



Walsall Council

Walsall Children's Services

Report to:	Schools Forum
Date:	6 December 2011
Subject:	National School Funding Consultation Update
Contact:	Julie Taylor (julie.taylor@walsallcs.serco.com)
Purpose of the report:	<p>To inform Schools Forum of the early feedback from DfE on its proposed reform of the national school funding system.</p> <p>The report also refers to a recent report produced by the Institute of Fiscal Studies on the potential impact of these national changes at school level.</p>
Recommendation:	That Schools Forum note the content of the report and the likely timescale for reform.

1. Introduction

- 1.1 Officers attended a national school funding conference on 23 November 2011 where both the DfE and the Institute of Fiscal Studies (IFS) presented updates on the funding consultation outcomes and the possible implications arising from the national review, which will inevitably create winners and losers across the country.
- 1.2 There is much press interest in the IFS report which highlights the potential financial effects of a national review of the school funding formula at local authority level. However, this work was not commissioned by DfE and it is based upon a number of assumptions, none of which represent firm decisions by the government.
- 1.3 However, the IFS report is useful in highlighting the significant impact that the final changes will have across the country and how these might be managed.
- 1.4 Ministers are already aware of the potential scale of change that the reforms will bring and therefore they are carefully studying their data and what that means in terms of a political risk. It was hinted that the national funding formula at LA level may not be phased in until 2016 or 2017, and that thereafter there may be a long period of transition.
- 1.5 DfE is keen to introduce the **funding system reforms** with effect from 1 April 2013 which will introduce a simplified local formula and a scrutiny role for the Education Funding Agency.
- 1.6 There is less clarity around the future role of Schools Forums as there was no national consensus from the consultation exercise. DfE is undertaking further work to develop a more acceptable system for all interested parties.

2. Summary of Consultation Responses

- 2.1 The DfE provided conference members with a summary of the consultation responses received by the closing date of 11 October 2011. However, to date, there has been no formal decisions or announcements made by the government regarding the future funding system. There will be further consultation in spring 2012.
- 2.2 Consultation highlights – the analysis of the total number of responses is detailed below. It is surprising that over one third of responses were received from parents or carers, therefore DfE is taking a cautious approach to the results.

- 34% parent or carer
- 7% individual local authority
- 10% maintained schools
- 13% Academies
- 5% Governors and associations
- 5% teachers
- 3% Schools Forums
- 2% Trade Unions and professional bodies
- 2% Early years
- 19% Other

Consultation Issue	Consultation Responses
School or LA based national formula	56% for a national, notional school based formula - In favour, Academies and teachers - Against LAs and Forums
National Formula Factors	56% agreed with all factors 43% agreed with some factors
Deprivation	Opinion split on allocation method Ever 6 most popular – 36%
Small School Factor (primary)	Opinion divided on £95k lump sum 17% said a flat rate was too simplistic
Area Costs	72% favoured the combined approach (56% without campaigns)
English as an Additional Language (EAL)	74% agreed an EAL factor 58% supported to cover first few years
Factors for local formula	45% agreed with all factors 41% agreed with some factors
Primary/Secondary Ratio	46% for a range around the national average 1.27
Academy Budgets	47% for LA calculating Academy Budgets 39% for EFA calculating budgets
School Forums	27% agreed to strengthen the role 46% disagreed
Funding base level High Needs Pupils	46% in favour and 39% not sure
Early Years Single Funding Formula	Simplification 48% Similar formula to schools 64%
Transition	35% for Minimum Funding Guarantee at -1.5% 34% for faster convergence

Consultation Issue	Consultation Responses
Timing	57% for 2013-14 30% for later
Pupil Premium	Ever 6 Free School Meals (FSM) – 43% Ever 3 FSM– 29%

- 2.3 DfE is taking into consideration consultation responses but was keen to point out that it is a consultation and not a referendum, and it would therefore take decisions that it felt best met the needs of schools and pupils.
- 2.4 The current favoured option for distribution of the national funding to local authorities is the national, notional school budget option. Under this option the LA will receive a global sum built up from the individual notional school budgets of schools and Academies in the area. The LA can vary a school's budget from its national figure as a result of applying its local flexibility options, and it will be accountable to the Schools Forum and individual schools to explain the reasons for the variation.
- 2.4 Attached at **Appendix 1** is a slide that represents the new funding system and it was explained that although the first process on the flowchart, that is national budget setting, may be delayed until 2016 or 2017, the DfE is keen to implement the remaining elements local flexibility, national monitoring and paying budgets to Academies possibly in 2013-14.
- 2.5 DfE recognises the obstacles and challenges in implementing a new national school funding system. However, the rationale behind the review of a fairer, simpler more transparent funding system remains and therefore no change is not an option DfE is considering.

The speed of change, relative winners and losers, ability of schools to manage the change are dictating a long consultation period. The next round of consultation will be issued in Spring 2012.

3. **School Funding Reform: an empirical analysis of options for a national funding formula**

- 3.1 The IFS has produced the report named above to assess the possible implications of a new, national funding system across the country. The report also includes the impact of the roll out of the Pupil Premium for a further three years based upon the Ever 6 FSM methodology and inflationary assumptions for the same period.
- 3.2 The current funding system targets funding at schools with higher numbers of deprived pupils and the proposed system which puts additional funding through the Pupil Premium creates an even more progressive funding system with most deprived schools expected to see real terms increases in funding. However, many schools could see real terms cuts in funding.

3.3 The report models options based upon a primary:secondary ratio of 1:1.45 to dampen the effect of the financial turbulence, even though this is not currently an option that DfE has consulted upon. The key findings from the analysis have been extracted from the report and are listed below:

- *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.*
- *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.*

3.4 The report exemplifies transitional periods and also costs them. The government could need a transitional budget of up to £3bn or £6bn, dependent on the use of floors and ceilings, if there is a long transitional period.

3.5 The full report can be downloaded from the IFS website www.ifs.org.uk/publications/5754 . Attached at **Appendix 2** of this report is the table of possible funding changes for local authority areas, based upon the assumptions made by the authors. For Walsall reductions at both primary and secondary level are exemplified.

As stated previously, the report is speculative and does not reflect government decisions. However, it is useful as an example of how sensitive the implementation of changes to the national school funding system will be and the potential range of change to be managed over a period of time.

3.6 The third national school funding consultation exercise due in Spring 2012 will provide information to Local Authorities, School Forums, schools and Academies, governors, parents and all other interested parties on the further development of a national funding strategy and the government's intentions.

Appendix 1

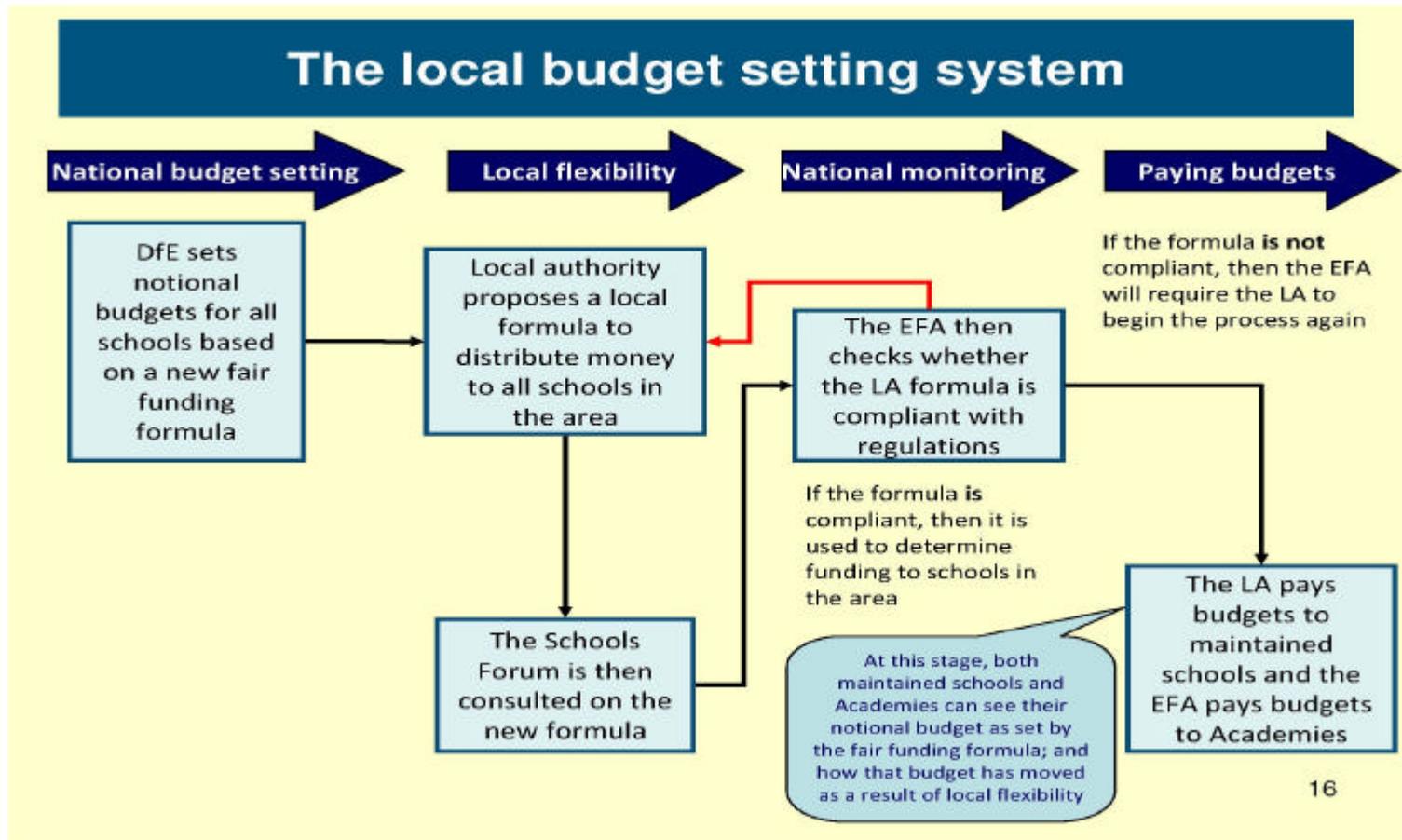


Table A.5. Average percentage changes by local authority under 'Low Disruption' option and different assumptions for the Area Cost Adjustment, relative to expected funding per pupil in 2014–15 under existing policy

<i>Local authority</i>	<i>No change in ACA</i>		<i>Combined approach</i>		<i>Updated GLM approach</i>	
	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>
Inner London	-3.0	1.4	-3.7	1.3	-1.1	3.3
Camden	0.6	-2.5	-2.2	-5.3	2.8	-0.3
Hackney	-2.9	0.2	-5.5	-2.6	-0.8	2.4
Hammersmith and Fulham	3.5	7.2	0.6	4.3	5.7	9.6
Haringey	-9.7	-7.0	-3.1	0.0	-8.7	-5.9
Islington	9.9	10.5	6.9	7.4	12.2	12.9
Kensington and Chelsea	-3.3	-4.8	-5.9	-7.4	-1.2	-2.8
Lambeth	-5.5	-1.7	-8.1	-4.4	-3.4	0.4
Lewisham	1.1	4.6	-1.5	1.8	3.3	6.8
Newham	-13.6	-1.6	-7.4	5.8	-12.7	-0.5
Southwark	-9.5	-7.9	-12.1	-10.5	-7.5	-5.8
Tower Hamlets	-1.9	6.9	-4.6	4.0	0.2	9.2
Wandsworth	2.6	8.5	-0.2	5.5	4.7	10.7
Westminster	11.9	5.9	9.1	3.1	14.1	8.1
Outer London	-0.3	-0.3	1.0	1.0	0.9	0.9
Barking and Dagenham	1.9	-0.5	9.0	6.8	3.0	0.6
Barnet	-2.9	-1.6	-4.2	-2.8	-1.8	-0.6
Bosley	3.8	-4.2	6.2	-1.7	4.9	-3.1
Brent	-5.7	-6.4	-2.7	-3.2	-4.7	-5.4
Bromley	11.9	3.3	14.6	6.0	13.1	4.5
Croydon	-2.9	-5.3	-0.6	-2.8	-1.8	-4.1
Ealing	-8.6	-1.7	-5.5	1.6	-7.5	-0.6
Enfield	-6.6	-6.5	-4.3	-4.1	-5.5	-5.3
Greenwich	10.8	6.2	7.9	3.4	13.1	8.4
Harrow	2.3	-9.8	1.1	-11.0	3.4	-8.9
Havering	-2.1	-7.4	0.3	-5.0	-0.9	-6.3
Hillingdon	-2.9	4.0	-4.2	2.7	-1.8	5.1
Hounslow	6.0	5.8	4.5	4.5	7.1	6.9
Kingston upon Thames	-4.0	0.8	-5.3	-0.5	-3.0	1.9
Merton	-2.9	12.2	0.2	15.8	-1.8	13.3
Redbridge	3.7	6.6	6.1	9.1	4.8	7.7
Richmond upon Thames	0.3	-2.7	-1.0	-4.2	1.4	-1.4
Sutton	5.0	10.1	3.6	8.8	6.2	11.3
Waltham Forest	-6.9	-4.5	-4.6	-2.2	-5.8	-3.5
East Midlands	3.8	1.7	4.6	2.6	3.3	1.1
Derby	-1.3	1.1	-0.4	2.2	-1.9	0.3
Derbyshire	7.7	9.1	8.7	10.2	7.0	8.3
Leicester	-1.9	1.7	-1.0	2.6	-2.0	1.5
Leicestershire	1.6	-0.9	2.4	0.0	1.5	-1.1
Lincolnshire	6.1	-1.4	7.1	-0.3	5.4	-2.1
Northamptonshire	9.3	3.5	9.1	3.3	8.7	2.7
Nottingham	2.2	-1.2	3.2	0.0	1.7	-1.7
Nottinghamshire	0.0	-1.3	1.0	-0.1	-0.5	-1.8
Rutland	-1.7	-0.7	-1.0	0.1	-1.7	-0.9
East of England	3.9	0.3	2.8	-0.6	3.9	0.1
Bedford Borough	2.4	2.6	-0.2	0.1	1.5	1.6
Cambridgeshire	7.3	7.9	5.4	6.2	7.7	8.2
Central Bedfordshire	-0.5	2.4	-3.1	-0.1	-1.3	1.4
Essex	-0.6	-5.4	-1.0	-5.7	-0.5	-5.4
Hertfordshire	10.5	0.3	7.5	-2.6	11.2	0.9
Luton	-9.1	-5.6	-11.4	-7.9	-10.0	-6.5
Norfolk	7.3	4.9	8.2	5.9	6.6	4.2
Peterborough	3.8	-0.5	2.1	-2.1	4.2	-0.3
Southend-on-Sea	2.7	0.4	3.2	1.0	2.7	0.4
Suffolk	1.4	-0.7	2.3	0.4	0.8	-1.4

<i>Local authority</i>	No change in ACA		Combined approach		Updated GIM approach	
	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>
Thurrock	2.4	4.3	0.4	2.2	2.5	4.3
North East	-2.7	-4.5	-1.8	-3.5	-3.4	-5.2
Darlington	8.7	-1.8	9.8	-0.7	8.0	-2.5
Durham	-2.3	-7.0	-1.4	-6.0	-3.0	-7.7
Gateshead	-2.0	-8.5	-1.1	-7.5	-2.7	-9.3
Hartlepool	0.3	-2.3	1.2	-1.2	-0.4	-3.1
Middlesbrough	-4.8	-8.7	-3.9	-7.9	-5.4	-9.2
Newcastle upon Tyne	-4.3	-9.9	-3.3	-8.9	-4.9	-10.6
North Tyneside	-2.5	-6.1	-1.5	-5.1	-3.1	-6.8
Northumberland	-2.9	4.0	-2.0	5.1	-3.5	3.2
Redcar and Cleveland	-4.3	-1.4	-3.4	-0.3	-5.0	-2.1
South Tyneside	-2.7	-4.8	-1.7	-3.8	-3.3	-5.6
Stockton-on-Tees	-1.3	-5.4	-0.4	-4.5	-2.0	-6.0
Sunderland	-7.3	-5.8	-6.3	-4.8	-7.9	-6.5
North West	-0.6	-2.1	-0.2	-1.6	-1.0	-2.6
Blackburn with Darwen	-2.8	-6.8	-1.9	-5.8	-3.5	-7.5
Blackpool	2.9	1.5	4.0	2.6	2.1	0.7
Bolton	5.7	-3.7	5.8	-3.6	5.8	-3.6
Bury	-3.2	1.8	-3.2	2.0	-3.1	1.9
Cheshire East	2.3	0.8	1.9	0.5	1.0	-0.7
Cheshire West and Chester	1.3	6.8	1.0	6.5	0.0	5.2
Cumbria	3.0	6.4	3.9	7.5	2.4	5.6
Halton	2.0	-7.1	1.6	-7.7	0.6	-8.1
Knivesley	5.5	-1.7	6.6	-0.4	5.3	-2.0
Lancashire	-0.4	-2.7	0.6	-1.6	-1.0	-3.4
Liverpool	-7.1	-11.5	-6.1	-10.4	-7.4	-11.8
Manchester	-6.4	-3.4	-6.4	-3.3	-6.3	-3.3
Oldham	2.2	-6.6	2.2	-6.7	2.3	-6.5
Rochdale	-3.0	-6.0	-3.0	-6.0	-2.9	-5.9
Salford	3.6	0.1	3.6	0.2	3.8	0.1
Sefton	-6.5	-6.3	-5.5	-5.1	-6.7	-6.6
St. Helens	-2.4	-7.4	-1.3	-6.4	-2.6	-7.6
Stockport	4.7	6.0	4.7	6.2	4.8	6.1
Tameside	-2.4	-0.4	-2.4	-0.5	-2.3	-0.2
Trafford	-5.0	-6.6	-5.0	-6.6	-4.9	-6.5
Warrington	1.8	5.8	1.5	5.6	0.5	4.4
Wigan	-7.9	-8.1	-7.9	-8.0	-7.8	-8.1
Wirral	4.9	-0.4	6.1	0.8	4.6	-0.7
South East	3.4	3.3	1.3	1.2	3.8	3.6
Bracknell Forest	10.2	7.4	5.6	2.9	12.1	9.2
Brighton and Hove	-0.5	-5.4	-0.4	-5.4	-1.3	-6.2
Buckinghamshire	3.8	15.8	0.0	11.7	5.0	17.1
East Sussex	4.1	5.3	4.2	5.5	3.3	4.4
Hampshire	5.2	7.5	3.5	5.9	5.3	7.5
Isle of Wight	-10.2	7.4	-11.8	5.7	-10.0	7.4
Kent	1.0	-5.7	1.1	-5.6	0.7	-6.0
Medway	2.3	-3.6	2.7	-3.3	1.9	-3.9
Milton Keynes	2.5	-0.4	-1.4	-4.1	3.7	0.7
Oxfordshire	5.0	1.8	1.6	-1.4	5.5	2.2
Portsmouth	4.6	6.3	2.9	4.7	4.6	6.3
Reading	4.5	7.4	-2.1	0.9	5.9	8.7
Slough	4.2	-3.6	0.0	-7.6	5.9	-2.0
Southampton	8.1	0.7	6.4	-0.8	8.1	0.6
Surrey	8.0	9.2	3.3	4.6	9.8	11.0
West Berkshire	7.8	4.7	1.1	-1.8	9.3	6.0
West Sussex	-4.4	-0.1	-4.5	-0.1	-4.8	-0.6
Windsor and Maidenhead	7.3	4.3	2.7	-0.1	9.1	6.0
Wokingham	2.3	6.0	-4.2	-0.7	3.7	7.3

<i>Local authority</i>	No change in ACA		Combined approach		Updated GLM approach	
	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>	<i>Primary</i>	<i>Secondary</i>
South West	4.7	-0.5	4.8	-0.2	4.3	-1.0
Bath and North East Somerset	7.4	0.2	5.8	-1.2	7.1	-0.1
Bournemouth	1.2	0.1	2.2	1.0	0.4	-0.6
Bristol City of	2.8	-4.0	1.4	-5.3	2.5	-4.4
Corwall	0.6	-4.5	1.5	-3.5	-0.1	-5.2
Devon	5.0	-0.2	6.0	0.9	4.3	-0.9
Dorset	4.2	0.7	5.2	1.8	3.5	0.0
Gloucestershire	7.4	-0.1	7.1	-0.3	6.8	-0.8
North Somerset	6.1	6.3	4.7	4.9	5.9	6.0
Plymouth	6.8	-2.8	7.8	-1.9	6.1	-3.5
Poole	5.1	-6.5	6.2	-5.5	4.3	-7.2
Somerset	3.2	1.9	4.1	3.0	2.5	1.2
South Gloucestershire	12.7	4.9	11.2	3.6	12.5	4.6
Swindon	3.9	0.9	3.5	0.6	4.3	1.3
Torbay	4.0	-2.6	5.1	-1.5	3.3	-3.3
Wiltshire	2.6	-2.8	2.2	-3.0	3.1	-2.4
West Midlands	-2.7	-1.5	-2.4	-1.1	-3.4	-2.3
Birmingham	-8.9	-4.1	-9.0	-4.2	-9.7	-5.0
Coventry	-6.8	-8.1	-6.9	-8.2	-7.6	-9.0
Dudley	-5.9	-1.8	-6.1	-1.9	-6.8	-2.8
Herefordshire	-3.3	-7.4	-2.4	-6.3	-3.9	-8.1
Sandwell	-6.5	3.2	-6.6	3.2	-7.3	2.3
Shropshire	2.1	-5.8	3.0	-4.8	1.4	-6.6
Solihull	0.8	3.2	0.6	3.1	0.0	2.2
Staffordshire	0.6	-1.5	1.6	-0.4	-0.1	-2.2
Stoke-on-Trent	3.6	0.3	4.7	1.3	2.9	-0.3
Telford and Wrekin	5.0	-0.6	6.0	0.5	4.3	-1.3
Walsall	-8.0	-2.9	-8.1	-3.0	-8.8	-3.9
Warwickshire	8.5	9.2	8.2	9.1	8.2	8.9
Wolverhampton	-8.0	-12.4	-8.2	-12.5	-8.9	-13.2
Worcestershire	1.4	0.9	2.4	1.9	0.7	0.1
Yorkshire and Humber	-3.0	-3.8	-2.2	-2.9	-3.4	-4.3
Barnsley	-9.0	-3.5	-8.1	-2.4	-9.6	-4.2
Bradford	-12.9	-4.7	-12.2	-4.0	-13.0	-5.0
Calderdale	-1.9	-0.1	-1.2	0.6	-2.1	-0.3
Doncaster	1.4	-6.1	2.4	-5.1	0.7	-6.9
East Riding of Yorkshire	0.9	-2.0	1.8	-0.9	0.2	-2.8
Kingston upon Hull City of	1.5	1.1	2.5	2.2	0.8	0.3
Kirklees	-6.0	-0.2	-5.4	0.6	-6.2	-0.4
Leeds	-1.4	-5.4	-0.8	-4.7	-1.6	-5.7
North East Lincolnshire	-7.4	-7.9	-6.5	-7.2	-8.0	-8.5
North Lincolnshire	4.8	-1.4	5.8	-0.3	4.1	-2.2
North Yorkshire	-0.2	-5.9	0.7	-4.9	-0.8	-6.7
Rotherham	-4.8	-12.7	-3.8	-11.8	-5.5	-13.4
Sheffield	1.5	-0.2	2.5	0.9	0.9	-0.9
Wakefield	-3.1	-4.1	-2.6	-3.3	-3.3	-4.3
York	-1.6	-0.5	-0.6	0.6	-2.2	-1.2