sure that the new national school funding formula works for London's children is a priority for the All Party Parliamentary Group (APPG) for London, which met in Westminster today.

Without new money in the system, the new national funding formula will almost certainly involve redistributing existing money allocated to London's schools to other parts of the country in the future.

While 89 per cent of London's primary and secondary schools are judged to be good and outstanding, the highest percentage in the country, and London pupils outperform their peers at both Key Stage 2 and Key Stage 4, any funding reductions could put further improvements at risk.

London's schools have considerable challenges to overcome, such as growing demand for primary and secondary school places,

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<sup>12</sup> '[Ten quick thoughts on the schools fair funding consultation](#)', Jonathan Simons article on Policy Exchange website, 8 March 2016.

higher numbers of children with special educational needs than elsewhere in the country and difficulties with teacher recruitment.

Bob Neill MP, Co-Chair of the APPG for London, said:

“No child in London should be disadvantaged by proposals for fairer funding and so we will work constructively with the government to ensure fair funding. Achieving fairer funding for schools across the country requires investment, but this will pay dividends in the decades ahead.”

Steve Reed MP, Co-Chair of the APPG for London, said:

“The government’s manifesto outlined a commitment to protect the amount of money following a child into school and this should apply to London’s children too. Given that London’s schools are currently the best performing in the country, it would be short-sighted to take money away from London’s pupils.”

APPG for London members will be working with London Councils, the Mayor of London and businesses to respond to the government’s funding review and ensure that education funding reflects the true costs of educating London’s children.<sup>13</sup>

Following the consultation’s release, a further London Councils press notice called for recognition of the region’s particular circumstances and for a ‘levelling up’ of funding across the country:

Cllr Peter John OBE, London Councils’ Executive member for children, skills and employment, said:

“It is essential that we get this right – no child should be disadvantaged by school funding reforms. Therefore we will be responding to the government’s consultation on the basis that there should be a levelling up of schools funding across the country. By providing extra investment the government would be giving all schools the tools to be able to match London’s best performing schools.

“The new funding formula must recognise that demand for school places is increasing in London, costs are higher, teacher recruitment and retention is a big challenge and there are skills shortages in key industries such as construction and IT.”<sup>14</sup>

The National Union of Teachers (NUT) predicted resulting funding cuts for some schools – particularly in London and some other cities:

Commenting on plans announced today for a National Funding Formula for schools, Christine Blower, General Secretary of the National Union of Teachers, the largest teachers’ union, said:

“The Government’s so-called ‘fair funding’ proposals will impose huge funding cuts on many schools unless additional funding is made available. Schools are already suffering real terms cuts to per pupil funding, at the same time as having to cope with the significant additional costs imposed on schools through pensions and National Insurance changes. Many schools are already cutting back on staff and increasing class sizes. Teachers’ pay continues to fall behind other graduate professions despite increasing problems with teacher recruitment and retention.

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<sup>13</sup> [‘One million and more reasons London must get fair school funding’](#), London Councils press release, 2 March 2016

<sup>14</sup> [‘National Funding Formula consultation launched - London Councils statement’](#), London Councils press release, 7 March 2016

"The Government has avoided giving any figures on how the proposed changes will affect funding levels. NUT figures based on proposals published by the influential f40 local authority group show that schools in many cities would be hit particularly hard [...] The Government is clearly trying to avoid disclosing the cuts facing London schools in advance of the Mayoral election.

"Any reform of school funding must be on the basis of significant additional funding and reversal of the Government's funding cuts. None of our schools is over-funded, so reallocating inadequate resources will simply shunt funding problems around the school system. Everyone is in favour of fairness, but very few people would be in favour of taking money away from some schools to give to others. We need a proper debate on the best way to fund our schools, based on an acceptance that education needs investment and that there is a proper role for local authorities who are best placed to oversee where funds need to be directed." <sup>15</sup>

There was a subsequent Commons [debate on education funding in London on 4 May 2016](#).<sup>16</sup>

### 3.7 July 2016 – Government announces delay to implementation of national funding formula

On 21 July 2016, Education Secretary Justine Greening announced that while the Government remained committed to the introduction of the formula, it would not be implemented until 2018-19.<sup>17</sup> Other announcements included that:

- The Government would set out its response to the March 2016 consultation in autumn 2016.
- It would publish its proposals for the second stage consultation also in the autumn of 2016, with final decisions on the formula in early 2017.
- In recognition of schools' needs for stability and predictability, no local authority would see a reduction on adjusted 2016-17 per-pupil school block funding, or the high need block cash amount.
- Retention of the current 1.5 % minimum funding guarantee for schools – local flexibility on this would not be implemented in 2017-18, as originally planned.
- The proposal to strictly ring-fence the schools block within DSG would also not be implemented in 2017-18; nor would the proposal to create a fourth central services DSG block be implemented then.<sup>18</sup>

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<sup>15</sup> '[National funding formula](#)', NUT press release 7 March 2016

<sup>16</sup> HC Deb 4 May 2016, v609, cc. 242-278.

<sup>17</sup> [School Funding, Written Statement, HCWS98](#), 21 July 2016.

<sup>18</sup> [School Funding, Written Statement, HCWS98](#), 21 July 2016.

### 3.8 Reaction to July 2016 statement on delayed introduction of the formula

The f40 group welcomed the Government's ongoing commitment to the principle of reform, but expressed concern about the potential impacts on children in 'lower funded' areas:

It's good and disappointing news in one announcement, said f40 Chairman, Councillor Ivan Ould. "We welcome the commitment to a new funding formula that Justine Greening has made and we think this is an important announcement by the new Secretary of State. But we are disappointed that the process of change is being extended yet again. The delay between the 1<sup>st</sup> and 2<sup>nd</sup> Stage consultations has already been far too long and now we are facing further delay of two to three months, and a delay in implementation to 2018-19 – a year later than promised.

"However, the group recognises the political difficulties that the government has had to navigate over the last four months and in many authorities there will be a degree of relief that an almost impossible timetable for introduction in 2017-18 has now been avoided.

"As we have been campaigning for a fairer funding system for over twenty years we can handle this delay, though many schools will feel cheated as they were anticipating a funding lift in the next financial year. They will now need to take urgent action to find ways of managing with insufficient funding for a further year [...]"<sup>19</sup>

The National Association of Head Teachers (NAHT) said that the delay was "disappointing" but that it was now too late to introduce changes for 2017/18 and as such, the announcement was not "unexpected or unwise".<sup>20</sup> It would nevertheless disappoint many head teachers:

School budgets are being pushed to breaking point, so today's announcement of a further delay will disappoint many school leaders. We know from the IFS [analysis](#) that budgets will see a real terms cut of 8% between now and 2020; flat budgets are not taking account of rising costs, regardless of the distribution of funding. [...]

We welcome the announcement that for 2017-18, the current minimum funding guarantee for schools will be retained but we need more money rather than a guarantee that we won't lose a lot. We would press the government to ensure that the most poorly funded schools actually receive more during this transition period.<sup>21</sup>

In an article in *Schools Week*, Jonathan Simons of Policy Exchange is quoted as saying delaying the formula's introduction was:

[...]"[T]he right thing to do, under the circumstances – the delay caused by various elections and the referendum and subsequent

<sup>19</sup> '[f40 Group reacts to school funding announcement](#)', F40 Group blog post, 21 July 2016.

<sup>20</sup> '[Delay to school funding reforms disappointing, says NAHT](#)', NAHT press notice, 21 July 2016.

<sup>21</sup> '[Delay to school funding reforms disappointing, says NAHT](#)', NAHT press notice, 21 July 2016.

political changes meant that the timing would have been unreasonably tight. Better to do it right, than do it in a rush."<sup>22</sup>

Other school leaders quoted in the same article, however, warn of potential staff redundancies in the context of the delay.<sup>23</sup>

### **3.9 November 2016 – Government confirms commitment to release of second consultation and implementation from April 2018**

On 14 November 2016, Minister Nick Gibb said that the Government remained committed to issuing the second stage consultation "later this year" and would make final decisions in the New Year. The intention was still to introduce the new funding arrangements from April 2018.<sup>24</sup>

Education Secretary Justine Greening said further that "ensuring that we have a fair formula which makes our funding follow need involves an incredibly complex calculation, but that is what we are doing."<sup>25</sup>

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<sup>22</sup> ['School leaders warn of more redundancies in wake of funding formula delay'](#) in Schools Week (online), 21 July 2016.

<sup>23</sup> *ibid.*

<sup>24</sup> [HC Deb 14 November 2016, c 10](#)

<sup>25</sup> [HC Deb 14 November 2016, c 20](#)

## 4. The wider school funding context

Schools in England report that they are facing rising cost pressures, especially from increased staffing costs.<sup>26</sup> In April 2016, the Institute for Fiscal Studies (IFS) estimated that despite the Government commitment to protect the core schools budget in real terms, per pupil real-terms spending was likely to fall by at least 7 per cent between 2015-16 and 2019-20, or by about 8 per cent if changes in the costs likely to be faced by schools are also accounted for.<sup>27</sup>

In the November 2015 Spending Review, the Government said that the core schools budget would be protected in real terms over the Spending Review period, and that per pupil funding levels will be maintained in cash terms. Funding for the pupil premium would also be protected in cash terms, but further savings of £600 million would be made from the Education Services Grant (ESG) as discussed above.

Budget 2016 outlined some additional funding for implementing school reform and a commitment to “accelerate the move to fairer funding”:

The government will:

[...]

**accelerate the move to fairer funding for schools. The arbitrary and unfair system for allocating school funding will be replaced by the first National Funding Formula for schools from 2017-18.** Subject to consultation, the government’s aim is for 90% of schools who gain additional funding to receive the full amount they are due by 2020. **To enable this the government will provide around £500 million of additional core funding to schools over the course of this Spending Review, on top of the commitment to maintain per pupil funding in cash terms.** The government will retain a minimum funding guarantee.<sup>28</sup>

On 21 July 2016, Education Secretary Justine Greening MP gave assurances that, for 2017-18:

No local authority would see a reduction from their 2016 to 2017 funding (adjusted to reflect authorities’ most recent spending patterns) on the schools block of the dedicated schools grant (per pupil funding) or the high needs block (cash amount).<sup>29</sup>

Additionally, the Government would “retain the current minimum funding guarantee for schools, so that no school can face a funding reduction of more than 1.5% per pupil next year in what it receives through the local authority funding formula”.<sup>30</sup>

<sup>26</sup> See e.g.: ‘[Survey reveals impact of budget pressures as school leaders look to balance the books](#)’, Association of School and College Leaders (ASCL) website, 20 November 2015.

<sup>27</sup> Belfield, C., and Sibieta., L, Institute for Fiscal Studies, [Long-Run Trends in School Spending in England](#), April 2016

<sup>28</sup> HM Treasury, [Budget 2016](#), 16 March 2016, p. 32

<sup>29</sup> [School Funding, Written Statement, HCWS98](#), 21 July 2016.

<sup>30</sup> *Ibid.*

## Letter from West Sussex head teachers – October 2016

In October 2016, a group of head teachers delivered a letter to the Prime Minister about pressures on school funding in West Sussex. The authors reportedly warned that “We have no more reserves and ‘no more fat to trim’.”<sup>31</sup> Without £20 million of transitional funding, the authors warned, they would be forced to consider other ways of saving money, which could include:

[M]odifying school opening hours ... Raising teacher/pupil class ratios to unacceptable levels ... Setting meaningless ‘balanced budgets’ or confirming huge ‘deficit budgets’ which cannot be reasonably underwritten ... Not replacing teaching and support staff and/or moving to redundancy measures.<sup>32</sup>

A Westminster Hall debate on funding for West Sussex schools subsequently took place on 2 November 2016.<sup>33</sup>

## The NUT and ATL *School Cuts* campaign

In November 2016, the NUT and the ATL launched the [School cuts](#) website. This aims to predict how schools in a particular area “are likely to fare between now and 2020 and how [...] estimated funding loss equates into numbers of teacher posts.”<sup>34</sup>

The NUT and ATL made a number of assumptions in the formula they used to arrive at their projections:

- *That inflation for schools will amount to 8% over the lifetime of this parliament.*  
This is the figure used by [the Institute for Fiscal Studies \(IFS\)](#).
- *That schools will continue to receive a minimum funding guarantee until 2020.*  
This guarantees that schools lose no more than 1.5% of their income per pupil per year, but with nothing to cover inflation.
- *That the Government will cut the Education Services Grant by 75%, as George Osborne announced in the 2015 Autumn Statement.*  
We have only measured the cut to academy and free school budgets. For all other schools, the ESG goes to the local authority to fund services for schools. These services are now being cut.
- *That the national funding formula due to be introduced in April 2018 will be that proposed by [the f40 group](#).*
- Although it is almost certain that the Government will introduce a different formula to that proposed by the f40 group, any alternative is starting from the f40 formula. With a minimum funding guarantee, the maximum cut is a

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<sup>31</sup> [“Worth Less? campaigners’ letter to Theresa May”](#), in West Sussex County Times, 18 October 2016.

<sup>32</sup> *Ibid.*

<sup>33</sup> [HC Deb 2 November 2016, vol 616, cc. 363WH-383WH](#)

<sup>34</sup> NUT press release, [‘New School Cuts interactive website shows devastating effects of Government’s school funding plans’](#), 4 November 2016

bit more than 15% between 2015 and 2020. Without one, schools in coastal towns, inner cities and remote locations (and all sorts of other surprising places) are at risk of 25% cuts. So even if the Government makes substantial changes to the f40 formula, the results are likely to be similar to these between now and 2020.<sup>35</sup>

Commenting further on the underpinning assumptions, the NUT gave assurances that should the Government's chosen formula differ from that proposed by the f40 group, the website would be updated:

The [formula](#) used in the website is based on the Government's own spending plans and school data, Institute for Fiscal Studies projections for the cost of inflation and other cost increases, and the new funding formula proposed by the influential f40 campaign group of local authorities.

If, and when, the Government confirms the formula, the website will be amended to provide revised predictions reflecting that formula. The necessary features of any new formula and the statements already made by Government about funding methodology mean, however, that – unless new money is found – the impact on schools is likely to be similar to the impact demonstrated by this website.<sup>36</sup>

On 14 November 2016, Education Secretary Justine Greening was asked whether the NUT's analysis in relation to schools in Hull was correct:

[Diana Johnson \(Kingston upon Hull North\) \(Lab\)](#)

T10. The Secretary of State has talked about the fair funding formula she wishes to introduce. Analysis by the National Union of Teachers says the Government's proposals will mean that for Hull schools will lose £13 million and 370 jobs by 2020. Is that correct: yes or no? [907255]

[Justine Greening](#)

No, it is not, and indeed we have not set out the second stage of the consultation, so there are no figures to base that analysis on.<sup>37</sup>

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<sup>35</sup> School Cuts website article, "[Methodology for NUT and ATL school budget cuts calculations](#)", 31 October 2016

<sup>36</sup> NUT press release, "[New School Cuts interactive website shows devastating effects of Government's school funding plans](#)", 4 November 2016

<sup>37</sup> [OPQ 907255, 14 November 2016, c 22](#)

## 5. Annex A: school funding reform under the 2010 Government

### 5.1 Consultations on school funding reform in 2010 and 2011

The Coalition 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.

In the White Paper, the DfE criticised the existing arrangements, referring to 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>38</sup>

In the April 2011 consultation, the DfE provided a more detailed critique of the DSG funding system the Coalition Government had inherited 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>39</sup>

The DfE added that the DSG methodology as it stood then “[fell] well short” of the Government’s view of the “ideal school funding system”.<sup>40</sup>

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<sup>38</sup> DfE, [The Importance of Teaching](#), Cm 7980, November 2010, p82, para 8.10

<sup>39</sup> DfE, [A consultation on school funding reform: Rationale and principles](#), April 2011, pp3–4

<sup>40</sup> *Ibid*, p4, para 3.5

Prior to publication of the Importance of Teaching White Paper, there was 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>41</sup>

It was subsequently reported that the reform would not be pursued, with the then Education Secretary, Michael Gove, saying in advance of the White Paper’s publication that, “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>42</sup>

### The November 2010 White Paper

In the Importance of Teaching White Paper, the DfE said “[our] aim is that money is distributed more fairly so that it is the schools most able to make efficiencies which are asked to 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>43</sup>

It noted that it intended to move towards a “national funding formula” for schools in the long-term.<sup>44</sup>

### April 2011 consultation

In April 2011, the DfE published [A consultation on school funding reform: Rationale and principles](#),<sup>45</sup> setting out the DfE’s view of an “ideal school funding system”:

- It would distribute money in a fair and logical way [...]
- It would distribute extra resources towards pupils who need them most. [...]
- It would be transparent and easy to understand and explain. [...]
- It would support a diverse range of school provision. [...]
- It would provide value for money and ensure proper use of public funds [...].<sup>46</sup>

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

<sup>41</sup> [“Schools face shake-up to funding”](#), *Financial Times*, 12 November 2010

<sup>42</sup> [“Gove drops school funding plans”](#), *Financial Times*, 21 November 2010

<sup>43</sup> Department for Education, [The Importance of Teaching](#), Cm 7980, November 2010, pp78–79, paras 8.3 and 8.5

<sup>44</sup> *Ibid.*, p82, paras 8.9 – 8.11

<sup>45</sup> Department for Education, [A consultation on school funding reform: Rationale and principles](#), April 2011, p1, para 1.2

<sup>46</sup> *Ibid.*, 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>47</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>48</sup>

## Responses to the consultation

In July 2011, the Government published its response to the consultation.<sup>49</sup> This reported:

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 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>50</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”.

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<sup>47</sup> DfE, [A consultation on school funding reform: Rationale and principles](#), April 2011, 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>48</sup> *Ibid.*, p7, para 6.3

<sup>49</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

<sup>50</sup> *Ibid.*, p3

Other issues included local flexibility, issues for rural areas, local salaries, and school and pupil characteristics.<sup>51</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>52</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>53</sup>

## 5.2 Further July 2011 consultation

In July 2011, the DfE launched a second, related consultation on its proposal, seeking views on when to implement the national funding formula.<sup>54</sup> The consultation also proposed to split the DSG into three blocks (Schools, High Needs and Early Years) plus a small fourth block for some other services not suitable for delegation.

### Proposal for the national funding formula for the Schools Block

In terms of the formula for the Schools Block, the DfE proposed including the following factors:

- 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>55</sup>

The consultation proposed that local authorities would still be able, with their schools forums, to set local funding formulas, albeit using a rationalised number of factors.<sup>56</sup> The DfE recognised that “there are

<sup>51</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

<sup>52</sup> *Ibid.*, pp9–10

<sup>53</sup> *Ibid.*, pp5–6

<sup>54</sup> DfE, [Consultation on school funding reform: Proposals for a fairer system](#), July 2011.

<sup>55</sup> *Ibid.*, p3

<sup>56</sup> *Ibid.*, p3, para 10

likely to be specific needs that need to be met which may not be possible to accommodate in any national formula".<sup>57</sup>

In the July 2011 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". At this stage, it planned to issue 'shadow allocations' in 2012-13, to illustrate to LAs what they could expect to receive once the fully reformed system was implemented.

### **Institute for Fiscal Studies analysis of July 2011 proposals**

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>58</sup>

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

- The funding formula must be designed extremely carefully. Features currently proposed could, for example, redistribute funding from secondary to primary schools.
- Changes in funding would be concentrated in particular local authorities, with some seeing average gains or losses of 10 per cent or more. In some areas changes to primary and secondary budgets would 'offset' each other but some authorities would see changes across the board.
- Whatever formula was chosen, it would lead to a large number of winners and losers relative to existing policy
- Any transition period of less than a decade would involve significant, sustained losses for some schools.
- While there were some issues with implementing a national formula, maintaining the status quo was not appropriate either.<sup>59</sup>

### **5.3 March 2012 strategy paper**

In March 2012, the then-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. This said that while "support for reform was widespread", feedback suggested that the model presented in the July 2011 consultation "would need refinement and careful implementation".<sup>60</sup> The then-Secretary of State noted that: "getting the components and implementation of a fair

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<sup>57</sup> DfE, [Consultation on school funding reform: Proposals for a fairer system](#), July 2011 p4, para 15

<sup>58</sup> Institute for Fiscal Studies, [School funding reform: an empirical analysis of options for a national funding formula](#), November 2011, p3

<sup>59</sup> *Ibid.*, pp2–3

<sup>60</sup> HC Deb 26 March 2012 c88WS

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>61</sup>

Changes confirmed included:

- Simplifying local funding formulas and arrangements
- Splitting the DSG into three notional non-ringfenced blocks.
- Reforms to funding for students with special educational needs
- Support for local authorities in funding early years provision and ensure greater transparency.
- 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" (i.e., from 2015-16, as opposed to in 2013-14).<sup>62</sup>

The Next Steps document confirmed there would only be ten allowable factors in local funding formula, rather than the existing 37. The ten factors were:

- 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);
- Deprivation measured by FSM and/or the Income Deprivation Affecting Children Index (IDACI);
- Looked after children;
- Low cost, high incidence SEN;
- English as an additional language (EAL) for 3 years only after the pupil enters the compulsory school system;
- A lump sum of limited size;
- Split sites;
- Rates;
- Private finance initiative (PFI) contracts; and,
- 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>63</sup>

There would be discretion for the EFA to consider exceptional circumstances relating to premises.<sup>64</sup>

## 5.4 Further funding 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 announced further incremental steps towards a national funding formula.<sup>65</sup>

<sup>61</sup> HC Deb 26 March 2012 c88WS.

<sup>62</sup> DfE, [School funding reform. Next steps toward a fairer system](#), 2012, Pp.7

<sup>63</sup> *Ibid.*, p13

<sup>64</sup> The EFA would play a role in upholding the fairness of local decision-making [Department for Education, [School funding reform: Next steps towards a fairer system](#), March 2012, p5, footnote 3]

<sup>65</sup> DfE, [School Funding Reform: Findings from the Review of 2013-14 Arrangements and Changes for 2014-15](#), p5

In an accompanying written statement, the then-Minister for Schools, David Laws, 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>66</sup>

## 5.5 2015-16 'fairer schools funding'

In March 2014, the then Schools Minister, David Laws, announced in an [Oral Statement](#) that the Coalition Government intended to take two further steps, but again stopped short of announcing the implementation of a full national funding formula. In 2015-16, it would make an additional £350 million school funding available to areas that were currently the 'least fairly funded'. From March 2014 to 30 April 2014, it ran a consultation on distributing this money, which it described as "the biggest step toward fairer funding for schools in a decade".<sup>67</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 authorities more certainty about how the formula will affect them over a number of years.<sup>68</sup>

In terms of determining which local authorities would receive the extra money, the Government said those where pupils and schools already

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<sup>66</sup> See: [HC Deb 4 June 2013 cc89WS–90WS](#)

<sup>67</sup> DfE, [Fairer schools funding in 2015-16](#), 13 March 2014, Pp. 3.

<sup>68</sup> *Ibid.*, Pp. 3

attracted a determined minimum funding level (MFL) 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, 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>69</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 and next steps

Following the publication of the March 2014 consultation, the f40 group 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>70</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.<sup>71</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.<sup>72</sup>

In their joint consultation response, London Councils and the Association of London Directors of Children's Services welcomed the announcement of the additional money, but called on the DfE to make a number of changes to their proposals.<sup>73</sup>

On 17 July 2014, David Laws confirmed in a [Written Statement](#) that the DfE would allocate an extra £390 million - £40 million more than

<sup>69</sup> DfE, [Fairer schools funding in 2015-16](#), 13 March 2014, Pp. 4

<sup>70</sup> F40 press notice, [F40 welcomes extra funding for poorest-funded schools](#), 17 March 2014.

<sup>71</sup> ASCL, [Fairer schools funding in 2015-16. Response of the Association of School and College Leaders](#), 30 April 2014. Pp. 1 -2.

<sup>72</sup> NAHT, [NAHT welcomes David Laws' £350m increase in school budgets](#), 13 March 2014.

<sup>73</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.

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 provision and early years provision.<sup>75</sup>

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<sup>74</sup> David Laws, Written Statement, [Fairer school funding](#), 17 July 2014

<sup>75</sup> *Ibid.*

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