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## Haringey Schools Forum

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THURSDAY, 19TH MAY, 2011

**AGENDA**

**1. CHAIR'S WELCOME**

**2. MEMBERSHIP**

Clerk to report on any vacancies or changes to the Membership of the Forum.

**3. APOLOGIES AND SUBSTITUTE MEMBERS**

Clerk to report.

**4. DECLARATIONS OF INTEREST**

Declarations are only required where an individual member of the Forum has a pecuniary interest in an item on the attached agenda.

**5. MINUTES OF THE MEETING OF 17 FEBRUARY 2011 (PAGES 1 - 10)**

**6. MATTERS ARISING**

**7. REFORM OF SCHOOL FUNDING (PAGES 11 - 38)**

To inform members of the Department for Education's ' A consultation on school funding reform: Rationale and principle's and to agree a response from the School's Forum.

**8. ANY OTHER URGENT BUSINESS**

**9. DATE OF THE NEXT MEETING**

26<sup>th</sup> May 2011



**MINUTES OF THE SCHOOLS FORUM  
THURSDAY 17<sup>TH</sup> FEBRUARY 2011**

Chair: Tony Brockman

Vice-Chair: Tony Hartney

Attendance:

Quorum: 40% of membership

***The Constitution states that non-attendance without apologies at three consecutive meetings results in disqualification of membership. Apologies for absence should be submitted to the Clerk at [jmosarski@googlemail.com](mailto:jmosarski@googlemail.com) or telephone GSTU 0208 4895030***

Term of Office: 3 years

School Members		Non-School Members
Head teachers	Governors	
Special Schools [1] Martin Doyle [Moselle]	<i>Special Schools [1]</i> Vik Seeborun [The Vale]	(non-Executive) LB Haringey Councillor [1] * Cllr Zena Brabazon
<i>Children's Centres [1]</i> * Val Buckettt [Pembury House CC]	<i>Children's Centres [1]</i> * Melian Mansfield [Pembury House Children's Centre]	<i>Professional Association Representative [1]</i> * Tony Brockman [Substitute: Julie Davies] [Haringey Teachers' Panel] <i>Trade Union Representative [1]</i> * Pat Forward [UNISON}
<i>Primary Community [7]</i> Andrew Wickham [Weston Park] present * Maxine Pattison [Ferry Lane] * Chris Witham [Rhodes Ave] * Will Wawn [Bounds Green] * Cal Shaw [Chestnuts] * Jane Flynn [Alexandra Primary] Hasan Chawdhry [Crowland]	<i>Primary Community [7]</i> Miriam Ridge [Our Lady of Muswell] Nathan Oparaeche [St Mary's CE Jnr] * Sarah Crowe [Devonshire Hill Primary] * Asher Jacobsberg [Welbourne] Jeffrey Reynaud [Earlham] A Louis Fisher [Earlsmead] A Laura Butterfield [Coldfall]	<i>14-19 Partnership [1]</i> A June Jarrett [Sixth Form Centre]  <i>E.Y. Private and Voluntary Sector</i> * Susan Tudor-Hart  <i>Faith Schools</i> * Mark Rowland
<i>Secondary Community [4]</i> A Alex Atherton [Park View] * Tony Hartney [Gladesmore] * Patrick Cozier [Highgate Wood] A Monica Duncan [NPCS]	<i>Secondary Community [4]</i> A Janet Barter [Alexandra Park] * ? vacancy? * Imogen Pennell [Highgate Wood] * Sarah Miller [Gladesmore]	
<i>Academies</i> A Paul Sutton [Greig City Academy]	<i>Observers [non-voting]</i>  <i>LBH Cabinet Member for Children &amp; YP</i>  A Cllr Lorna Reith <i>Haringey (Teaching) Primary Care Trust</i> Vacancy	<i>Substitute Members at this meeting</i> * Geraldine Waterman for Hasan Chawdhry  * Ewan Scott for Janet Barter <i>Also present</i> * Steve Worth, School Funding Manager * Neville Murton, Head of Finance CYPS A Ian Bailey, Deputy Director CYPS

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\* Jan Smosarski, Clerk

A Peter Lewis, Director CYPS

\* indicates attendance A indicates apologies received ^apology received after the meeting

TONY BROCKMAN [ CHAIR ] IN THE CHAIR

***The Clerk must be informed of changes in membership and substitutions prior to the meeting.***

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<b>MINUTE NO.</b>	<b>SUBJECT/DECISION</b>	<b>ACTION BY</b>
<b>1.</b>	<b>CHAIR'S WELCOME</b>	
1.1	The Chair welcomed everyone to the meeting, which was being held at Gladesmore School. On behalf of everyone present he thanked Tony Hartney, Headteacher for the very warm welcome received from students and staff and for the excellent refreshments that had been provided.	
1.2.1	The Chair informed the Forum that Steve Worth and he had attended a networking meeting for Chairs and Officers of Schools Forums in the South East of England. Of particular note had been the difference in arrangements for Schools Forums in large counties where more officer time could be given to supporting pre-meetings of the different representational groups on the forum and the availability of members during the working day. Providing officer support for some pre-meetings may be a useful way forward for this forum.	
1.2.2	The Chair proposed that as a form of self-evaluation consideration should be given to inviting the Chair of another forum to our Schools Forum meetings to observe and make suggestions of ways to improve practice at these meetings. This could possibly be a reciprocal arrangement.	
<b>2.</b>	<b>MEMBERSHIP</b>	
2.1	There are currently no vacancies on the forum.	
2.2	The Chair reminded members that protocols for election onto the forum have not been received from all groups. Still to submit protocols are Special School Headteachers, Academies, and Children's Centres.	
2.3	Learning Skills Council – this organisation no longer exists, therefore will be deleted from the membership list.	
2.4	<b>Changes of membership and substitutions must be notified to the clerk prior to the meeting</b>	<u>All</u>
<b>3.</b>	<b>APOLOGIES AND SUBSTITUTE MEMBERS</b>	
	Apologies for absence were received from Ian Bailey, Peter Lewis, Cllr. Reith, Jane Flynn, Laura Butterfield, Louis Fisher, Monica Duncan, Janet Barter, Alex Atherton, Paul Sutton and June Jarrett	
	Ewan Scott (ES) substituting for Janet Barter.	
	Geraldine Waterman (GW) substituting for Hasan Chawdhry	
<b>4.</b>	<b>DECLARATIONS OF INTEREST</b> There were no new declarations of interest.	
<b>5.</b>	<b>MINUTES OF THE MEETING HELD ON 17<sup>th</sup> JANUARY 2011</b>	

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	<b>AGREED</b> - The minutes were agreed as a true record	
<b>6</b>	<b>MATTERS ARISING FROM THE MINUTES NOT ON THIS AGENDA</b>	
6.1	<u>Minute 2.2</u> – protocols for membership have now been received from the Trades Union representatives and the PVI sector. Still outstanding are protocols for Special School Headteachers and Children's Centre representatives. These groups were urged to submit their protocols as soon as possible.	<u>LR</u>
6.2	<u>Minute 6.1</u> - Steve Worth (SW) reported that a decision on the request for an additional representative for the PVI Sector had not yet been reached.	<u>NM/SW</u>
6.3	<u>Minute 6.2</u> – Steve Davies has informed the Forum that centrally held job descriptions of all evaluated posts can be made available on request. This includes both standard job descriptions and individualised job descriptions where evaluated. Andrew Wickham (AW) asked for clear criteria for identifying the different levels of posts. He was informed that this could usually be identified through the standard job descriptions.	
<b>7</b>	<b>SCHOOLS BUDGET 2011-12 – Steve Worth (SW)– report for information, consultation and decision</b>	
7.1	SW gave an update on the DSG following the Cabinet Meeting held on the 8 <sup>th</sup> February.	
7.2	Music provision is now to be centrally funded from the government at the same level as last year. This should no longer be a claim on available headroom.	
7.3	Estimates of the amount of DSG made at the last meeting were based on 2010-11 figures. The results of the January count are now available and show an increase in numbers, which will bring an additional £1.4m into the budget. However SW reported that in 33 schools issues on the recording of pupil numbers had been raised where returns had been incorrect. Had these figures not been carefully checked instead of an increase in funding there would have been a reduction of £1.3m. Most of the issues raised had been in the recording of Nursery numbers. This was largely due to changes made in 2010 in the way Nursery numbers were recorded to recognise the implementation of the new entitlement to 15 free hours a week Nursery provision, which can be taken in any setting. Zena Brabazon (ZB) asked how schools were being supported to provide the correct information. Will Wawn (WW) explained that the LA were providing clear explanations and doubted that this would be a problem in future years.	
7.4	<b>Recommendation 1 – That the Forum notes the decision of Haringey's Cabinet on the 2011-12 Schools Budget NOTED</b>	
7.5	<b>Recommendation 2 – That the Forum notes the increase in pupil numbers and DSG funding. NOTED</b>	
7.6.1	Pupil Premium – SW raised an issue with the allocation of the new Pupil Premium. Allocation of these funds will be based on the January count. This means that for a new school such as Heartlands the allocation for the financial year will not take into account the opening of a new year group in September. For 7/12 of that year the school will be losing out on the funding for the six additional classes it has opened. For 2011-12 this	

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	will be the equivalent of 100% increase in pupil numbers and represent a significant financial loss for the school. SW proposed that whilst the school is building up to full numbers this loss should be recompensed. There is no mechanism built into the mechanism by central government but the LA may make such an allowance if it so wishes. The proposal was for 2011-12 to allocate an additional £17,057 to Heartlands.	
7.6.2	Members queried why this recommendation was being made for new schools and not expanding schools. SW explained that where schools were expanding this was usually only by one class in any given year and that the resultant loss was not so great as the doubling of pupil numbers as was the case this year for the new school.	
7.6.3	ZB added that proposed changes to housing benefit would impact on schools in more deprived areas as there would inevitably be a drift to these areas when housing benefit was capped. She wondered whether there would be issues for schools in those areas, as they would be admitting increasing numbers of families with FSM entitlements. SW stated that there would be no additional funding from the government to ease this situation.	
7.6.4	Mark Rowlands (MR) expressed concern that the Forum were being asked to set aside an unknown amount of funds for a number of years. SW had already identified funding for 2011-12 by using the figures identified in the PLASC count and multiplying it by 2. Melian Mansfield (MM) pointed out that every school had an intake in September, which hadn't been included in the January count. SW replied that this was usually compensated for by pupils who had left the school in July and were replaced by the September starters – in schools taking on an additional class the shortfall, whilst being there, was not as great as the shortfall for a new school. It was to ameliorate this anomaly that the proposed payment had been proposed. Susan Tudor – Hart proposed that this could be agreed for this year and then be reviewed annually. Neville Murton (NM) suggested that what was needed was an agreement in principle. Currently the amount of funding per head for the Pupil premium was £440, however it was anticipated that this figure would be increased in the future.	
7.6.5	AW suggested that in addition this issue should be pursued with central government. The Chair agreed that this should be pursued with the DFE. NM confirmed that funding for any new Free School would come via the YPLA. MM suggested that the impact of the differences should be monitored from September.	
7.6.6	<p><b>Recommendation 3 – That the Forum agrees a lump sum for new schools to compensate for the lag in Pupil Premium funding.</b></p> <p><b>Votes for 14</b></p> <p><b>Votes against 1</b></p> <p><b>Abstentions 3</b></p> <p><b>The recommendation was carried. It was further agreed that Officers pursue the lag in funding for new schools with the DFE</b></p>	<u>NM/SW</u>

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7.7.1	<p>Wisdom School – This school situated in West Green is a small independent school. The school has applied to change the status of its primary department from independent to maintained. The application will be considered by the Haringey cabinet on the 26<sup>th</sup> April with a proposed start date of September 2011. This would have to be funded from the DSG and no additional funding would be received from the government until the following financial year. It was recommended to the forum that the sum of £240,000 should be set aside from the DSG to fund the school from September – April. In the event that this was not needed this sum would be put into the headroom.</p>	
7.7.2	<p>STH asked whether the Cabinet could choose a later start date for the school to begin its maintained status i.e. April 2012, when funding could be made available. NM replied that he thought this might be possible. AW asked whether there were any laid down criteria for Cabinet decisions. ZB replied that the LA had a responsibility to consider applications. In this case the proposal had been published on the 21<sup>st</sup> January and would be considered at the next meeting i.e. the 3<sup>rd</sup> March. Information on the conditions necessary to be eligible for maintained status were published on the DFE website. She then read the criteria. Whether the criteria were being met was for the Cabinet to determine. If the application were rejected the school could appeal to the Schools Adjudicator.</p>	
7.7.3	<p>Members discussed whether the £240,000 for which the school could be eligible if the application were successful would be enough to make the school financially sustainable given that the school would no longer be allowed to charge fees. There was a further discussion on the school's premises with AW pointing out that the same school had made an application for Free School status based on the premise that that it would be moving to a different building. NM said that the school currently had primary and secondary departments and that it was only the primary department that had applied for maintained status. The secondary department would continue to operate as an independent school unless the whole school was successful in the application for Free School status in which case both primary and secondary departments would opt for Free School status. A request has been made by the LA to view the schools accounts to be sure of financial sustainability.</p>	
7.7.4	<p>AW suggested that the view of the Schools Forum should be that the money should not be set aside. WW added that if the recommendation were agreed this would be tantamount to the Forum supporting the application. ZB urged the Forum not to support the recommendation as in her view the school was unable to meet the basic standards laid down by the DFE. If the application were refused an appeal could be made to the Schools Adjudicator.</p>	
7.7.5	<p>Tony Hartney (TH) asked what the impact would be if the application were approved and the money had not been set aside. NM replied that procedurally the Forum's views would be reported to the Cabinet, it would be for the Cabinet to make a final decision. The decision as to whether the application was or was not successful would overlap with the setting of school budget shares. NM would need to seek further</p>	



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	advice. The Cabinet might decide that the money should be set aside. If not it would be taken from the headroom or would put the DSG into deficit and this would then become the first charge against the following years DSG. Asher Jacobsberg (AJ) asked if the decision was made not to put any money aside was there a case for the Schools adjudicator to rule that there had been unfair process. The Chair reminded AJ that the decision was one for the Cabinet and not the Schools Forum	
7.7.6	Schools wishing to make comments on the application should do so before the 3 <sup>rd</sup> March. Further information can be obtained via Educom where there is an e-link onto the Wisdom School website.	
7.7.7	<b>Recommendation 4 - The following recommendation was <u>unanimously</u> carried. That the Forum do <u>not</u> wish to set aside funds for the Wisdom School to enter the maintained sector in September 2011</b>	
7.8.1	Carbon Reduction Commitment – the Forum were presented with two options to either pay the levy from the headroom or to indentify carbon usage school by school and charge accordingly. The former would be the simplest measure to implement but does not encourage schools to take individual responsibility in reducing their carbon usage.	
7.8.1	AW pointed out that by removing the bonus element of the strategy this was effectively a new tax and that to break down carbon use school by school would be complex. He was of the view that there was not the capacity to accurately monitor the carbon usage school by school or even effectively across the borough. The School Travel Plan had calculated carbon usage on a school-by-school basis by analysing methods of travel to school – this obviously did not give a true picture of a school's carbon usage. AJ suggested that an analysis of school fuel bills divided by the number of pupils might give an accurate enough picture and encourage schools to reduce energy usage. MM pointed out that some buildings were more energy efficient than others and that it would be unfair to penalise schools because their buildings were inefficient. Members agreed that such schools would effectively be penalised twice – firstly from the high bills they were forced to pay and then by the levy. WW pointed out that schools had sufficient incentive to cut energy usage because of ever increasing energy charges. AJ suggested that figures could be based on whether schools managed to reduce the amount of energy they used year on year. SW reminded members that Haringey does have a fund that schools can bid for to borrow money to make improved energy efficiencies within their schools. He suggested that Ben Brown who runs this scheme come to the May meeting to speak to members about ways energy efficiencies can be made. <b>This was agreed</b>	<u>SW</u>
7.8.2	<b>Recommendation 5 – That the Forum expresses a view on its preferred option for the CRC levy. The Forum agreed that for 2011-12 the levy should be top sliced from the headroom but that this should be reviewed for 2012-13</b>	
8	<b>THE SCHOOLS FORUM BUDGET 2011-2012 – Neville Murton – <i>for consultation and views</i></b>	

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8.1	The Forum noted the reduced budget	
<b>9</b>	<b>MEETING SCHEDULE AND WORK PLAN FOR 2011-12 – Neville Murton / Steve Worth – for decision</b>	
9.1	AW asked about the remit for the full time places review group. SW replied that the council was under pressure to ensure that this funding was being used in the best way. The Education Bill allowed schools to make charges for provision in excess of the 15 hours statutory entitlement; it was therefore necessary to review existing provision.	
9.2	MM asked why there were no governors on the proposed steering group. <b>SW agreed to take this point back to the Cabinet</b>	<u>SW</u>
9.3	The Chair expressed the view that the number of places allocated to the Schools Forum were insufficient. <b>It was agreed that 3 places would be more appropriate.</b>	
9.4	Best Value Working Party – AW asked why there was nothing about procurement in the remit of the working party. Primary headteachers in particular were anxious to ensure that advice and support were available to schools and <b>suggested that this become part of the Best Value Working Party remit. This was agreed.</b>	
9.5	<b>Recommendation 1: members agree the proposed meeting dates AGREED – with the following provisos</b> a) the meeting scheduled for 30 <sup>th</sup> June or the 7 <sup>th</sup> July will be held on the 30 <sup>th</sup> June. b) that the meeting scheduled for the 31 <sup>st</sup> March is reviewed as it clashes with the Primary Headteachers Conference	<u>NM/ SW</u>
9.6	<b>Recommendation 2: Members agree the proposed work plan AGREED</b>	
9.7	<b>Recommendation 3: Members agree the recommended membership of the Steering Group for Review of Full time places NOT AGREED</b>	
<b>10</b>	<b>ANY OTHER URGENT BUSINESS</b>	
10.1	AW asked when schools were likely to receive their indicative and final budget shares. SW replied that there had been delays in calculating the MFG for schools owing to the delays in getting accurate pupil numbers. He promised indicative budgets would be with schools by the end of the half term holiday with final budget figures following shortly afterwards – by the end of the second week in March.	<u>SW</u>
<b>11</b>	<b>DATE OF THE NEXT MEETING</b> <b>This date of the next meeting to be confirmed</b>	
	The Chair thanked everyone for attending and closed the meeting.	

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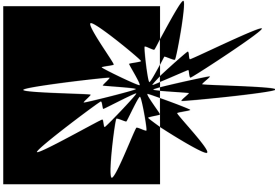
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The meeting closed at 5.45 pm

**TONY BROCKMAN**

Chair

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**Haringey** Council

**The Children and Young People's Service**

**Report to Haringey Schools Forum 19 May 2011**

**Agenda Item  
7**

**Report Status**

For information/note   
 For consultation & views   
 For decision

**Report Title: Consultation on School Funding Reform.**

**Authors:**

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**Purpose: To inform members of the DfE's consultation on proposed changes to the school funding methodology and to agree a response.**

**Recommendations:**

**That Forum members consider the proposed response and amend as necessary.**

**1. Background and Introduction.**

- 1.1. The DfE are consulting on changes to the school funding system from April 2012. They are considering a national funding formula and are consulting in two stages. The first stage, Appendix 1, is on the principles that should underlie the formula and includes consideration on the extent, if any, of local discretion. The LA has drafted a response, Appendix 2, for consideration. It has a particular emphasis: that the DfE needs to get the distribution to LAs correct but should then allow locally knowledgeable and accountable council and forum members to decide on its further distribution.
- 1.2. This is one of several stances that could be taken and the Forum is being asked to consider Appendix 2 and to amend as necessary.

**Appendix 2.**

**Draft Response to 'A consultation on school funding reform: Rationale and principles'.**

Thank you for the opportunity to comment on your proposals for the future funding of schools. We are responding in a letter rather than to individual questions as we believe it is easier to capture the essence of our views in this way. However, we will endeavour to cover the points you raise.

In summary we believe that the national distribution of resources needs to be fair, properly reflecting current needs and cost differentials, transparent and as simple as possible whilst still reflecting needs and relative costs. The distribution of resources within a local authority, both between delegated and centrally retained budgets and between schools should be determined by the locally knowledgeable and accountable elected members and members of the schools forum.

We are disappointed that the government did not rectify in 2011-12 the current under funding, acknowledged by the Secretary of State, that so disadvantages Haringey's children.

We are also disappointed that the consultation is so constrained in time, particularly in view of the incidence of holidays in this period. These are very important issues and the timescale does not allow for a proper debate with members of the Schools Forum and other stake-holders.

It is hard to disagree with your stated characteristics of an ideal school funding system; we assume that similar ideals have underlain previous school funding systems. We believe that, in the past, the actual outcomes have not always attained the ideal, for instance in the treatment of the Area Cost Adjustment for the six outer London boroughs paying inner London weighting (we note that in your table on page 20 Haringey is classed as inner London). We expect that a 'fair and logical way' would address such anomalies in whatever system is implemented.

Your analysis of the failings of the current system bears this out; you point out that funding per pupil between schools with similar intakes can vary by as much as £1,800. In our response to your previous consultation we pointed out that Haringey pupils attracted £1,100 per head less than the average for our inner London neighbours, despite facing similar teaching costs and levels of deprivation.

Many of the flaws you identify are the result of out of date data and the reluctance to address clearly identified inequities within the national distribution system. They do not in themselves require the introduction of a national funding formula that may remove local expertise in targeting resources at local issues and priorities.

We fully support the targeting of resources at children from the most deprived backgrounds but the funding needs to take account of the area cost differentials in providing a similar level of additional support in any part of the country. Targeted resources should also reflect other cost differentials, for instance the effect of age and multiple deprivations.

We believe that local knowledge and accountability is the best way to allocate resources to schools within a local authority's area. Knowledge and accountability resides in elected members and through local schools fora, which represent the views of the school community to council members. The key factor is ensuring that resources are fairly allocated to local authorities. At present, academy funding mirrors the local funding formula and as academy representatives are members of their local schools forum their views will influence the local funding formula.

The argument for local knowledge and accountability also applies to the distribution of resources between those delegated to schools and those retained by the local authority.

We agree that that SEN needs to be adequately funded and planned for, as SEN remains a local authority responsibility no deduction should be made through LACSEG for the strategic management of SEN. The introduction of a banded system would improve the transparency of how funds are distributed nationally but may also restrict the ability of local authorities to flexibly manage provision. The age determined funding sources for SEN does not facilitate the LA's role in the strategic planning of SEN services. In addition, the historic under funding of post 16 SEN leads to a drain on other school resources. We require a more consistent and adequately funded methodology.

The EYSFF generated a significant degree of debate but a compromise was reached between the various sectors. As the EYSFF has only just been implemented it is too early to assess how successful it has been. We believe the argument in favour of local knowledge and accountability also applies to the funding of early years provision.

Your question on how much funding to allocate to three and four year olds begs a wider question. In paragraph 9.5 you are proposing a higher level of funding for secondary age pupils for which you will need to assess the relative weighting for secondary and primary age pupils. This is likely to involve an activity led costing model that could also be applied to three and four year olds.

If a national funding formula is implemented it will be important to give additional financial support to smaller schools. Smaller schools cannot achieve the economies of scale of larger ones and are less able to cope with unplanned circumstances. Other pupil led factors should allow for a broad base of proxy measures to provide additional support for underachieving children. You mention measures that could be used and we would support

these but ask that factors to reflect high mobility and poor prior attainment (in any ethnic group) also be considered.

It is vital that any funding formula properly reflects the differential costs faced by schools in different areas of the country. Failure to do so will automatically discriminate against those children in schools facing higher costs.

The right balance between complexity and simplicity is one that ensures, as far as any formula can, that the needs of children are met. This may require a formula that is not readily understandable by the lay person but the needs of children are paramount.

If a national funding formula is introduced transitional arrangements should cover at least three years. One way would be to limit reductions in funding to 25% of the difference between old and new methods in the first year, 50% in the second and 75% in the third.

An issue not addressed by your consultation is that of accounting years. There is currently mixed provision with local authorities allocating funds from April to March, the YPLA from August to July and academies accounting on a September to August basis. Will this continue?

For Haringey, the unfairness of the current system needs to be addressed as soon as possible to prevent our children continuing to suffer.



# A consultation on school funding reform: Rationale and principles

## **A consultation on school funding reform: rationale and principles**

### **1. Introduction**

1.1. In the White Paper *The Importance of Teaching* the Government set out its view that the current funding system is opaque, full of anomalies and unfair and therefore in need of reform. The White Paper said we would consult on the merits of moving from the current funding system to a national funding formula, including the right time to begin the transition to a formula, the transitional arrangements necessary to ensure that schools and local authorities do not suffer undue turbulence, and the factors to take into account in order to assess the needs of pupils for funding purposes.

1.2. This document represents the first stage in that consultation and invites views on the aims and objectives of the school funding system and the high level principles for any potential reforms. Taking into account the views expressed in response to this document, we expect to publish further proposals for consultation later in the spring or in early summer. Because we consider the current system for funding Academies to be unsustainable, we are also publishing more detailed interim proposals for the funding of Academies alongside this consultation, for possible implementation prior to wider system reforms.

1.3. We have not yet carried out an Equality Impact Assessment, since it is not possible to do so until we have developed proposals for the content of a formula. However, the intention of the reforms will be to create a fairer funding system, including ensuring that additional needs of particular groups are recognised. We will carry out an Equality Impact Assessment to be published alongside the second part of the consultation.

## 2. The ideal school funding system

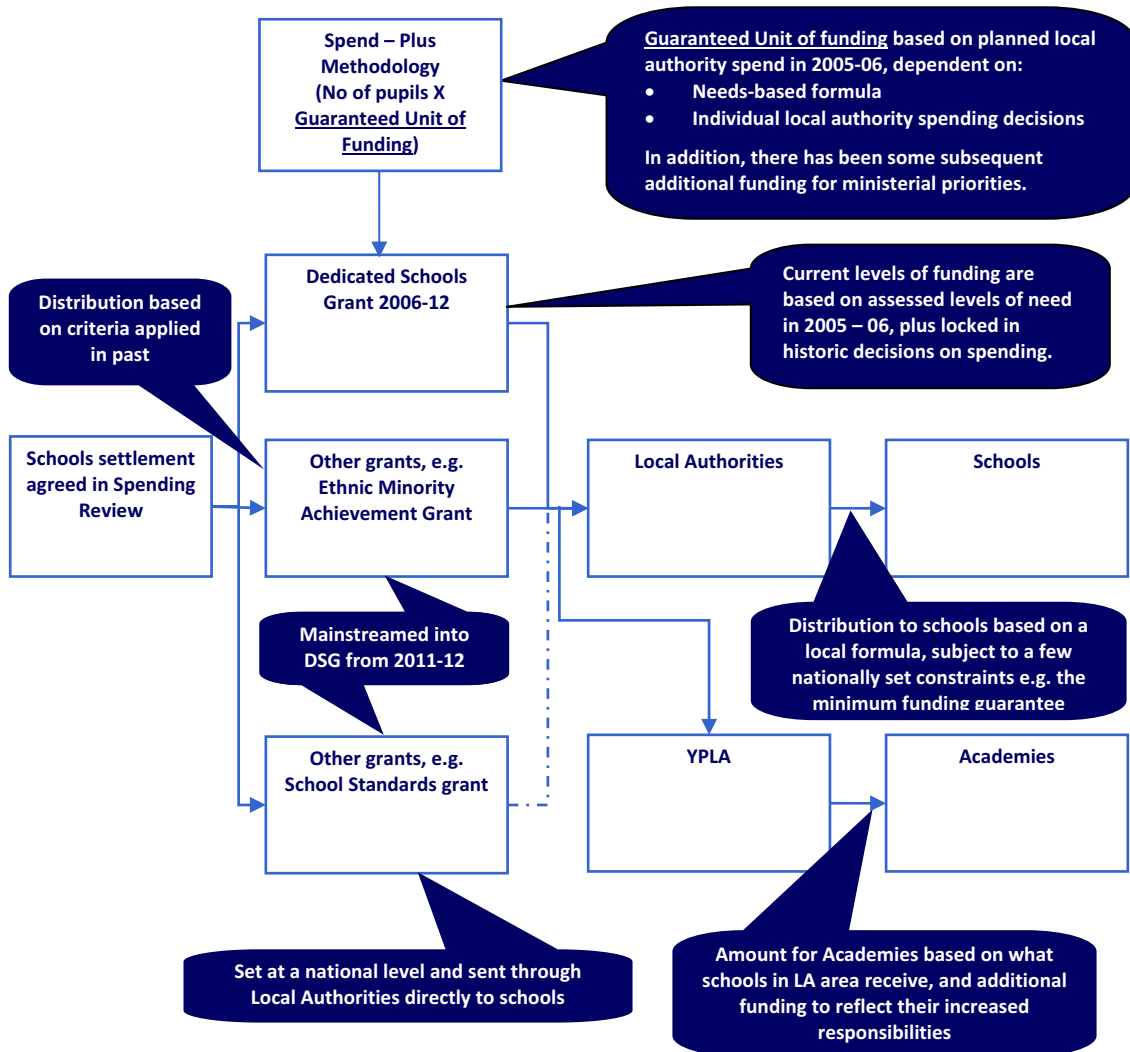
2.1. Our view is that an ideal school funding system would have certain key characteristics.

- **It would distribute money in a fair and logical way.** Schools in similar circumstances and with similar intakes would receive similar levels of funding. Not only would this be demonstrably fairer, but it would increase the accountability of schools for the outcomes they deliver for their children. Schools' budgets would also vary as they respond to the changing characteristics of pupils.
- **It would distribute extra resources towards pupils who need them most.** All children are entitled to a world class education. Yet we know that many children need additional support for which additional funding is necessary. That is why we have already introduced the pupil premium. A funding system which targets extra money at deprived children would help schools to provide them with the support to help them reach their potential, and would help improve the attainment of children overall.
- **It would be transparent and easy to understand and explain.** This would mean that parents would be able to see clearly why their child's school is funded at a certain level and how much money is being invested in their child's education. Transparency would also lead to predictability, with schools understanding why they receive the funding levels they do, and how changes to their pupil population would affect their funding.
- **It would support a diverse range of school provision.** Transparent and fair funding would ensure that all schools operated on a level playing field, be they maintained, Academy or Free School; and would mean that as new schools and providers entered the system it was clear on what basis they would be funded.
- **It would provide value for money and ensure proper use of public funds.** Revenue spending on schools currently represents over £35bn of public money. The school funding system needs to ensure that this represents good value for money, that funds are directed where they are needed, and that they are spent appropriately. In our view, schools are best placed to make decisions about how to use funding for their pupils.

## 3. The current school funding system and its flaws

3.1. The Department for Education has up until now paid money to local authorities for schools through a number of different grants. The largest of these is the Dedicated Schools Grant (DSG). The DSG is ringfenced – i.e. can only be used for schools, early years or certain services for pupils such as provision for children with special needs. The amount of DSG per pupil for each authority is calculated based on what the local authority received the previous year. Local authorities then fund schools using a local funding formula. The system is set out in the diagram below.

## The current school funding system



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.

3.5. This system falls well short of the characteristics set out above. In particular:

- **It is opaque and extremely complex.** The amount of funding a school receives is dependent on a series of decisions taken at different levels in the system over a long period of time. In particular, it is heavily based on a historic assessment of needs, going back to 2005-06 and earlier, which is unlikely to be up to date or reflect the current needs of children in the school. The system is very difficult to explain; in addition to the national complexity, each local authority has a funding formula which is often very detailed. A series of minimum funding guarantees has also locked in previous funding levels for schools that do not reflect current need. The way that schools are funded under the spend-plus system makes it almost impossible to explain to parents why their children's education is funded at the level it is.
- **It is unfair as it leads to schools with similar intakes receiving very different levels of funding.** In any school funding system, we would expect to see some variation in budgets due to different needs. However the current variation cannot be explained by needs, or by local decisions. Schools in very similar circumstances can currently get vastly different levels of funding for no clearly explicable reason. Funding between comparable secondary schools can vary by £1,800 per pupil: across a 1,000 pupil school that means that the lower funded school receives £1.8 million less funding per year.
- **It fails to reflect need accurately.** Additional funding relating to additional need varies widely. For instance, the amount of additional funding targeted at deprived children varies significantly, due to how deprivation funding is distributed to local authorities and variable local policies on passing it on. Furthermore, the funding system does not respond to changes in needs or pupil characteristics. Some areas are now woefully underfunded compared with how they would be if the system reflected need properly, whereas some areas continue to receive funding to which they should no longer be entitled.
- **It does not support the new school system.** The methodology for funding Academies was devised at a time when Academies were expected to form only a small proportion of the total number of schools. It is not suitable for a system where the number of Academies is growing rapidly. In particular, it is not possible, under the current system, to deliver transparent and absolutely comparable funding for maintained schools, Academies and Free Schools and this creates perverse incentives in the system for new providers considering setting up schools or for schools considering opting for Academy status. Chains of Academies see very different levels of funding for their schools in different local authority areas even though they can see that the schools face similar challenges.

3.6. The annex contains further detailed analysis demonstrating these flaws in the current system.

3.7. These substantial flaws mean we need to give strong consideration to reforming the school funding system.

**Questions for consultation**

**1. Do you agree with the stated characteristics of an ideal school funding system?**

**2. Are there further characteristics the system should have?**

**3. Do you agree with the analysis of how the current system falls short of these aims?**

**4. Do you agree with the case for reforming the system?**

**4. The Pupil Premium**

4.1. The introduction of the pupil premium is our first step towards a fair funding system. It ensures that every disadvantaged child (currently defined for these purposes as a child known to be eligible for free school meals or who has been looked after for six months or more) attracts additional funding for their school, and will enable the school to provide them with the additional support they need to help them reach their potential. In 2011-12, the premium will be worth £430 per child; with the total value of the premium being £625million. By 2014-15, the premium will have risen in total to £2.5billion. As the total spent on the premium grows, we expect both to increase the number of children eligible for the premium and the amount paid for each child.

4.2. The premium is clear and transparent in the way it delivers additional funding for every deprived pupil. However, the underlying school funding system is neither clear nor transparent. Significant weighting is given to deprivation in the current funding system, but it is not transparent how that funding follows pupils, and the amount per child varies from school to school and from area to area. Therefore, outside of the pupil premium, the total level of funding for deprived children is neither identifiable nor consistent across all schools.

4.3. The pupil premium moves us closer to achieving our aim of ensuring that all deprived pupils have the same level of funding for their education, wherever they live in the country. It will continue as clear and additional funding for at least the period of the current Spending Review. However, improvements to the current funding system would enable the Government to deliver on this aim more effectively.

**Questions for consultation**

**5. Do you agree that the aim of ensuring all deprived pupils get the same level of funding no matter where they live is the right one?**

**6. Do you agree the underlying funding formula needs to change to meet this aim more quickly and effectively?**

**5. A Fair Funding Formula**

5.1. In the White Paper, the Government set out its long term ambition for a fair, national funding formula. A fair funding formula would lead to clear and transparent funding for primary and secondary maintained schools and Academies. It would give a clear national basis for funding schools and for providing the money to meet the needs of different groups of children. It would not mean that every school received the same level of funding. We believe it is right that different pupils should attract different amounts of funding dependent on their circumstances. That is one of the reasons why we have introduced the pupil premium. But it would ensure that schools serving similar intakes would receive similar levels of funding; and new providers would know what funding to expect since there would be complete clarity about the funding they would receive.

5.2. A key issue in any reform of the school funding system will be who takes decisions about the level of funding for individual schools. Even within a transparent, overarching, fair funding formula there could be locally agreed decisions to vary the level of funding to meet particular circumstances.

5.3. A fair funding formula could involve all schools' budgets being set according to that formula. However, a fair funding formula could also operate so that it stated a national expectation of the funding for schools and set the aggregate level of funding for maintained schools within each authority, but allowed local authorities – in consultation or agreement with the schools they maintain – to vary the actual budgets to meet local circumstances or locally agreed priorities. Such flexibility for local authorities could be limited to particular circumstances or a particular proportion of the budget, or it might be unconstrained.

5.4. The advantage of using a national formula to set schools' budgets is that it would be the clearest and simplest; and would guarantee comparability of funding between individual schools, whether in different parts of the country or between maintained schools and Academies or Free Schools in the same area. However, it would not enable funding levels to be varied to reflect particular local circumstances.

5.5. A system which allowed local flexibility would enable funding to be more responsive to particular local circumstances. And because overall local funding levels would be set in accordance with a consistent fair formula, there would be clear accountability for the decisions taken by central and local government. Such a system would, as now, enable similar schools to receive

different levels of funding. It would also raise questions about the funding of Academies and Free Schools, since we would need to decide whether their funding should also be affected by that local flexibility. If it is, then their funding would be subject to the decisions of the local authority, which would be both inconsistent with their independence and would require us to develop a more manageable system than the current one. If it is not, and their funding was set by the fair formula, then it would vary from that of local schools with similar intakes. This would risk perverse incentives for schools considering Academy status or for potential promoters of Free Schools, for instance to set up in areas where the funding was more favourable.

**Questions for consultation**

**7. Do you think the school funding system should be based on a purely national formula? Or should there be flexibility for local decisions about funding levels?**

**8. If so, should that flexibility be limited, and if so how?**

**9. If there is local flexibility, what should the roles of local authorities, schools and the Schools Forum be in decision making?**

**10. If there is local flexibility for maintained schools, how should Academies and Free Schools be funded?**

**6. The role of local authorities**

6.1. The majority of school funding is delegated to individual schools; but some funding is retained by local authorities. There is no set national definition of the balance of funding between what is delegated and what is retained centrally; nor of all the functions that should be delegated to schools and those that should be retained by local authorities.

6.2. If we move to a fair funding formula, with or without local flexibility, it will be necessary to have a clear divide between these responsibilities and the funding for them. Every school and authority would be funded in the same way regarding these responsibilities, despite their current different arrangements. There would likely be freedom for schools to decide to continue to operate particular functions through the local authority or otherwise.

6.3. The next two sections discuss the funding for two of the key areas that need handling outside of a national funding formula for schools - 'High Cost' pupils and nursery provision.

**7. 'High Cost' Pupils including children with special educational needs**

7.1. A fair funding formula for mainstream schools should be able to meet the needs of most pupils, including the majority of children with special



educational needs who are educated in mainstream schools. These pupils' needs are met from schools' delegated budgets at present.

7.2. However, we recognise that there are many pupils whose needs are particularly costly to meet: some of these are in mainstream schools, some in maintained and non-maintained special schools, and some in alternative provision. These would not be readily fundable through a formulaic approach, and we therefore recognise a need for local authorities to have a substantial pot of money for high cost pupils outside the fair funding formula.

7.3. For our second consultation, we will work up proposals for how this pot of money will work. There are a number of important issues to be addressed, including how to distinguish between low cost needs covered by the formula and high cost needs; how to establish the budget for high cost pupils and divide it among local authorities; how to promote personal budgets as promised in the recent Green Paper *Support and aspiration: a new approach to special educational needs and disability*; and whether there is a case for some degree of formulaic funding for high cost providers, while recognising that this will never be able to address all individual needs.

7.4. The recently published Green Paper posed three specific questions about funding for SEN. In order that views on these can be taken into account in the second stage consultation of the review on school funding, we would like to take the opportunity to ask the same questions in this first stage consultation.

7.5. **Funding for SEN support services:** These are currently managed and funded by local authorities, but funding has also been included for them in the budgets of Academies. We need to reach a sustainable, affordable solution for funding them so that schools, Academies, Free Schools and other providers all have access to high quality support services, and responsibility for providing and funding services is clear.

7.6. **Banded funding framework:** We proposed to explore a national banded framework for funding high-cost provision for children and young people with SEN or who are disabled, in addition to what is normally available in schools. This could improve parents' experience of the assessment process and make funding decisions more transparent to them. Such a framework might set out high-level descriptions of the different types of provision for children with more severe and complex SEN or who are disabled, including, for example, additional curriculum support, therapy services, physical requirements, equipment, home-to-school transport, and family support (including short breaks).

7.7. The framework would not, however, determine the financial tariff associated with a particular type of need. This is because it is not the case that any one child with a particular category of need, for example autistic spectrum disorder, will require exactly the same support as another child with the same category of need. We consider that any national banded funding framework should continue to allow local leaders the flexibility to determine the levels of funding to be associated with each level and type of provision and, therefore,

to put in place personalised packages of support for children, young people and families.

**7.8. Alignment of funding across the age range:** We also committed to exploring ways in which we can bring about greater alignment of the different funding streams for children and young people with SEN, or who are disabled, from birth to 25. At present, there are separate systems of funding provision for these children and young people pre-16 and post-16. There are also three different funding streams for learners with learning difficulties and disabilities post-16.

#### **Questions for consultation**

**11. How do you think SEN support services might be funded so that schools, Academies, Free Schools and other education providers have access to high quality SEN support services?**

**12. How do you think a national banded funding framework for children and young people with SEN or who are disabled could improve the transparency of funding decisions to parents while continuing to allow for local flexibility?**

**13. How can the different funding arrangements for specialist provision for young people pre-16 and post-16 be aligned more effectively to provide a more consistent approach to support for children and young people with SEN or who are disabled from birth to 25?**

### **8. Early years funding**

8.1. Every three and four year old is entitled to 15 hours a week of free early education. These hours can be taken in the maintained sector as well as the private, voluntary and independent sector. The funding for free early education is included within the overall school funding system, with local authorities responsible for funding providers. The level of funding for early years varies from local authority to local authority, both because of the national distribution of funding and because of local decisions about the balance of funding between early years and older children. Around a half of free early education for three and four year olds is delivered in schools.

8.2. All local authorities have recently introduced the early years single funding formula (EYSFF). The EYSFF has been intended to increase transparency in how providers are funded in each local authority, as well as bringing greater efficiency through funding on levels of participation and not on capacity. The EYSFF was also intended, through use of financial incentives, to support local authority action to maximise the impact of free early education in tackling disadvantage, increasing the quality of provision and enhancing flexibility for parents.

8.3. Feedback on the introduction of the EYSFF has been mixed. There is greater transparency than previously on early education funding, and participation funding has brought a greater focus on participation levels. However, there have been some suggestions that formulae used in the EYSFF pathfinder LAs were more complex than perhaps was necessary. Additionally, whilst the EYSFF has increased awareness of tackling disadvantage, the quality of provision and the importance of flexibility, it is not clear how effective funding supplements have been in incentivising providers. There are also differences in funding rates paid to providers across the country. Some argue these differences are unfair; others say that they reflect different circumstances in local childcare markets.

8.4. If a fair funding formula is introduced for reception to year 11 provision, there will obviously be implications for how free early education funding will operate. The relationship between free early education funding and the fair funding formula, as well as how early education funding is distributed, will need to be clarified.

#### **Questions for consultation**

**14. How successfully has the EYSFF been implemented? How might it be improved?**

**15. How important is an element of local flexibility in free early education funding? What might alternative approaches look like?**

**16. How should we identify the total amount of funding for early years and free early education for three year olds and four year olds not in reception from within the overall amount of 3-16 funding?**

### **9. Elements of a fair funding formula**

9.1. Any school funding formula consists of direct and proxy indicators that attempt to measure the needs of different children. 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.

9.2. **Pupil vs school characteristics?** A school funding formula would be largely based on pupil-led factors, such as the number of pupils and the number of pupils from deprived backgrounds. However, it could also contain factors based on the characteristics of the school itself, such as funding based on the floor area of the school; or additional funding to support small schools.

9.3. A formula which takes into account the characteristics of a school in addition to just the characteristics of the pupils in the school may be better able to reflect the cost of existing provision. However, it would be less supportive of entry of new providers into the system and risks solidifying the current pattern of provision. It also does not encourage greater efficiency as it can protect less

cost effective provision and create disincentives to moving to more efficient organisation.

9.4. Our view, therefore, is that the formula should be based on pupil characteristics, with the probable exception of some mechanism to support small schools. This mechanism might, for example, be a lump sum element for all primary schools.

9.5. **What pupil factors should a formula contain?** The Government is clear that any formula should include a basic per pupil amount for all pupils (this will be higher for secondary pupils than for primary) plus extra funding per deprived child. The pupil premium will also continue to provide additional funding. It is our long term aim for the pupil premium to be fully integrated within the fair funding formula, and to be the vehicle for clear and transparent distribution of all deprivation funding.

9.6. However, there may be other needs that a formula should take into account. These might include additional funding to recognise different labour costs in different areas (the 'area cost adjustment'); other geographical factors such as rurality; funding for children for whom English is not their first language; underperforming ethnic groups; other proxy measures for additional or special educational needs; and incentives or rewards for improved performance.

9.7. **Complexity vs simplicity.** The simpler a formula, the clearer and more easily understandable it will be. That means it should be clearer to parents and schools why they receive the funding they do, and it will be clearer to potential promoters of new schools what funding they will receive. However, a very simple formula may be less accurate at addressing the differing needs of schools and pupils.

**Questions for consultation**

**17. Should the formula include only pupil led factors or also school led factors?**

**18. What factors should be included?**

**19. What is the right balance between simplicity and complexity?**

**10. How should we manage the transition to a new funding system?**

10.1. The Government has protected school funding overall at the same cash level per pupil for the Spending Review period, with the pupil premium in addition to that. As demonstrated in the annex, the current funding system delivers very different levels of funding to schools with similar characteristics and similar intakes – in a way that goes beyond local choice. That is both unfair and inefficient. A fair funding formula would remedy that situation. But, by definition, that means that as we move to a fair funding formula, some

schools will see their budgets reducing relatively whilst others see them increasing. This levelling of funding to schools in similar circumstances must be right, but it could cause difficulties for those schools most affected and will need to be managed carefully.

10.2. We would expect, therefore, to implement any move to a fair funding formula with significant protection arrangements. These would be likely to set a maximum level of reduction in budget per pupil any school would receive each year; and to pay for this by constraining the level of increase any school could receive. These are called floors and ceilings.

10.3. We also think that the more notice we can give schools of changes to their budgets, the more able they will be to cope with those changes. There may, therefore, be a case for setting very tight floors and ceilings (ie so no school sees large changes to its budget) in the first years of introduction of a fair funding formula, but to allow greater fluctuations over time with schools notified of these well in advance. For the current Spending Review period at least, we expect the pupil premium to operate outside these transitional arrangements, so every school would receive the full value of the premium, clearly in addition to the rest of their budget.

10.4. There is also the question of when to begin movement to a fair funding formula. In the current fiscal climate, with school funding protected but not seeing large increases, there is an argument for delaying the introduction of a fair funding formula until we can afford additional funding to help pay for transitional arrangements. On the other hand, the current inequitable distribution of funding is inefficient, and it is more important now than ever to ensure we are getting maximum value for every pound of public money we spend. Schools with relatively higher levels of funding per pupil are likely to be comparatively more able to make efficiencies.

#### **Questions for consultation**

**20. What level of change in budgets per year can schools manage?**

**21. How much time do schools need to plan for changes in their funding?**

**22. When is the right time to start moving towards a fair funding formula?**

#### **11. Next steps**

11.1. This document is the first stage in our public consultation on a fair funding formula. We would welcome comments on the questions asked and on other aspects of the school funding system by 25<sup>th</sup> May.

11.2. In the interim, we will continue to discuss reforms to the system with partner organisations. We will then consider responses to this document, before publishing the next stage of the consultation later in early summer.

11.3. Consultation responses can be completed:

- online at [www.education.gov.uk/consultations/](http://www.education.gov.uk/consultations/)
- by emailing [schoolfunding.consultation@education.gsi.gov.uk](mailto:schoolfunding.consultation@education.gsi.gov.uk)
- or by downloading a response form which should be completed and sent to:

Ian McVicar  
Funding Policy and Efficiency Team  
Department for Education  
Level 4  
Sanctuary Buildings  
Great Smith Street  
London  
SW1P 3BT

## **Annex – Problems with the current school funding system**

### **The current funding system is difficult to understand**

The current school funding system is based on an assessment of pupil need that was made in 2005-06. Funding levels are a mixture of formula results, historical protections, and a multitude of different grants. Complexity exists both nationally, through the way the Dedicated Schools Grant is calculated, and locally, through different local authority formulae.

#### *Local complexity*

There are 152 local authorities in England and each local authority has its own formula for calculating school funding. Each formula takes into account different factors and apportions different percentages of funding to each factor. This can mean that different factors, such as site specific factors, attract varying levels of funding in each local authority. For example, in one local authority, site specific factors (pupil-led) constitute 12% of a school's budget share, whereas in a different local authority that has similar pupil characteristics, site specific factors (pupil-led) constitute only 3% of a school's budget share.

#### *The minimum funding guarantee*

The minimum funding guarantee (MFG) adds an additional layer of complexity to the system. It was introduced as a protection to school budgets which guaranteed increases or limited decreases in funding and therefore provided stability. However, the way in which the MFG operates alongside the current spend-plus system can prevent the local formula from working properly and, therefore, can be seen as partly responsible for locking in historical differences and creating opacity in the system. In 2010-11, 5,255 schools (nursery, primary, secondary and special) were on the MFG. 26% of all primary schools were on the MFG and 17% of all secondary schools were. For 550 out of the 5,255 schools, the MFG represents over 5% of their budgets (not including grants). This means that in a significant number of schools and local authorities, the local formula is not able to distribute funding in the way in which it intended.

The way that schools are funded under the spend-plus system, makes it almost impossible to explain to parents why their children's education is funded at the level it is.

**Funding variations in the system**

*Schools with similar characteristics receive varying levels of funds*

In any school funding system, we would expect some variation in the amounts that schools receive by taking into account different measures such as deprivation and English as Additional Language (EAL). However, none of these factors can explain the variation we currently observe.

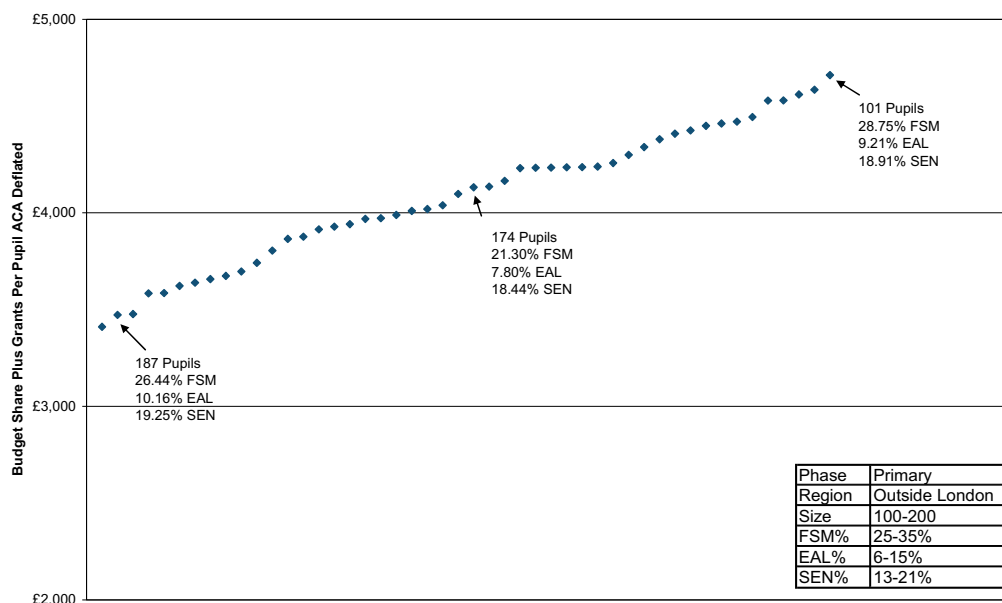
We can look at groups of schools with similar characteristics and similar pupil intakes and see how much their funding levels vary. The following graphs show primary and secondary schools with similar characteristics.

**Primary schools**

In a fair funding system, you might expect similar primary schools to receive a similar level of funding, i.e. for the graph to show a flat line. However, what the graph in fact shows is a large variation in funding between the similar schools chosen; ranging from around £3,400 per pupil to over £4,700. That difference, in a 150 pupil school, is equal to a total of over £195,000 and could pay for 5 extra teachers.

***2010-11 budget share plus grants per pupil\* for a selection of similar primary schools***

\*ACA deflated to ensure comparability



Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

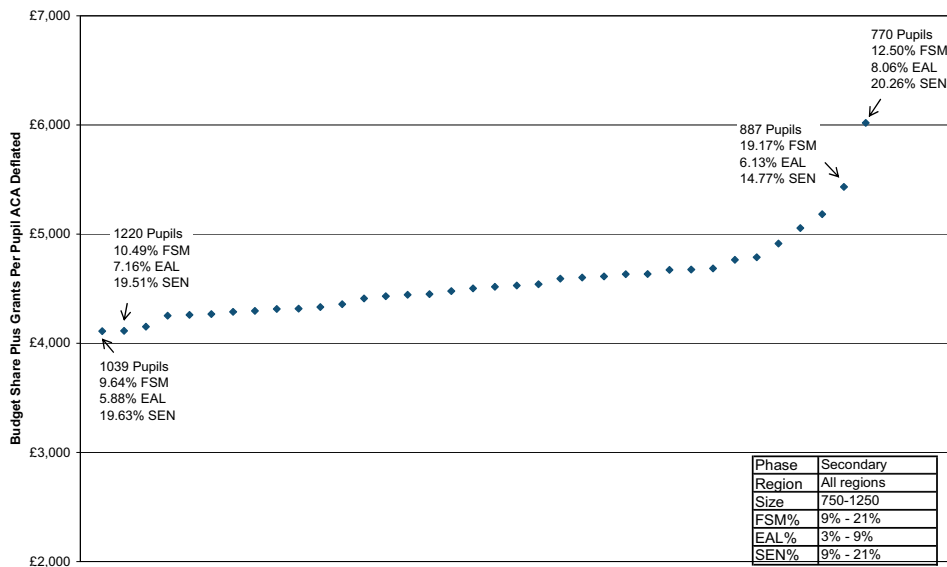


## Secondary schools

In a fair funding system, you also might expect similar secondary schools to receive a similar level of funding. However, this graph also shows that there is a large variation in funding between similar schools; ranging from under £4,200 per pupil to over £6,000. That difference, in a 1000 pupil school, is equal to a total of over £1.8m and could pay for 41 extra teachers.

### **2010-11 budget share plus grants per pupil\* for a selection of similar secondary schools without 6th form**

\*ACA deflated to ensure comparability



Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

When variations of funding between schools occur it is very difficult to explain, to parents of children at the lower funded school, why their children’s education is funded at the level it is. Sometimes it is hard to justify the level of funding one school receives in comparison to another similar school, either nearby or elsewhere in the country.

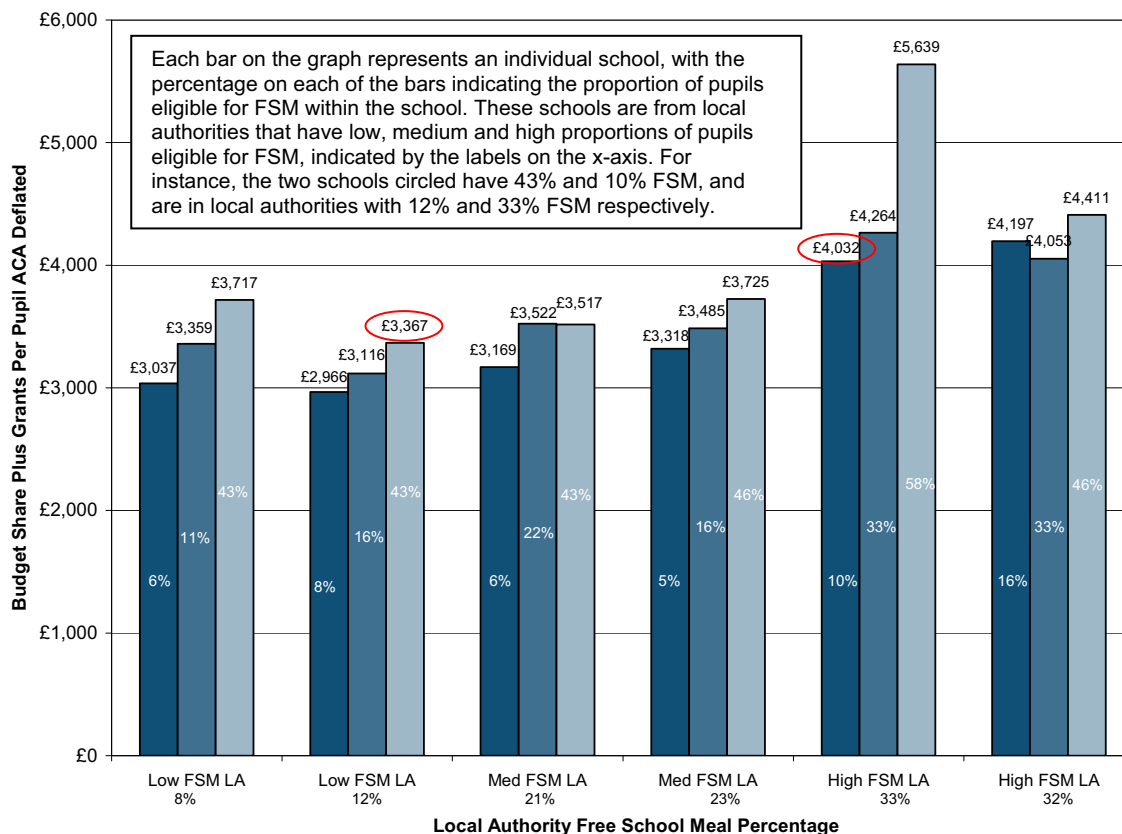
**Funding fails to reflect needs accurately**

*Schools with higher levels of deprivation can receive less money per pupil than schools with lower levels of deprivation*

The following graph shows examples of schools with low numbers of deprived pupils in highly deprived areas, receiving a greater amount of funding per pupil than schools with high numbers of deprived pupils in areas with both low and medium levels of deprivation overall. This means for example that a school with 43% of pupils eligible for FSM can receive £665 less funding per pupil than a school with 10% of pupils eligible for FSM (circled on the graph). This is caused by a combination of national and local factors – both the way the authorities have been funded and the way the authorities are funding schools.

**Variation in 2010-11 budget share plus grants\* between medium size primary schools in local authorities with high, medium and low levels of pupils on FSM (without pupil led SEN funding)**

\*ACA deflated to ensure comparability



Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

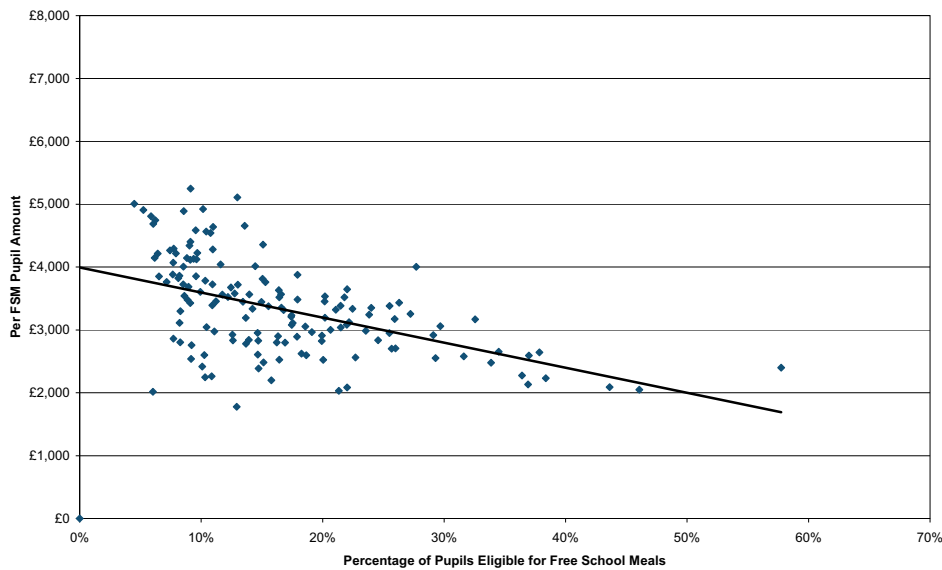
*Deprivation funding is not universally well-targeted*

There is significant deprivation funding in the current spend-plus system. However, it is not always well targeted and different local authorities have different methods of targeting this funding.

The graph below shows the funding that each local authority allocates for deprived pupils. There is significant variation reflecting local decisions but lower funded authorities tend to allocate higher levels of funding to their deprived pupils. Under the current system, the amount of funding that a deprived pupil receives is dependent on the local authority in which they are educated – both because of local decisions and the way local authorities are funded nationally.

A fair funding formula, alongside the pupil premium, would mean deprived pupils receive comparable levels of funding wherever they are.

**Local authorities by percentage of secondary pupils eligible for FSM against extra funding allocated locally per deprived pupil**

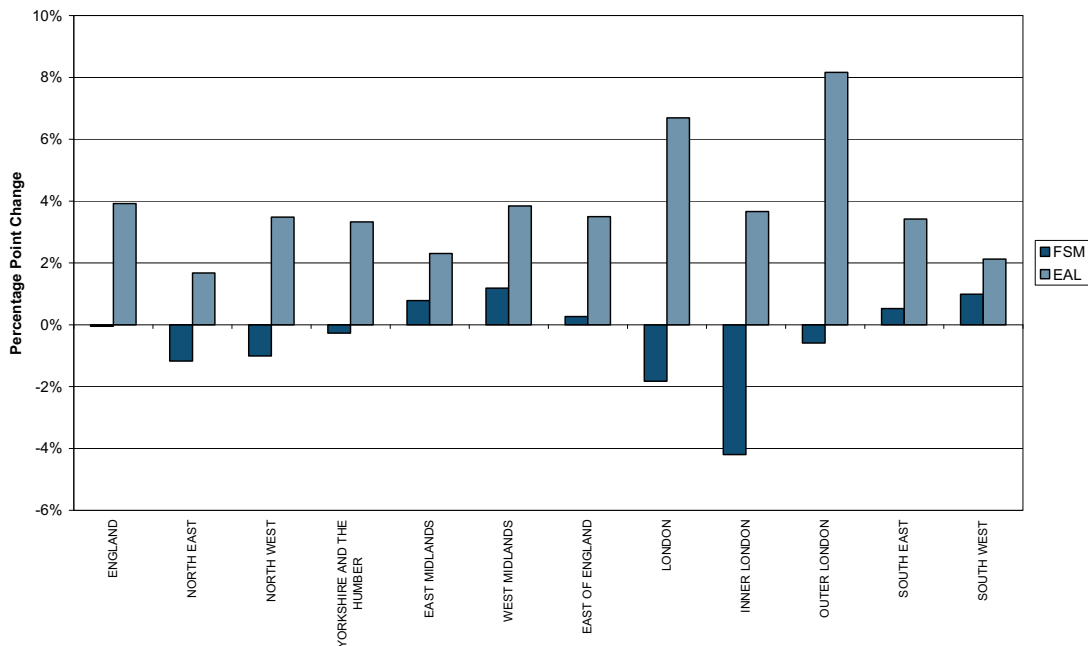


**Source:** Academic Year 11/12 Free School Ready Reckoner Tool based on analysis on Financial Year 10-11 Data from S251. FSM data from Annual School Census 2010.

*The system does not respond to changing pupil characteristics*

The current system is based on an assessment of need in 2005. The nature of the system means that historical differences are locked in which, in turn, means that it is unable to respond properly to changing characteristics at a local level.

### All regions primary and secondary school change in FSM and EAL between 2005 and 2010<sup>1,2</sup>



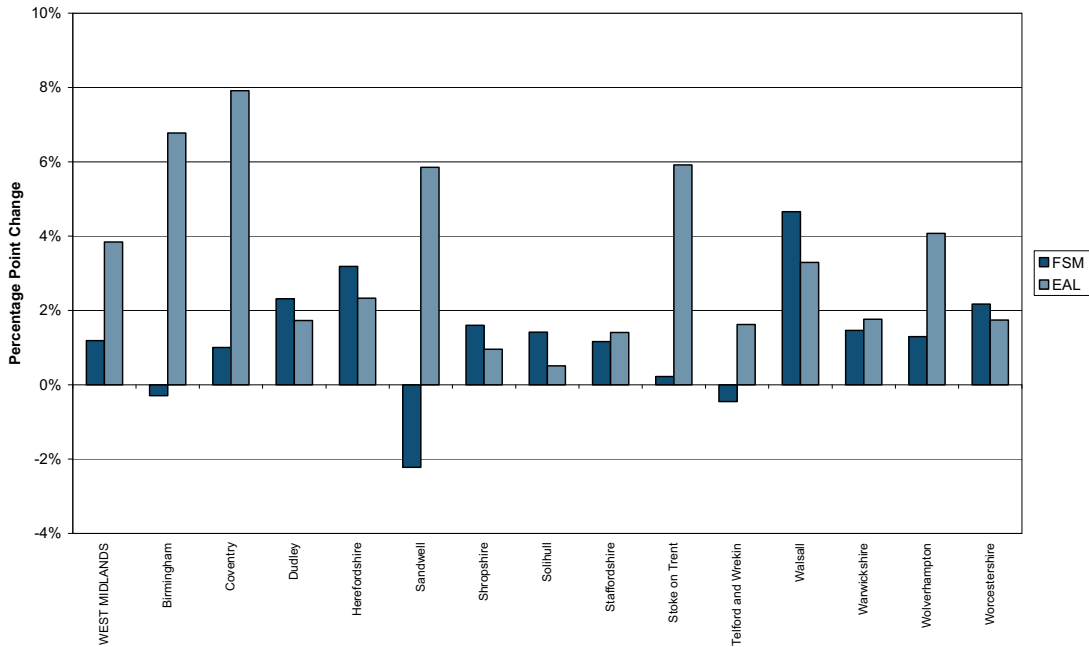
From the graph, we can see that since 2005 all regions have experienced changes in the number of pupils on Free School Meals and the number of pupils with English as an Additional Language (EAL). Local authorities that have seen increases in these pupil numbers will not have received any additional funding (or had their funding relatively reduced) to reflect these changes (before the pupil premium). A responsive system would reflect these changing characteristics.

<sup>1</sup> The underlying pupil characteristics used in setting the Guaranteed Units of Funding for 2005 used the most up to date pupil characteristics data available at the time. The information used for FSM and EAL in this, and subsequent pupil characteristics graphs, has been taken from 2004 and 2010 pupil characteristics. However, in this document it will be referred to as 2005 pupil characteristics as the funding levels were set for 2005 using this data.

<sup>2</sup> **Source:** Statistical First Release 2004 and 2010 – Schools, Pupils and their Characteristics

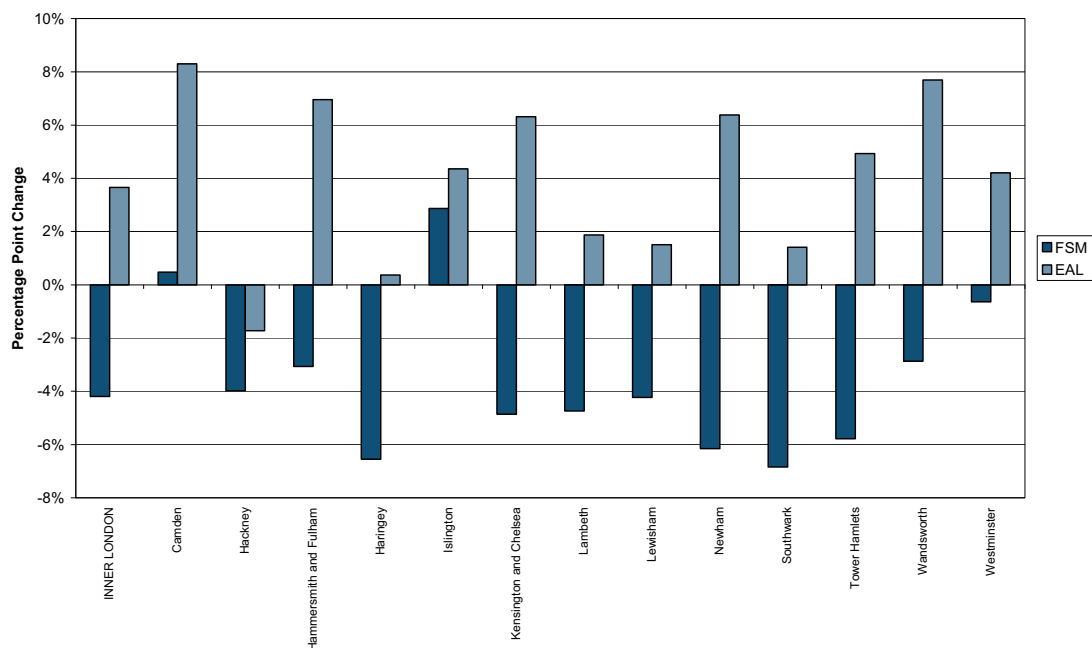
The below graph shows that the West Midlands is an example of a region where both FSM and EAL have increased since 2005 in all but two local authorities. The funding system does not reflect the current level of need in this region.

**West Midlands primary and secondary school change in FSM and EAL between 2005 and 2010<sup>2</sup>,**



In contrast to the West Midlands, Inner London has seen both increases and decreases in the percentage of pupils with EAL and on FSM since 2005. These changes will not be reflected in the funding system.

**Inner London primary and secondary change in FSM and EAL between 2005 and 2010<sup>2</sup>,**



The ability for local authorities to cope with changing circumstances under the spend-plus system is varied. For example:

- In a West Midlands local authority, EAL increased by 7.91%, and FSM increased by 1%
- An Inner London local authority experienced a 6.84% decrease in FSM and only a 1.41% rise in EAL.

From these examples we could expect that the Inner London authority may have some capacity to cope with the relatively small rise in EAL due to the decrease in FSM. However, the West Midlands authority may not have the capacity to cope with both the rise in FSM and EAL.

If the data was updated to reflect current need, most local authorities would see a change in their funding levels.

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