

Schools National Funding Formula Consultation Response - Stage 2
Closing Date 22nd March 2017

Overall Approach

- 1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance? (Pages 7-15)**

Yes

No

Please explain your reasoning and any further evidence we should take into account:

Kent County Council (KCC) would like to take the opportunity of welcoming this consultation and commend the government for honouring its manifesto commitment to introduce fairer funding for all children in state funded schools in England. We also wish to acknowledge the work that Ministers and the department have undertaken on Stage 1 and in getting the Stage 2 consultation to this stage.

We welcome the fact that the proposed funding formula indicates a total gain of £28 million for KCC once the national formula is fully implemented from 2019-20, but we believe that this has to be tempered by an outcome that none of us really anticipated: that some of our schools will lose out.

This response, therefore, highlights the main themes on which KCC would like to see further evidence or discussion prior to the implementation of a new formula and before it can be considered fair. However, we do not wish to see further delays in the implementation of a new formula.

There are key elements of the government's proposals that KCC would like to see amended, namely:

- 1. Weakness of evidence for proposals and continued use of averages**
- 2. The proportion of weighting given to AEN rather than basic entitlement**
- 3. The 3% funding floor, which locks in historical differences**
- 4. Quantum and spending cuts**

These are dealt with in the following sections.

Weakness of evidence for proposals and continued use of averages

As with the first stage of the consultation, there is still a basic weakness in that there is no commitment to a definition of what the government is actually funding. The emphasis is on redistributing money more fairly, which is fine as a principle and long overdue, but without some clarity on what level of service the money can purchase, there is a danger that the new system does not take us much further forward.

It is disappointing to see the continued use of averages, which reflect what LAs can currently afford to do, rather than a needs-based model which can evidence that the proposed funding levels are sufficient to cover the required costs of operating schools of different sizes and levels of needs wherever they are in the country. As part of the ongoing strategic approach to schools funding we would urge the DfE to undertake to analyse and assess activity led funding to be factored into the funding formula rates prior to the implementation of the hard formula in 2019-20.

Without the underlying understanding as to what the government is funding it is difficult to understand the rationale for the basic entitlement compared to the additional needs. The proposals state that there has been a deliberate movement of funding into additional needs, partly to support those “just about managing” families, but we don’t consider that the additional needs indicators do support those families and therefore by reducing the basic element of funding this could be having the opposite effect to that intended.

The proportion of weighting given to AEN rather than basic entitlement

Our initial reaction is that too much funding is directed towards deprivation and that when Pupil Premium is also taken into account this could be considered as double funding. Clarity is required between the differences as to what the deprivation funding in the main funding formula and pupil premium are supposed to support.

The 3% funding floor, which locks in historical differences

One of the key principles set out by the DfE in their Stage 1 consultation, was that pupils of similar characteristics should attract similar levels of funding wherever they are in the country (allowing for the area cost adjustment). When the funding formula to be implemented is deemed fair, it should be applied to all schools on a consistent basis.

However, the proposed 3% funding floor “locks” in some of the historical differences for those schools which have been overfunded for several decades and perpetuates the unfairness. Equally the cost of this protection limits the redistributive impact and will result in the continuation of different funding levels for pupils across the country. Stability for schools in funding is important, but not at the expense of never reaching a fair formula and outcome.

Quantum and spending cuts

KCC understands that this consultation is about finding a fair funding methodology and not (at this time) about the quantum of funding available. But, schools in lower funded areas have been making cuts for well over six years now and have reached the limit of where cuts can be made. We recognise the work that the DfE has undertaken in supporting schools in making efficiencies, although in practice we believe this has resulted in limited efficiency savings being realised in Kent schools, but we are struggling to understand where more cuts can be made in the lowest funded authorities.

The removal of the Education Services Grant will have an impact on schools. Academies will have costs which were supported by the ESG which they will need to fund from their GAG and LAs cuts are likely to lead to additional charges to maintained schools. We understand that the DfE believes that £1 billion worth of further cuts are available within the system, but we consider that unrealistic and unachievable without significant impact on the teaching and learning within schools.

Any cuts have to be aligned with the DfE requirements from the system. For example, when building a school the capital budget will define the number of bricks that can be bought and therefore the number of classrooms or breakout spaces or music spaces or science labs that can be built. Equally the level of revenue funding defines the number of teachers (and therefore the number of pupils per teacher) and education support staff and pastoral care staff and leaders within the school. The additional needs funding should separately add further staff or therapists to the core staff within the school. Without understanding what is being purchased you cannot say that there is room for cuts. In the capital example, eventually you run out of bricks for a music room, or classroom and likewise with the revenue funding you run out of teachers or pastoral care or leaders and the school cannot

effectively function however much you would like to think it can. Efficiency and an understanding about what it is that is being purchased must work hand in hand.

2. Do you support our proposal to set the primary to secondary ratio in line with the current national average? (Pages 16-17)

We have decided that the secondary phase should be funded, overall, at a higher level than primary, after consulting on this in stage one. We are now consulting on how great the difference should be between the phases.

The current national average is 1:1.29, which means that secondary pupils are funded 29% higher overall than primary pupils.

Yes

No – the ratio should be closer (i.e. primary and secondary phases should be funded at more similar levels)

No – the ratio should be wider (i.e. the secondary phase should be funded more than 29% higher than the primary phase)

Please explain your reasoning and any further evidence we should take into account:

KCC recognises the need for a differential in funding between primary and secondary schools. However, the amounts and relative weightings need to be evidence based with reference to actual costs and factors rather than current national averages.

3. Do you support our proposal to maximise pupil-led funding? (Pages 17-18)

We are proposing to maximise the amount of funding allocated to factors that relate directly to pupils and their characteristics, compared to the factors that relate to schools' characteristics. We propose to do this by reducing the lump sum compared to the current national average (see question 7 on the lump sum value).

Yes

No - you should further increase pupil-led funding and further reduce school-led funding

No - you should keep the balance between pupil-led and school-led funding in line with the current national average

No - you should increase school-led funding compared to the current national average

Please explain your reasoning and any further evidence we should take into account:

The balance between the factors must result in adequate funding for all schools regardless of size and location. The interaction with the school led factors e.g. lump sum is therefore key to ensure that any necessary and vital small schools remain sustainable as a result of the revised funding formula. If this is not sufficiently considered the formula could result in small schools closing and local authorities incurring additional costs to transport pupils. Further still there is the impact on the individual children (and potentially some very young children) that would find themselves having to travel.

We consider that the distribution of the school led factors factor could be better managed locally in line with local priorities. We would anticipate that the DfE will suggest that this is not in line with a national formula and pupils across the country receiving the same levels of

funding, but the current proposals already see differences in funding for the remaining school led factors alongside the ACA and proposals for transition and a locked in funding floor. Pupil led funding will be the main component of the formula and at that level will be fair and equal – certainly much more equal than is currently the case. Schools are not the same and it is reasonable that the school led factors, held in a ring fenced budget could be locally directed with support of the local Schools' Funding Forum.

Pupil-Led Factors

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think are the right proportions for each factor.

4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors? (Pages 20-21)

Of the total schools block funding, 76% is currently allocated to basic per-pupil funding (AWPU) and 13% is allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language).

The formula will recognise educational disadvantage in its widest sense, including those who are not eligible for the pupil premium but whose families may be only just about managing. It increases the total spent on additional needs factors compared to the funding explicitly directed through these factors in the current system.

We are therefore proposing to increase the proportion of the total schools block funding allocated to additional needs factors to 18%, with 73% allocated to basic per-pupil funding.

Yes

No – allocate a greater proportion to additional needs

No – allocate a lower proportion to additional needs

Please explain your reasoning and any further evidence we should take into account:

It is vital that the basic level of funding allocated to all schools is adequate for the school to staff and operate sufficiently. The additional needs funding should be as the name suggests, additional.

Increasing the deprivation funding is unlikely to reach the JAMs that the funding is trying to support. FSM6 is the same indicator that is used for Pupil Premium and you have stated that JAMs are above this threshold. The lower band of IDACI tends towards the more deprived, although a taper might be possible to bring JAMs in. EAL is aimed specifically at supporting language acquisition and low prior attainment is an indicator of SEN. Therefore, it is more likely that the basic funding is what will be needed to support JAMs in reality and yet this is the funding that is being reduced.

5. Do you agree with the proposed weightings for each of the additional needs factors?

Deprivation - pupil based at 5.5% (Pages 21-25)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. There is also a question which remains unanswered in the consultation around the double funding of deprivation through pupil premium. Where schools attract relatively low levels of additional needs funding there needs to be confidence that basic funding is sufficient to cover the costs of running the school. The additional needs funding should be as the name suggests – additional and to support creative additional programmes for pupils, not prop up the funding for the majority of pupils.

Parents with children in infant year groups do not always apply for free school meals because of the universal infant free meal. Schools with these years groups; which are the building blocks for a child's future education path are being underfunded for their pupil needs as a result and to allocate more funding via this route will make that unfairness worse. As a minimum we believe that the DfE should be developing methods of removing the need for parents to need to apply for free school meals and this should now be an automatic entitlement for all that are eligible.

Deprivation - area based at 3.9% (Pages 21-25)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. Clarity is required between the differences as to what the deprivation funding in the main funding formula and pupil premium are supposed to support.

Low prior attainment at 7.5% (Pages 25-27)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. KCC has previously raised concerns about the reliability and consistency of data being used to determine funding allocations under the current system in this area. National changes in assessments have resulted in data volatility which seriously undermines confidence when using such data to allocate funding. Any funding system must avoid turbulence from one year to the next.

English as an additional language at 1.2% (Pages 27-28)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. This is less about the proportion and more about who is deemed eligible and for how long. Certain groups may require varying levels of support and due to the 3-year limit some secondary schools will never receive support for EAL pupils.

The weightings are a proportion of the total schools budget.

6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond? (Pages 28-29)

We have decided to include a mobility factor in the national funding formula, following the first stage of consultation. This will be based on historic spend for 2018-19, while we develop a more sophisticated indicator. We would welcome any comments on potential indicators and data sources that could be a better way of allocating mobility funding in future.

If the Department is wedded to the inclusion of mobility factor, then we suggest this is based on a fixed rate per pupil for all new pupils (who were not on the previous year's census) excluding normal entry year groups. In our view schools should only attract funding if the mobility is over a certain threshold to avoid minor in year changes which it would be reasonable for schools to accommodate. This funding should only be provided to those schools that have significant pupil mobility and all the challenges that go with that mobility.

School-Led Factors

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think are the right amounts for each factor.

7. Do you agree with the proposed lump sum amount of £110,000 for all schools? (Pages 29-31)

This factor is intended to contribute to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will receive a certain amount each year in addition to their pupil-led funding.

Primary

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Secondary
Allocate a higher amount

This is about the right amount

Allocate a lower amount

Please explain your reasoning and any further evidence we should take into account:

The lump sum is vital to support the operation of all schools, especially small schools. As such KCC believes that the lump sum needs to be considered alongside the basic per pupil funding amount to ensure that a necessary small school receives a sufficient funding allocation to be able to operate. In our view the rate proposed is too low and should be increased.

We consider that the distribution of the lump sum and other school led factors could be better managed locally in line with local priorities. Schools are not the same and it is reasonable that the school led factors, held in a ring-fenced budget could be locally directed. This is where local knowledge and negotiation are essential and the LA working with its Schools' Funding Forum can provide this.

An alternative would be to have a tiered lump sum dependent on size of school. A small school would attract a higher lump sum than a large school. Exact rates and bandings could be set locally as described in the above paragraph.

8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools? (Pages 31-33)

We have decided to include a sparsity factor to target extra funding for schools that are small and remote. We are proposing that this would be tapered so that smaller schools receive more funding, up to a maximum of £25,000 for primary schools and £65,000 for secondary schools.

Primary
Allocate a higher amount

This is about the right amount

Allocate a lower amount

Secondary
Allocate a higher amount

This is about the right amount

Allocate a lower amount

Please explain your reasoning and any further evidence we should take into account:

Although KCC does not currently have a sparsity factor in its local formula, it supports the inclusion of such a factor in the NFF.

Consideration needs to be given to the interaction between the lump sum and support to small schools which may not be reflected in sparsity alone. Equally the use of the distance criteria as the crow-flies is still too rigid and does not allow for local variables.

Importantly, schools also act as a social community hub in an area and are not just stand-alone institutions. Small schools (whether primary or secondary) need to be supported not only to maintain standards but also to preserve, in an efficient manner, their benefit to the community around them.

KCC would strongly support local flexibility around the usage of school-led funding factors (lump sum, sparsity etc), with agreement from Schools' Funding Forum, to mitigate some of the local circumstances a one-size fits all national formula cannot address.

9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term? (Pages 34-37)

The growth factor will be based on local authorities' historic spend in 2018-19. For the longer term we intend to develop a more sophisticated measure and in the consultation we suggest the option of using lagged pupil growth data. We will consult on our proposals at a later stage, but would welcome any initial comments on this suggestion now.

The use of lagged pupil growth data appears to be a reasonable interim approach to funding growth. However, KCC would support a fundamental review of how growth in existing schools and new schools is funded so that areas like Kent, which is experiencing significant growth, receives an appropriate level of funding. As we move towards a national funding formula there needs to be a consistent approach and guidance to funding growth and new schools. This will undoubtedly require local knowledge and input, but if there were national funding rates based on set criteria it would remove some of the additional issues in meeting sufficiency requirements.

Funding Floor

10. Do you agree with the principle of a funding floor? (Pages 37-39)

To ensure stability we propose to put in place a floor that would protect schools from large overall reductions as a result of this formula. This would be in addition to the minimum funding guarantee (see question 13).

Yes

No

Please explain your reasoning and any further evidence we should take into account:

As set out in our response to Q1 the proposed 3% funding floor is fundamentally flawed as it locks in some of the historical differences for those schools which have been overfunded for several decades and perpetuates the unfairness.

Such a floor appears at complete odds with one of the DfE overriding principles of

fairness. Continuing to fund some schools, at a higher historic level, whilst others are on the NFF is unfair.

Equally the cost of this protection limits the redistributive impact and will result in the continuation of different funding levels for pupils across the country. MFG is a sufficient stability protection at -1.5% per pupil level.

11. Do you support our proposal to set the funding floor at minus 3%? (Pages 37-39)

This will mean that no school will lose more than 3% of their current per-pupil funding as a result of this formula.

Yes

No – the floor should be lower (i.e. allow losses of more than 3% per pupil)

No – the floor should be higher (i.e. restrict losses to less than 3% per pupil)

Please explain your reasoning and any further evidence we should take into account:

See our response to Q10 above – we do not support the introduction of a funding floor

12. Do you agree that for new or growing schools (i.e. schools that are still filling up and do not have pupils in all year groups yet) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity? (Page 43)

Yes

No

We believe that, to treat growing schools fairly, the funding floor should take account of the fact that these schools have not yet filled all their year groups.

Please explain your reasoning and any further evidence we should take into account:

See our response to Q10 above – we do not support the introduction of a funding floor

We agree that new/growing schools may require additional protection for a limited time, but need to ensure their funding is not artificially inflated and that there is the ability to apply disapplication's to the MFG should school circumstances change.

Transition

13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5%?

The minimum funding guarantee protects schools against reductions of more than a certain percentage per pupil each year. We are proposing to continue the minimum funding guarantee at minus 1.5% per pupil per year.

Yes

No – the minimum funding guarantee should be lower (i.e. allow losses of more than 1.5% per pupil in any year)

No – the minimum funding guarantee should be higher (i.e. restrict losses to less than 1.5% per pupil in any year)

Please explain your reasoning and any further evidence we should take into account:

KCC is of the view that the continuing -1.5% per pupil MFG provides sufficient protection for the majority of schools on an ongoing basis and there is no need for an additional 3% funding floor.

However we think that the MFG -% should be greater for those schools and academies that currently have excessive MFG protection, so that everyone is on the NFF by 2021-22.

Further Considerations

14. Are there further considerations we should be taking into account about the proposed schools national funding formula?

Other issues that we would like to raise through this consultation:

- 1) We do not support the ring fencing of the Schools block and removing LAs ability to transfer funding between all the DSG blocks to meet local pressures.
- 2) We have major concerns that the DfE/EFA will be unable to take a local view and therefore future changes in our school circumstances will not be taken into account
- 3) We have major concerns that the DfE/EFA will be unable to support our schools through checks on the underlying data and calculation of school budgets, a role that is currently performed by the LA.
- 4) Rates – the consultation is quiet on proposals for funding rates under a NFF. We think that there is a perverse incentive for some LAs not to seek rate relief/reductions when we move to a hard NFF if these costs are fully funded by the DfE. To overcome this risk, all school led factors should be left for local decision making to incentivise LAs to seek maximum discounts for their schools.

Central School Services Block (Pages 66-72)

15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?

Yes

No - a higher proportion should be allocated to the deprivation factor

No - a lower proportion should be allocated to the deprivation factor

No - there should not be a deprivation factor

Please explain your reasoning and any further evidence we should take into account:

KCC believes that deprivation should not form part of this block. In reality the majority of costs that are funded from the Central School Services Block are not influenced by deprivation e.g. Admissions, licences.

16. Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?

Yes

No - allow losses of more than 2.5% per pupil per year

No - limit reductions to less than 2.5% per pupil per year

Please explain your reasoning and any further evidence we should take into account:

It is completely unsatisfactory that the DfE assumes that LAs can absorb reductions of 2.5% in 2018-19 when they have already experienced funding reductions from Government on their grant funding of over 40% since 2011. We strongly recommend that any funding reductions are reduced and gradual to allow LAs to manage the transition and that the reduction should be set at no more than -1.5%, which is line with schools MFG rates.

17. Are there further considerations we should be taking into account about the proposed central school services block formula?

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Equalities Analysis

18. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?

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