

Decision Maker: **Children and Young People Portfolio Holder**

Date: **For Pre-Decision Scrutiny by the Children and Young People PDS
Committee on 14 July 2011**

Decision Type: Non-Urgent Non-Executive Non-Key

**TITLE: GOVERNMENT CONSULTATIONS ON FUTURE FUNDING FOR
SCHOOLS AND ACADEMIES**

Contact Officer: David Bradshaw, Head of CYP Finance
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Gillian Pearson, Director of Children and Young People Services

Ward: Boroughwide

1. Reason for report

- 1.1 This report provides an overview of the recent consultations released by DfE regarding future funding for schools and academies and the Authorities response. Following consultation with Schools Forum, a draft response from the Local Authority has been sent to the DfE.

2. **RECOMMENDATION(S)**

- 2.1 **The Children and Young People Policy Development and Scrutiny Committee is asked to consider the response following consultation with Schools Forum and recommend to the Children and Young People Portfolio Holder that the draft report be approved as the Local Authority response.**

Corporate Policy

1. Policy Status: Existing policy: Children and Young People's Plan 2009-2011
 2. BBB Priority: Children and Young People
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A
 3. Budget head/performance centre: Dedicated Schools Grant 2011/12
 4. Total current budget for this head: £208m
 5. Source of funding: DSG, Pupil Premium
-

Staff

1. Number of staff (current and additional) – N/A
 2. If from existing staff resources, number of staff hours – N/A
-

Legal

1. Legal Requirement: Non-statutory - Government guidance:
 2. Call in: Call-in is applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected) - N/A
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The DfE recently released a number of consultations relating to the future funding of all schools including academies.
- 3.2 The first consultation was titled “**A consultation on school funding reform: rationale and principles**” and outlined the governments proposals to move to a fair funding formula. This could be a national formula which would result in all schools budgets being set according to a central formula. Alternatively it could include locally agreed decisions to vary the level of funding for individual schools to reflect particular local circumstances.
- 3.3 The consultation document outlined the DfE’s view of an ideal funding system, the future of the pupil premium, and the future role of the local authority particularly in relation to the funding of high cost pupils. The consultation was seeking views on these issues and what factors should form part of the fair funding formula. It also asked for views on when any reform might be introduced and how to manage the transition to a new funding system.
- 3.4 The second consultation was titled “**Academies pre-16 funding: Options for the 2012/13 Academic Year**”. This consultation did not seek to pre-empt any decisions informed by the first consultation but recognised that the current funding system for academies was not sustainable and therefore it was imperative to make some changes to the way academies are funded from academic year 2012/12 (Academic Year 2012/13) regardless of the outcomes/timescales of the wider reform.
- 3.5 The proposals were that funding for academies should become more transparent and more reactive to change, whilst becoming less reliant on Local Authority based calculations. Any changes, particularly in relation to the LACSEG element will inevitably have an impact on LA funding settlements for 2012/13.
- 3.6 The consultations were open until the 25 May 2011. A response paper has been prepared for each consultation with input from CYP officers with specific knowledge of SEN and Early Years Funding. The consultation documents were discussed at the Schools Forum and at the most recent Primary and Special Head Teachers’ meeting. Any comments/issues raised at those meetings have been incorporated into the response document, along with any additional officer comments.
- 3.7 The consultation and the responses are attached in **Appendices 1 to 4**. Following on from these consultations, the DfE intends to release subsequent consultations in the summer which should have more detailed proposals and timescales. These will be presented to the CYP PDS Committee and to the CYP Portfolio Holder in due course.

4. FINANCIAL IMPLICATIONS

- 4.1 Whilst the report discusses the potential financial arrangements of schools, there are no financial considerations to be considered at this stage.

| | |
|---|---|
| Non-Applicable Sections: | Policy Implications Legal Implications Personnel Implications |
| Background Documents: (Access via Contact Officer) | N/A |

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

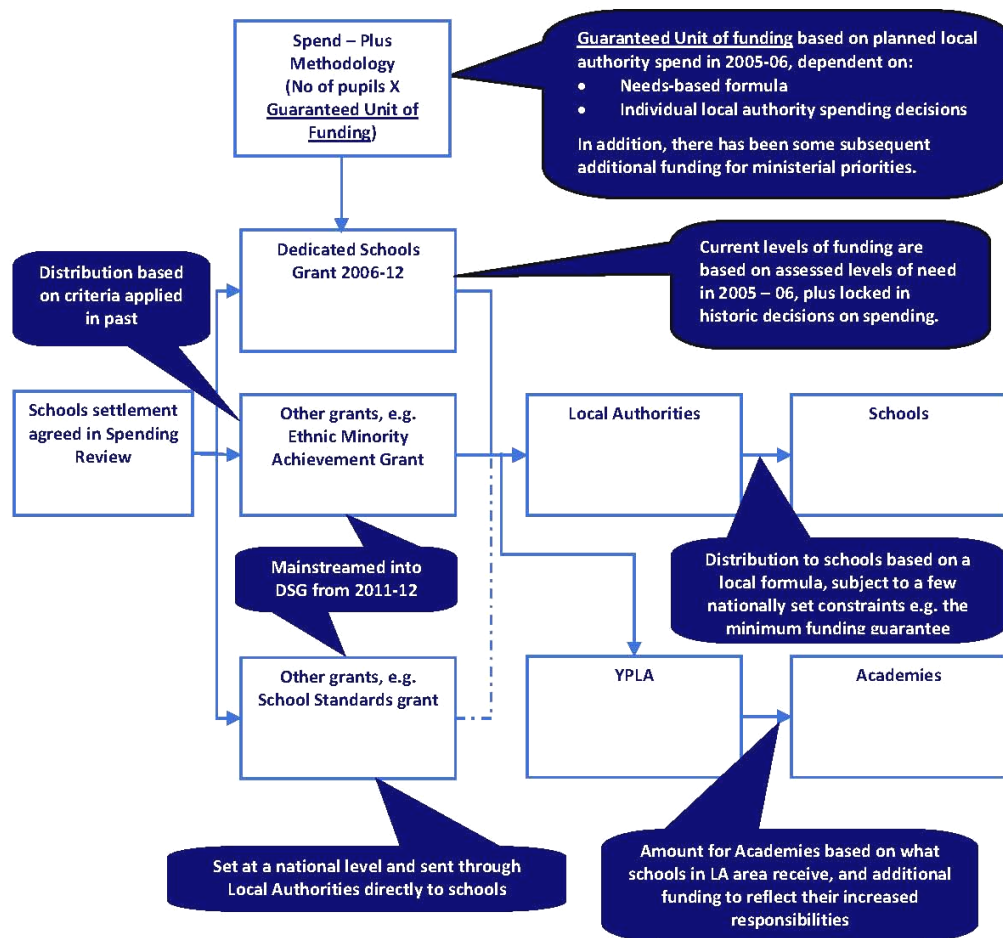
2.1. Our view is that an ideal school funding system would have certain key characteristics.

- **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 25th 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/
- by emailing 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.

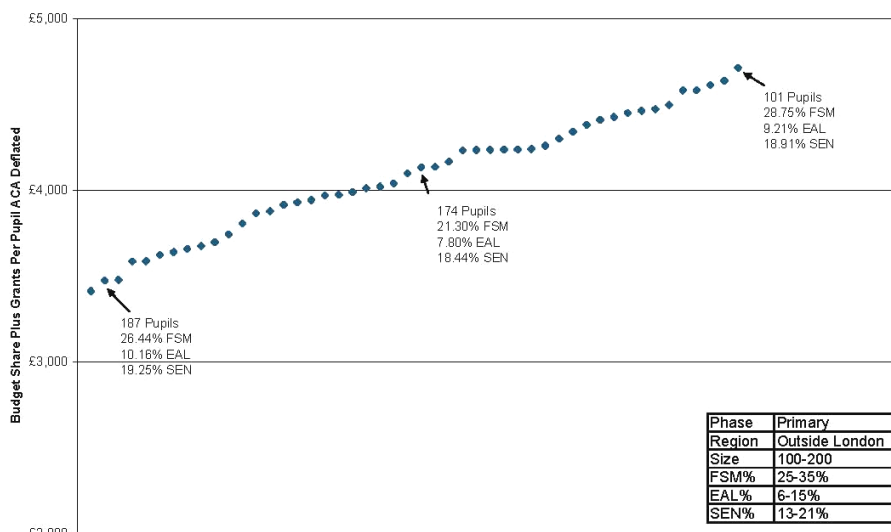
We can look at groups of schools with similar characteristics and similar pupil intakes and see how much their funding levels vary. The following graphs show primary and secondary schools with similar characteristics.

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



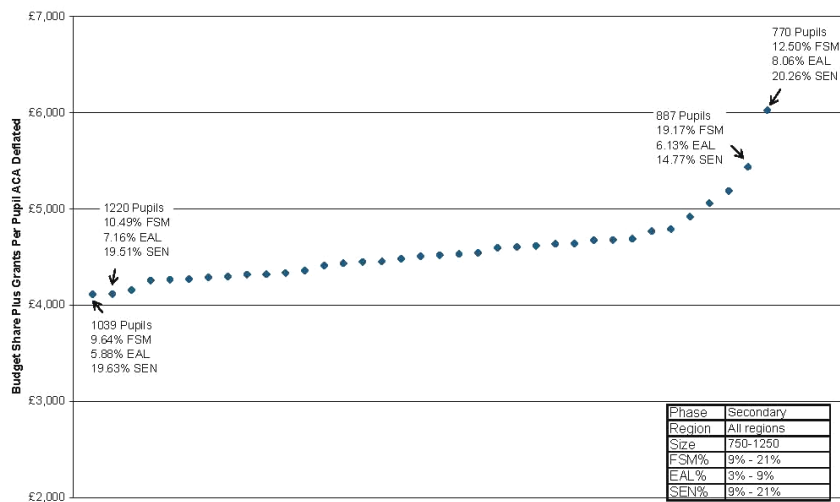
Source: Section 251 2010-11 Budget Table 2 as of 06/01/11 and Annual School Census January 2010

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.

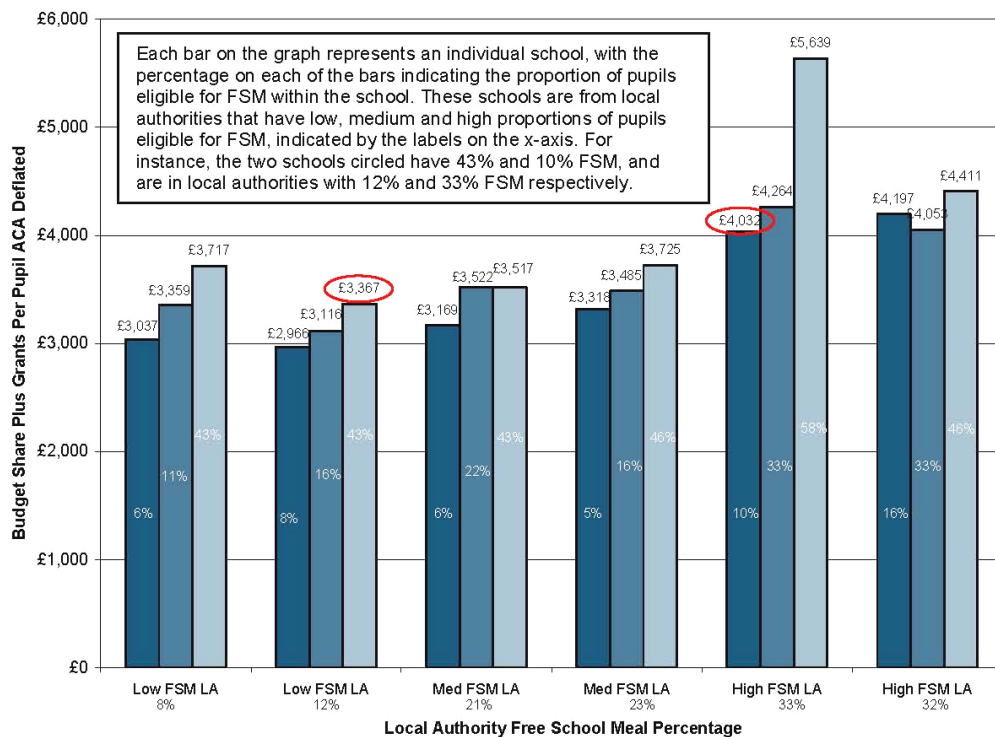
Funding fails to reflect needs accurately

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

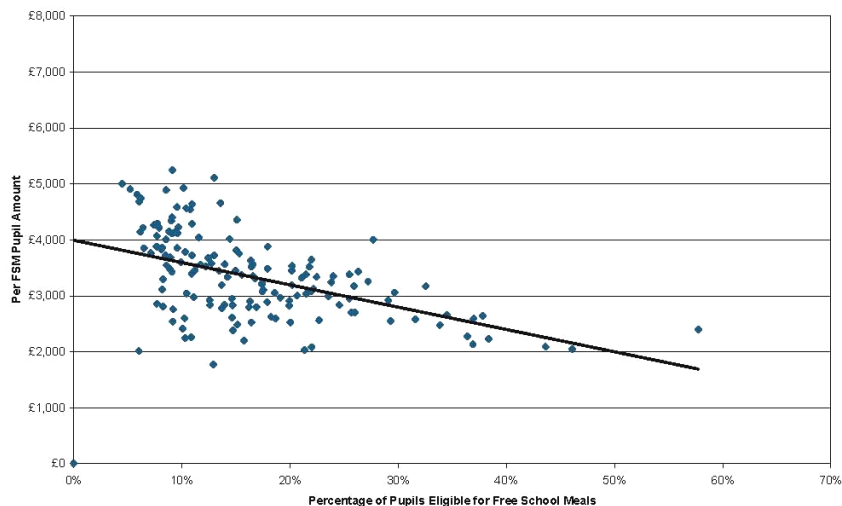
Deprivation funding is not universally well-targeted

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

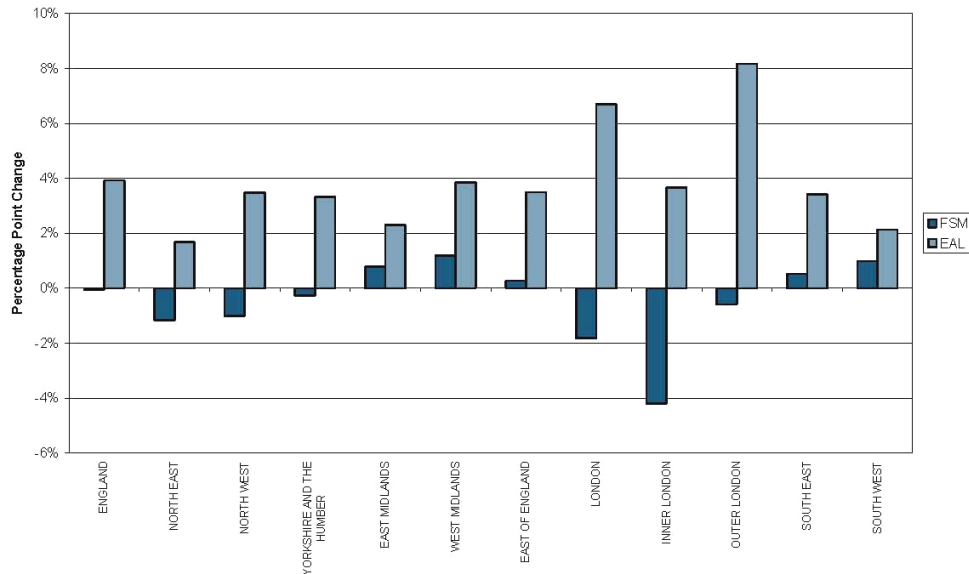


Source: Academic Year 11/12 Free School Ready Reckoner Tool based on analysis on Financial Year 10-11 Data from S251. FSM data from Annual School Census 2010.

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^{1,2}



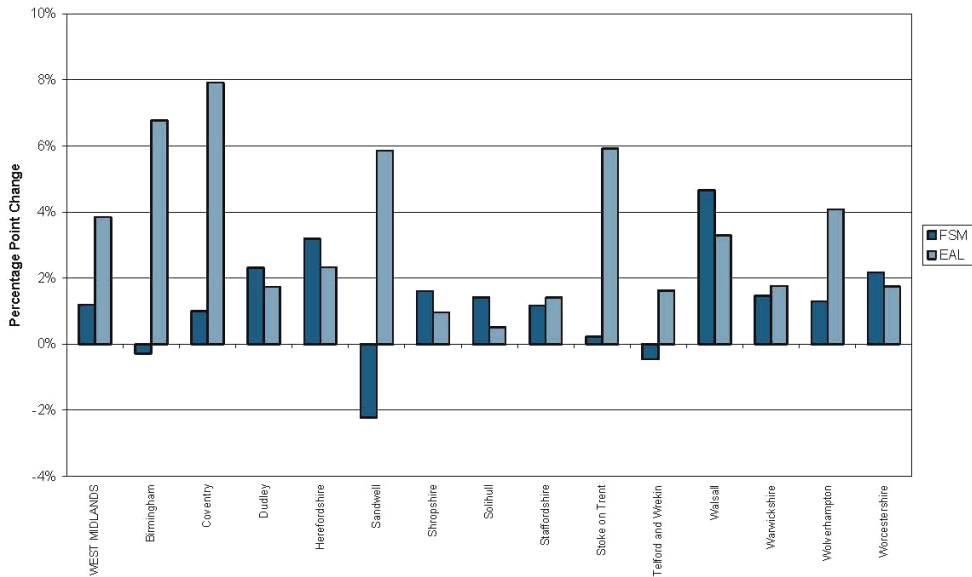
From the graph, we can see that since 2005 all regions have experienced changes in the number of pupils on Free School Meals and the number of pupils with English as an Additional Language (EAL). Local authorities that have seen increases in these pupil numbers will not have received any additional funding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

¹ 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.

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

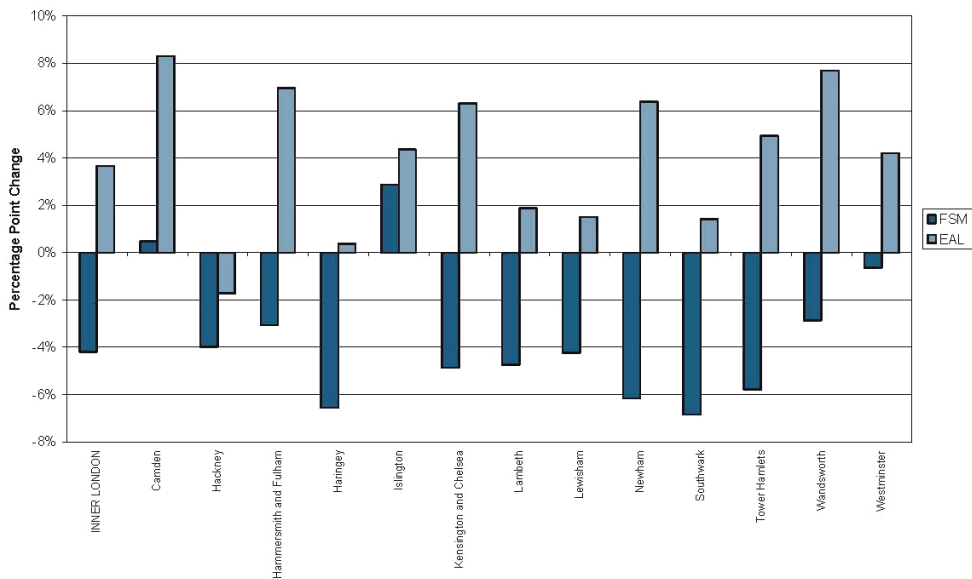
The below graph shows that the West Midlands is an example of a region where both FSM and EAL have increased since 2005 in all but two local authorities. The funding system does not reflect the current level of need in this region.

West Midlands primary and secondary school change in FSM and EAL between 2005 and 2010²



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 2010²



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.

A consultation on school funding reform: rationale and principles

Consultation Response Form

The closing date for this consultation is:

25 May 2011

Your comments must reach us by that date.

THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Education e-consultation website (<http://www.education.gov.uk/consultations>).

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

Please tick if you want us to keep your response confidential.

Name

Organisation (if applicable)

London Borough of Bromley

Address:

Civic Centre
Stockwell Close
Bromley
BR1 3UH

If you have an enquiry related to the policy content of the consultation you can contact either

Juliet Yates on: Telephone: 020 7340 8313 e-mail: juliet.yates@education.gsi.gov.uk,
or

Ian McVicar on: Telephone: 020 7340 7980 e-mail: ian.mcvicar@education.gsi.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Consultation Unit by e-mail: consultation.unit@education.gsi.gov.uk, by Fax: 01928 794 311, or by telephone: 0870 000 2288.

Please tick the box that best describes you as a respondent.

| | | |
|--|--|--|
| <input type="checkbox"/> School | <input type="checkbox"/> Schools Forum | <input type="checkbox"/> Governor Association |
| <input type="checkbox"/> Teacher | <input type="checkbox"/> Local Authority Group | <input checked="" type="checkbox"/> Individual Local Authority |
| <input type="checkbox"/> Teacher Association | <input type="checkbox"/> Other Trade Union / Professional Body | <input type="checkbox"/> Early Years Setting |
| <input type="checkbox"/> Campaign Group | <input type="checkbox"/> Parent / Carer | <input type="checkbox"/> Other |

If 'Other' Please Specify:

This response incorporates the views of the Schools' Forum.

1. Do you agree with the stated characteristics of an ideal school funding system? (Section 2)

All Some None Not Sure

Comments:

Whilst we would agree with all the characteristics in principle, the details on how they will be operated in practice will need to be consulted on in much greater detail.

2. Are there further characteristics the system should have? (Section 2)

Yes No Not Sure

If 'Yes', what are they?

Able to adapt quickly to change, including in year adjustments if necessary.

Should be based on up to date information/data.

Inbuilt protection against big changes in funding

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

Yes

No

Not Sure

Comments:

There are a number of areas in Bromley where the funding is no longer fair and equitable due to historic distributions of Standards Funds.

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

Yes

No

Not Sure

Comments:

No further comments

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? (Section 4)

Yes

No

Not Sure

Comments:

We believe that all deprived pupils should be entitled to the same level of support, however the funding required to provide this support may vary across the country.

There also need to be recognition of the additional impact to schools with very high levels of deprivation, and those with very low levels of deprivation.

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

Yes

No

Not Sure

Comments:

It is essential that the pupil premium is funded from additional new money not from funds recycled from within the current funding formula.

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? (Section 5)

Purely National Some local flexibility A lot of local flexibility Not Sure

Comments:

There needs to be some local flexibility to allow LA's to address individual issues, both for individual schools and/or the LA as a whole.

8. If so, should that flexibility be limited, and if so how? (Section 5)

Yes No x Not Sure

There not enough detail available at this stage to be able to comment, however it is essential that consultative bodies such as the Schools Forum should be involved in this process.

9. If there is local flexibility, what should the roles of local authorities, schools and the Schools Forum be in decision making? (Sections 5 and 6)

Local authorities:

Decision making.

Schools:

Consultation.

Schools Forum:

Consultation, but with right as at present to appeal to the Secretary of State if necessary.

Comments:

10. If there is local flexibility for maintained schools, how should Academies and Free Schools be funded? (Section 5)

Through the fair funding formula

Taking into account local decisions

Not Sure

Comments:

Academies have representation on the Schools' Forum so would be able to contribute to the local decision making process.

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? (Section 7)

Comments:

It is essential that careful thought is given to funding for SEN Support Services, in particular with the academies agenda. To ensure the high quality services for low incidence needs are maintained (e.g sensory support services, ASD support services, specific learning needs) and that schools accept these children with special educational needs resources need to remain central with local authorities. Where academies may want to be creative and devise a range of programmes of study for children to achieve they may find that children who may not be achieving at expected levels, or are difficult to manage due to their special educational needs are not those whom they wish to attract. High achieving schools may want to direct their resources to curriculum areas rather than to meeting special educational needs. Thus there needs to be an incentive to accept these pupils who may initially under-perform or may always under-perform. Example – a blind pupil in KS3/4 may attract a considerable amount of resources due to the need for equipment, teacher/classroom assistant time and independence training. What school would want to buy in this resource for one pupil. If they have to buy in support then this will not be an incentive to accept these pupils. This could lead to tiers of education, those schools who are maintained and receive these support services free at the point of delivery and those academies or free schools who may decide to buy or not buy expertise, knowledge and skills from expert teachers and psychologists

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? (Section 7)

Comments:

A National banding framework for children with SEN or who are disabled may be helpful to demonstrate transparency to parents. However, it is essential to have an indicator to reflect local circumstances so that funding is responsive to these local circumstances and to individual needs.

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? (Section 7)

Comments:

Funding arrangements for pre and post 16 needs to work from an ethos of meeting needs locally whilst providing opportunities to develop independent living and social skills and also providing a level of respite for parents and families where appropriate. The current YPLA college provision, whilst extensive and diverse does not build on the local provision. There needs to be careful consideration of local provision up to 16 and where there is excellent practice this needs to be built on and extended with opportunities for extending funding local for young people to ensure they remain local to their family and community.

14. How successfully has the EYSFF been implemented? How might it be improved? (Section 8)

✓ Very Fairly A little Not at all Not Sure

Comments:

Bromley was a pilot Authority for the EYSFF. Extensive consultation was undertaken across the sector. The resulting formula is simple and transparent, with a base rate available to all, plus four possible supplements. The resultant formula has largely been well received, and due to the identification of additional funding for the supplements from the DSG, no provider was worse off as a result of the changes to the formula.

Following the pilot year, there was a review of the criteria for supplements which will more appropriately incentivise providers.

15. How important is an element of local flexibility in free early education funding? What might alternative approaches look like? (Section 8)

✓ Very Fairly A little Not at all Not Sure

Comments:

In Bromley only 6% of free early education for 3 and 4 year olds is delivered in schools, the remaining 94% being delivered within a diverse and disparate PVI sector. For this reason, local flexibility is essential to provide a sufficient, cohesive, high quality and sustainable market to meet the needs of Bromley children and families.

Any alternative approach would need to take consideration of the unusual make up of the early years sector in boroughs such as Bromley, i.e. majority of Free Early Years Education provided by PVI, childminders, pre-schools, day nurseries and independent schools.

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? (Section 8)

Comments:

The current census process does not take consideration of the attendance fluctuations across the year within Early Years. In order to identify the appropriate and sufficient level of funding required there would need to be a review of the true costs of providing early years education, taking into consideration the diversity of provision from. There would also need to be a review of the current code of practice to ensure that any changes to funding levels would not adversely disadvantage any particular sector resulting in a reduction of provision.

17. Should the formula include only pupil led factors or also school led factors? (Section 9)

Only pupil-led factors

Include school-led factors

Not Sure

Comments:

School led factors should be included to reflect the particular needs/characteristics of individual schools.

18. What factors should be included? (Section 9)

Comments:

EAL funding/funding for ethnic minorities

Funding for low level special educational needs

Area cost adjustments.

School led factors, ie additional funding to support small schools

19. What is the right balance between simplicity and complexity? (Section 9)

Comments:

The formula needs to be simple enough for everyone to understand whilst having a certain level of complexity required to reflect individual school needs.

20. What level of change in budgets per year can schools manage? (Section 10)

Comments:

Schools would probably be able to manage no more than 5% movement in their total budget in any one year, depending on the size of the school.

21. How much time do schools need to plan for changes in their funding? (Section 10)

3
months

3 – 6
months

6 – 12
months

More than
1 year

Not
Sure

Comments:

Schools will require a transitional period to allow them to consult fully with staff, unions and other relevant groups.

**22. When is the right time to start moving towards a fair funding formula?
(Section 10)**

| | | | | | | | | | |
|--------------------------|--------------|---|--------------|--------------------------|--------------|--------------------------|--------------|--------------------------|-------------|
| <input type="checkbox"/> | 2012 – 13 | ✓ | 2013 – 14 | <input type="checkbox"/> | 2014 - 15 | <input type="checkbox"/> | 2015 - 16 | <input type="checkbox"/> | Not Sure |
|--------------------------|--------------|---|--------------|--------------------------|--------------|--------------------------|--------------|--------------------------|-------------|

Comments:

Bromley is aware that there are currently elements within its formula that need to be reviewed which would probably be rectified through the move to a fair funding formula, however there needs to be sufficient time for full consultation

23. Have you any further comments?

Comments:

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DfE consultations are conducted, please contact Donna Harrison, DfE Consultation Co-ordinator, tel: 01928 794304 / email: donna.harrison@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 25 May 2011

Send by e-mail to: schoolfunding.consultation@education.gsi.gov.uk

Send by post to:

Ian McVicar
Funding Policy and Efficiency Team
4th Floor
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

ACADEMIES' PRE-16 FUNDING: OPTIONS FOR THE 2012/13 ACADEMIC YEAR

1. INTRODUCTION

In the White Paper, "*The Importance of Teaching*", the Government set out its long term ambition for a Fair Funding Formula which ensures clear, transparent and fairer funding for all schools, including Academies and Free Schools, based on the needs of pupils.

The main consultation document "*A consultation on school funding reform: rationale and principles*" available on the Department for Education e-consultation website (www.education.gov.uk/consultations) invites views on our aims for the school funding system and high level principles for reform, including how a Fair Funding Formula might operate. This could be a national funding formula, which would involve all schools budgets being set according to a central formula. Alternatively, it could involve locally agreed decisions to vary the level of funding for individual schools to meet particular local circumstances.

The main document also asks for views on when any reform might be introduced. However, if reform is not in place by 2012/13, we believe there is a strong case for making changes to the way Academies are funded, in advance of changes to the rest of the sector. This document explains why we believe the current model for funding Academies is unsustainable going forward and would want to make changes for funding Academies in the financial year 2012/13 (FY2012/13). It sets out the principles behind finding an alternative approach and options for doing so.

2. THE CURRENT SYSTEM

The main school funding consultation document sets out the case for change across the sector and sets out the principles which should underpin any system funding maintained schools and Academies. This document does not seek to pre-empt decisions informed by the main school funding consultation on extent and timing of changes across the school sector. However, we believe it is imperative to make improvements in the way Academies are funded from academic year 2012/13 (AY2012/13) and are therefore consulting on interim changes here that can be made in advance of wider reform.

Academy funding for the AY2011/12 will be made up of the following main blocks:

General Annual Grant (GAG): In order to keep to the principle that Academies should receive equivalent funding to a similar maintained school in the same area, the main portion of an Academy's funding seeks to mirror the local school funding formulae. An Academy's School Budget Share is the level of funding which would be provided through the Local Authority's (LA's) funding formula for FY2010/11 if the Academy had been a maintained school. It includes allocations for grants, such as the Standards Fund Grant, which have been

mainstreamed into school and Academy budgets from the FY2010/11. For each Academy the Young People's Learning Agency "replicates" the LA funding model, applies it to the Academy's pupil characteristics and adds in any mainstreamed grants. Funding is based on the previous financial year due to the timing of financial information available from the Section 251 LA return on which models are based.

LA Central Spend Equivalent Grant (LACSEG). As independent institutions, Academies have to provide services which a Local Authority would provide for a maintained school, such as behaviour support services, licences and subscriptions, pensions returns and the production of financial accounts. An Academy may choose to buy services back from the LA or it can make other arrangements to suit its pupils' needs. The LACSEG gives Academies funds to provide these services, at an equivalent rate to which the LA would have provided the services. It is calculated by the Department for Education using financial information supplied by Local Authorities in Section 251 statistical returns. Amounts vary substantially between authorities because of differences in the way LAs delegate funding to maintained schools and can reflect large swings between years as LA funding decisions change to reflect changing patterns of provision.

Insurance: As Academies typically have higher insurance costs than maintained schools, Academies receive a payment to reflect this.

Pupil Premium: Academies receive the Pupil Premiums for pupils known to be eligible for Free School Meals, Service Children and Looked After Children in the same way and at the same rate as maintained schools. This is additional to core funding.

Taken as a whole, this adds up to a complicated system that we believe needs reform for the following reasons.

The process is not transparent. The replication models and LACSEG models are hard to understand at an Academy and local authority level. Funding allocations are based on figures that relate to activities many months behind the activity for which an Academy is providing the service to its pupils.

It does not quickly reflect local circumstances. As pupil characteristics change in an Academy - e.g. the number of pupils eligible for free school meals or identified with special educational needs - the replication process does not ensure that these are reflected in actual funding amounts for the year in which the service is now needed.

There is a risk of error during the replication process. There are risks involved, mainly arising from the difficulty of accurately duplicating a local authority formula without mistakes that can sometimes lead to significant errors in the level of funding allocations, even from very small formula errors.

The process becomes more difficult with an increasing number of Academies. The method of replication was appropriate for a small number of Academies, where individual anomalies could be discussed and agreed with a local authority. It is not an appropriate mechanism to automatically set funding levels for an increasing number of schools.

It is not sustainable. There are some local authorities which are likely to have no maintained secondary schools soon, as they will have all converted to Academies. This would mean that the local authority would have no need for a formula for their secondary schools, and therefore there would be no formula to replicate. And if all an authority's schools become Academies, then LACSEG will reduce to zero because the local authority would have no need for central expenditure on maintained schools.

It is not administratively efficient. Replication is extremely labour intensive. YPLA estimates that an average replication model takes 3-5 days to build but may take up to three weeks to verify as further information and clarification is sought from a local authority. This funding system also means additional data burdens for Academies.

3. PRINCIPLES FOR AN ALTERNATIVE FUNDING METHOD

Our view is that an alternative method for funding Academies in AY2012/13 would have certain key characteristics.

It would enable a smooth transition to a new approach across the funding system. This might be a short-term, interim measure to ensure stability in the system before we move to a new approach to funding across the system, or it might mean some kind of trial approach is required.

It would ensure that funding is equivalent between Academies, free schools and maintained schools. We would want to avoid any option which gave a financial advantage or disadvantage to schools wishing to convert to Academy status.

It would be transparent and easy to understand. If an alternative method is implemented, local authorities and Academies must be clear about how calculations are made and how funding levels may change.

Questions for consultation

Do you agree with our analysis that the current system is not appropriate to fund an increasing number of Academies in a fair and transparent way?

Do you agree with the principles for an alternative method of funding Academies in 2012/13?

Are there other aims we should have for the Academy funding system in the absence of cross-system reform, such as a Fair Funding Formula?

4. SCHOOL BUDGET SHARE

We think that there are three main options for funding Academies in 2012/13. It would be impossible, at this stage, to show the precise impact on actual funding levels if we pursued any of the particular options for an individual Academy as this would involve detailed modelling work for which the data is not currently available. However, we are able to provide an initial assessment of the options based on how they would most likely work.

The largest element of an Academy's funding is the school's core funding, known as its delegated school budget share. This is currently the same as a maintained school's current budget share received from the local authority, with some small adjustments. In AY2012/13 we could change how the school budget share is calculated for Academies.

The proposals here concentrate on Sponsored Academies and Converter Academies. We will want to consider further whether any changes are necessary to the way the budget share for Free Schools is calculated for AY2012/13. We are conscious that as the first Free Schools will open in September 2011 and new applications are currently being developed for AY2012/13, any interim changes would need to be considered against ensuring a necessary degree of certainty going forward for what will be very new institutions. The main consultation document, which is consulting on the principles on wider reform, includes Free Schools within its scope for wider system reform going forward.

Roll Forward. We would ensure that per pupil funding amounts are kept level, rolling forward the per pupil school budget share figures from the previous year. This approach would mirror the Spending Review's overall Schools Budget Settlement for FY2012/13 for maintained schools. We would intend to roll forward the per pupil school budget share that was the basis of the calculations for the previous year's budget, before any transitional protection, such as the Minimum Funding Guarantee (MFG) was applied. This consultation does not propose any MFG (or similar) protections next year but our assumption would be that if there were to be any additional protection for the maintained sector going forward, this would also be applied to Academies.

For Academies that are open before September 2012 we would roll forward their per pupil funding for the AY2011/12. Schools converting to Academy status during AY2012/13 would receive their allocation as if they were still a maintained school with additions for LACSEG.

It is important to note that this would not mean that Academies would receive the same total budget as in the previous year. This could either increase or decrease depending on how pupil numbers fluctuate at an Academy.

An important advantage of this approach is that funding for Academies and schools converting to Academy status would be predictable. The main drawback is that certain funding levels - such as deprivation funding - would remain tied to historical funding levels. However, this would be a relatively simple option which could work in the short term. Academies would also still

receive Pupil Premium funding relating to their pupils as this is additional to core funding.

We believe that the roll forward option would give us a transparent interim method of funding Academies in FY2012/13 that maintains the comparability between Academies and the maintained sector. For these reasons, it is our preferred option going forward.

A fair funding formula for Academies only. We would fund Academies through a single formula on which we would consult later in the spring. This would be a useful way to trial a Fair Funding Formula for all schools. However, funding for Academies would move significantly away from comparable maintained schools and therefore does not meet our principle that Academies should not have a financial advantage or disadvantage.

Local authority based calculations. We could require local authorities to calculate Academy budgets using formulae they already hold. This would be advantageous in that Academy funding would be calculated on the financial year data closest to the academic year going forward and would not be lagged in the way it currently. However it has the disadvantage that Academies would receive indicative and final funding allocations later than now. Currently Academies receive indicative funding letters in the December in advance of the following September, with final allocations in March. This option would shorten the advanced notice that Academies have of budgets in the following year. Another disadvantage would be that Academies, as autonomous institutions, would be more reliant on local authority formulae and decisions.

Questions for consultation

Do you agree with the broad analysis of how each option might work?

Which option do you think is the best way of funding Academies in 2012/13?

Are there potential advantages and disadvantages in implementing each option that we have not considered?

5. LOCAL AUTHORITY CENTRAL SPEND EQUIVALENT GRANT (LACSEG)

This is additional money for an Academy to cover central services that a local authority no longer provides. This is not a uniform figure nationwide and reflects the amount that a local authority spends on particular central services on behalf of schools.

Currently there are services and costs funded from a local authority's Schools Budget, which form 30% of the total grant. There are also services and costs funded from other local authority sources, which form 70% of the total grant nationally. We will consider how LACSEG calculations should be made in FY2012/13, how they could be simplified and how they could reflect changes in LA settlement for FY2012/13. Our assumption is that any changes to LACSEG would also apply to Free Schools.

Questions for consultation

Are there changes you think we should consider to the way the local authority central spend equivalent grant (LACSEG) is calculated for FY2012/13?

What factors would you want us to take into consideration if we were to make changes?

6. NEXT STEPS

This document is part of the first stage in our consultation on changes to the schools funding system. As such, we would welcome comments on the questions asked in this document by 25 May 2011 rather than to the usual full 12 week consultation period. In the interim, we will continue to discuss the options for funding Academies in FY2012/13 with partner organisations.

Academies Pre-16 Funding: Options for the 2012/13 Academic Year

Consultation Response Form

**The closing date for this consultation is: 25 May
2011**

Your comments must reach us by that date.

THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Education e-consultation website (<http://www.education.gov.uk/consultations>).

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes, primarily the Freedom of Information Act 2000 and the Data Protection Act 1998.

If you want all, or any part, of your response to be treated as confidential, please explain why you consider it to be confidential.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 1998, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

Please tick if you want us to keep your response confidential.

Reason for confidentiality:

Name

Organisation (if applicable)

London Borough of Bromley

Address:

Civic Centre
Stockwell Close
Bromley
BR1 3UH

If you have an enquiry related to the policy content of the consultation you can contact either:

Annie Raw (telephone: 020 7340 8143) or Victoria Ismail (telephone: 020 7783 8682)

e-mail: AcademiesFunding.CONULTATION@education.gsi.gov.uk

If you have a query relating to the consultation process you can contact the Consultation Unit by telephone: 0370 000 2288 or e-mail: consultation.unit@education.gsi.gov.uk

Please mark ONE box that best describes you as a respondent

| | | |
|---|---|---|
| <input type="checkbox"/> Academy | <input type="checkbox"/> School applying for academy status | <input type="checkbox"/> Maintained School |
| <input type="checkbox"/> Academy Sponsor | <input type="checkbox"/> Schools Forum | <input type="checkbox"/> Campaign Group |
| <input type="checkbox"/> Union/Professional Body | <input type="checkbox"/> Parent/Carer | <input type="checkbox"/> Governor Association |
| <input checked="" type="checkbox"/> Local Authority | <input type="checkbox"/> Other | |

Please Specify:

1 Do you agree with our analysis that the current system is not appropriate to fund an increasing number of Academies in a fair and transparent way? (see section 2 in the consultation document)

Yes

No

Not Sure

Comments:

If it is recognised that there is a need for a fair funding formula for maintained schools then this should be extended to include Academies.

2 Do you agree with the principles for an alternative method of funding Academies in 2012/13? (see section 3 in the consultation document)

All

Some

None

Not Sure

Comments:

Schools should be able to clearly see that there is no financial advantage or disadvantage to schools wishing to convert to Academy status.

3 Are there other aims we should have for the Academy funding system in the absence of cross-system reform, such as a Fair Funding Formula? If yes, what are they?

Yes

No

Not Sure

Comments:

No further comments

4 Do you agree with the broad analysis of how each option might work? (see section 4 in the consultation document)

 All

Some

None

Not Sure

Comments:

Broad analysis of each option makes sense. There needs to be more detail to enable us to give a full response

5 Which option do you think is the best way of funding Academies in 2012/13? (see section 4 in the consultation document)

Roll forward
x Not sure

Fair funding formula for Academies only

Local authority based calculations

Comments:

There are advantages and disadvantages to all three systems. Further details would be needed to make a considered judgement

6 Are there potential advantages and disadvantages in implementing each option that we have not considered? If yes, what are they?

Yes

No

x Not Sure

Comments:

If the funding is to be based on Section 251 information there needs to be sufficient time for local authorities to address any anomalies in the way that funding is shown.

7 Are there changes you think we should consider to the way the Local Authority Central Spend Equivalent Grant (LACSEG) is calculated for FY2012/13? If yes, what are they? (see section 5 in the consultation document)

Yes

No

Not Sure

Comments:

Equality of funding between different type of schools is essential

Academies should only receive funding for the responsibilities that they take on. Currently this is not necessarily the case

8 What factors would you want us to take into consideration if we were to make changes?

Comments:

Equality of funding across the piece. There should be no advantage or disadvantage of becoming an academy

9 Have you any further comments?

Comments:

None

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DfE consultations are conducted, please contact Donna Harrison, DfE Consultation Co-ordinator, tel: 01928 738212 / email: donna.harrison@education.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 25 May 2011

Send by post to: Annie Raw, Academy Funding and Finance Team, Department for Education, Level 3, Sanctuary Buildings, Great Smith Street, London SW1P 3BT.

Send by e-mail to: AcademiesFunding.CONULTATION@education.gsi.gov.uk