

15<sup>th</sup> April 2016

## ADCS submission to the schools national funding formula consultation

The Association of Directors of Children's Services Ltd (ADCS) welcomes the opportunity to respond to the consultation on a schools national funding formula. ADCS is the professional association for directors of children's services (DCS) and their senior management teams. Under the provisions of the Children Act 2004, the DCS is the chief officer responsible for the discharge of local authority functions with regard to education and children's social care and champion for children across wider children's services.

<p>1. Do you agree with our proposed principles for the funding system?</p>	<p>ADCS agrees, in general, with the implementation of a national funding formula for schools. It is acknowledged that DfE has attempted to develop a number of principles to underpin the proposed funding formula, however, ADCS believes the over-riding principle of any school funding formula should be to promote improved pupil outcomes. Any national formula must produce sufficient funding for schools to be educationally viable, able to meet the needs of the local population and satisfy parents' and government's expectations with regards to outcomes.</p> <p>The introduction of a national funding formula for schools will fundamentally change the way in which funding is distributed to schools, therefore it is disappointing that the consultation period has been restricted to 6 weeks. The consultation document refers to a future 'Stage 2' consultation on the detailed weightings of the proposed formula. ADCS would urge DfE to allow a minimum of 12 weeks for such an important and fundamental consultation. Care should be taken to ensure the consultation period does not coincide with school holidays in order to allow local authorities to consult schools and arrange approval for any schools forums responses.</p> <p>The national funding formula aims to fairly distribute funding to schools in a consistent way that acknowledges the characteristics of both pupils and the school itself. The proposed system is based on the premise that funding will be directed straight to schools, allowing local school leaders to maximise the resources available for teaching and learning. ADCS believes that allowing Multi Academy Trust (MAT) Boards to pool their academies' funding and redistribute it between academies based on the MATs internal priorities is unacceptable and does not align with the principles as outlined within the consultation. MATs must be bound by the same rules</p>
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### The Association of Directors of Children's Services Ltd

Piccadilly House, 49 Piccadilly, Manchester, M1 2AP  
 Tel: 0161 826 9484 Email: [info@adcs.org.uk](mailto:info@adcs.org.uk) Website: [www.adcs.org.uk](http://www.adcs.org.uk)

	<p>as local authorities with regard to formula distribution to the front line and possible top slicing if the new funding system is to comply with the seven principles outlined.</p> <p>The proposed funding system does not acknowledge the vital role schools forums play as a champion of children and parents in a local area. These forums have a key role to play in steering and coordinating the wider education system across a locality, taking into consideration issues which impact on the health and wellbeing of pupils across the board. By deleting the role of the schools forum from decisions on the distribution of funding between local schools, this removes any form of local accountability for decisions that are taken in relation to schools, their funding and how this links to the wider education system.</p> <p>In the development of a national schools funding formula, the DfE has fundamental questions to address regarding school size and viability. Greater clarity is needed on the future of small, rural schools in absence of the ability of local authorities to provide continued financial support.</p> <p>ADCS would urge DfE to develop a mechanism for keeping any new national schools funding formula, the data used for this and the overall funding quantum under review and would welcome the opportunity to play an active part in such a forum.</p>
<p>2. Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement to set a local formula?</p>	<p>A school level national funding formula will remove any flexibility at the local level to meet and support unplanned growth or significant change in local circumstances. How local areas can respond to such challenges must be considered if the flexibility allowed via a local formula is no longer available. As local authorities continue to be responsible for place planning, so should they continue to have a say in where resources are targeted to support an increased demand in school places.</p> <p>As previously mentioned, there is no guarantee that MATs will allocate funding to individual schools as per their allocation via a national formula. If MATs are able to pool funding and redistribute it in line with their priorities, this will not create parity within the system and may result in some schools being deemed unviable. ADCS believes this is a fundamental flaw in the design of the new formula and is in direct conflict with the underpinning principles of the formula as outlined in the consultation. The DfE must address this disparity as a matter of urgency.</p> <p>The current proposals do not acknowledge the inter-relationships between the different blocks within the DSG, particularly the schools block and high needs block. The flexibility afforded to local authorities to transfer funding between blocks has allowed schools to collectively meet the increased pressures in relation to high needs. The proposals remove this flexibility from the local system and may result in additional high needs pressures being unmet. The</p>

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	<p>consequence of this will be a risk of inadequate support for the most vulnerable pupils and an expectation that mainstream schools will provide more funding for lower cost pupils with SEND. ADCS is concerned that this will create a disincentive to inclusivity.</p> <p>A 'hard' national funding formula, together with a ring-fenced schools block are inconsistent with devolved responsibility for meeting the needs of children and young people with SEND, particularly those with social, emotional and mental health needs. Decisions about placements and provision should be taken with young people and their parents and the balance between inclusive provision in mainstream or specialist/alternative provision (special school or PRU) will be constrained by the hard barrier between the schools and high needs blocks. ADCS would expect to see further consideration of this issue as part of the Equality Impact Assessment prior to confirmation of any national funding formula.</p>
<p>3. Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 &amp; key stage 4?</p>	<p>In principle, ADCS would agree that there should be different levels of funding for pupils in primary, key stage 3 and key stage 4, however the basic entitlement values must be sufficient to fund the education of a pupil in each of the stages. It will be critical that there is a clear, evidenced based rationale for the values and weightings assigned to each stage. Further consideration should also be given to the additional costs associated with educating children at the foundation stage and the need to reflect this within the formula.</p> <p>ADCS would welcome the opportunity to take part in further discussions to explore what is deemed to be a sufficient level of funding at each of these stages.</p>
<p>4. a) Do you agree that we should include a deprivation factor?</p> <p>b) Which measures for the deprivation factor do you support?</p> <ul style="list-style-type: none"> <li>• Pupil-level only (current FSM &amp; Ever 6 FSM)</li> <li>• Area-level only (IDACI)</li> <li>• Pupil and area level</li> </ul>	<p>A deprivation factor as part of a national funding formula is key in ensuring funding is allocated to support pupils with additional needs achieve their full potential. The proposals state that in addition to deprivation funding within the national funding formula, schools will continue to receive the pupil premium grant. It would be helpful to understand what outcomes/ needs are to be met via the deprivation funding as part of the national funding formula and those that are to be met via the pupil premium. Clarity is also needed as to how and by whom, schools will be held to account for their effective spending of the pupil premium grant, ensuring it is spent on those pupils it is intended for in order to close the gap in attainment.</p> <p>ADCS would support a deprivation factor that considered both pupil and area level measures, however consideration must be given to the balance between the two factors.</p> <p>FSM has been acknowledged as an appropriate proxy for deprivation, being simple and having a strong correlation with disadvantage. However, the introduction of universal infant free school meals has created some issues in identifying those pupils who would previously have been eligible, this will suppress FSM data and affect some areas disproportionately. It is</p>

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	<p>currently unclear if the government plans to include funding for universal infant free school meals in the new DSG arrangements.</p> <p>Consideration needs to be given as to how IDACI can be updated on a more regular basis, or an alternative area measure used. At present, updates on a five year basis are insufficient and can result in significant changes in funding due to the substantial shifts that can take place over that time period. This does not support the principle of creating a funding system that is predictable.</p>
<p>5. Do you agree we should include a low prior attainment factor?</p>	<p>It is essential that any funding formula has a component that recognises the low prior attainment of pupils. Funding to meet the costs of additional support provided to pupils with low prior attainment is essential to enable schools to support pupils reach their full potential.</p> <p>A means to measure low prior attainment objectively must be developed to ensure it is applied consistently.</p>
<p>6. a) Do you agree that we should include a factor for English as an additional language?</p> <p>b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the last 3 years as having English as an additional language)?</p>	<p>ADCS agrees that a factor for English as an additional language should be included in a funding formula, however it must be recognised that the profile of children who have English as an additional language can be very different. ADCS would welcome discussions about developing more objective measures of English language ability rather than a subjective judgement based on the language spoken at home.</p> <p>Taking a more longitudinal approach to this factor is welcomed however three years is not necessarily the limit of support needed by pupils who enter the country without any English language skills, especially if they have other complex needs.</p> <p>Further consideration also needs to be given to those children who have English as a second language and no prior attainment measure. Will these pupils be funded as if they had low prior attainment by default, for example?</p>
<p>7. Do you agree that we should include a lump sum factor?</p>	<p>This is a critical component of the formula as it provides an element of financial stability for many schools, particularly small schools who may otherwise be deemed financially unsustainable. The lump sum element can be particularly helpful for schools who are experiencing fluctuations in pupil numbers.</p> <p>It is important that there is a clear understanding of the fixed and semi-variable costs associated with operating schools of different sizes and situated in different locations.</p>

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	ADCS would be happy to take part in discussions to establish an appropriate lump sum and explore the costs associated with operating different schools.
8. Do you agree that we should include a sparsity factor?	Any national funding formula must recognise the unique challenges faced by small schools in rural areas. A sparsity factor would not be needed if the lump sum for each school category adequately represented the costs associated with running an efficient school.
9. Do you agree that we should include a business rates factor?	ADCS members agree that a business rates factor should be included in the funding formula and should reflect the different costs incurred by schools in different parts of the county. It must also take into consideration the status of a school as charitable organisations benefit from a level of rate relief in many areas.  Further clarification is needed as to how the savings from rate relief will be treated within the national funding formula and whether these savings will accrue to the DSG, to local authorities or to the Treasury.
10. Do you agree that we should include a split sites factor?	Split sites should be recognised within a funding formula however, it will be difficult to develop a formulaic approach for this. The DfE could allow continued local flexibility on setting the lump sum, sparsity factor and split site allowances, recognising the strong link with place planning and management of growth.  ADCS believes the government should consider the definition of split sites, particularly in light of the full academisation agenda and the development of MATs and how they choose to group schools.
11. Do you agree that we should include a private finance initiative factor?	Yes, however, all PFI arrangements must be reviewed by the EFA on a case by case basis to ensure fairness and consistency across the board.
12. Do you agree that we should include an exceptional premises circumstances factor?	Exceptional premises circumstances should be a factor within the formula. ADCS would support annual assessments of exceptional premises circumstances to review any potential changes in circumstances and ensure a consistent approach is taken across the board.
13. Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors; <ul style="list-style-type: none"> <li>• Business rates</li> <li>• Split sites</li> <li>• Private Finance Initiatives</li> </ul>	It does not seem possible to use a formulaic approach for these types of expenditure and therefore some arrangement to recognise actual costs is welcomed.  <ul style="list-style-type: none"> <li>• Business rates change with revaluations and pupil numbers so the funding mechanism needs to be dynamic. A freeze or lagged funding would not provide sufficient funding</li> <li>• New school amalgamations will not be reflected in historic data concerning split sites</li> </ul>

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<ul style="list-style-type: none"> <li>• Other exceptional circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• The actual costs of PFI are known from contracts and an inflationary uplift (usually based on RPI) is applied annually so historical spend will not accurately capture this</li> <li>• Other exceptional circumstances should be re-assessed to ensure there is a consistent approach across all schools and the significance test should be reviewed given the proposed criteria for inclusion in the national funding formula.</li> </ul>
<p>14. Do you agree that we should include a growth factor?</p>	<p>A growth factor is necessary to ensure the funding formula adequately captures the growing number of school age children and enables schools to positively respond to this.</p>
<p>15. Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?</p>	<p>Growth and place planning are intrinsically linked and a mechanism must be devised for growth to be managed and funded at a local authority level. Without such a mechanism, there is a risk of a shortage of places and/ or a mismatch between the location of pupils and the location of school places.</p> <p>Whilst historic spend is not an accurate proxy measure for future growth, particularly as this is not constant and can fluctuate from year to year, the recognition of growth within the formula is welcomed.</p>
<p>16. a) Do you agree that we should include an area cost adjustment?</p> <p>b) Which methodology for the area cost adjustment do you support?</p> <ul style="list-style-type: none"> <li>• General labour market methodology</li> <li>• Hybrid methodology</li> </ul>	<p>ADCS would agree that an area cost adjustment should be included in the funding formula and this should reflect the hybrid methodology.</p>
<p>17. Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?</p>	<p>In principle, ADCS welcomes support for children in care and those who have left care via adoption, special guardianship or a care arrangements order being targeted through the pupil premium plus. This is, however, dependent on the details proposed in stage 2 of the consultation and the uplift applied to the pupil premium plus, this must be equal to or greater than the amount currently distributed via local funding formulas. In order for the government to stay true to its commitment to support the most vulnerable children and young people in this country, including those in care, it must ensure that there is no reduction in funding for the education of this cohort of children as a direct consequence of the introduction of a national schools funding formula.</p> <p>ADCS agrees that the virtual school head should continue to manage the pupil premium plus. This allows for transparency and accountability regarding how the funding is utilised to support children in care and those who have left care.</p>

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<p>18. Do you agree that we should not include a factor for mobility?</p>	<p>A mobility factor will be important to those schools who experience high pupil turnover. The additional costs associated with pupil mobility can be significant and if this is not recognised within the formula it will disadvantage some schools who will still need to meet this pressure themselves.</p> <p>The consultation document suggests that a mobility factor should not be included as this factor only accounted for a small proportion of the overall funding distributed in 2015/16 and mobile pupils share several characteristics that are considered within the proposed formula. The amount of funding distributed by a mobility factor is higher than other factors which are being included in the formula, e.g. sparsity. It is also true that, under the proposed system, two schools with similar pupil profiles will receive the same amount of funding, yet one may have significantly higher costs due to high pupil turnover compared to another. This would be particularly true of areas where there is a concentration of children whose parents are in the armed forces, for example.</p>
<p>19. Do you agree that we should remove the post-16 factor from 2017-18?</p>	<p>Yes.</p>
<p>20. Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?</p>	<p>ADCS believes that there needs to be a level of flexibility at the local level to move funding between the schools and high needs blocks to reflect the inevitability that costs will shift between mainstream and specialist provision, particularly for those schools which are highly inclusive. The lack of flexibility proposed between the schools block and high needs block is worrying.</p> <p>At present, the proposals provide no incentive for schools to be highly inclusive. When schools exclude pupils, the cost of alternative provision must be met by the local authority via the high needs block, yet the proposals do not allow for the cost of this provision to be transferred from one block to the other. Decisions to exclude pupils are made by schools without consultation with the local authority, therefore, it is unacceptable that the local authority managed high needs block is expected to automatically meet the cost implications for such decisions. Budget responsibility and accountability must be integrated, local authorities have the responsibility to fund alternative provision but no ability to call schools to account for the decisions they make regarding exclusions.</p> <p>The baselining activity currently taking place will show local authority allocations to each block of the DSG for the financial year 2016/17. It will not illustrate the crucial relationship between the blocks and how they are utilised in-year to alleviate pressure within the system. As a</p>

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	<p>result, this exercise may not produce an accurate reflection of local funding needs and pressures.</p> <p>Distribution of all of the schools block to schools presumes that the funding provided via the high needs block will be sufficient to meet need. If the total amount of funding to be allocated via a national funding formula is derived via the baselining project, this may not be sufficient to meet need due to the issues highlighted above.</p>
21. Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?	ADCS believes it would be helpful for local areas to have the flexibility to set a local minimum funding guarantee however, clarity is needed on the mechanisms for implementing such a guarantee. This will help to ensure a workable transition to a national funding formula can be agreed at a local level and schools can be adequately supported during the transition period.
22. Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?	<p>ADCS believes that local authorities' ongoing responsibilities should be funded at a level that allows them to meet such responsibilities. At present, there is considerable variation in the costs associated with these responsibilities and the creation of a central schools budget based on a formulaic methodology will not take into account what each local authority spends in order to meet their responsibilities. The per-pupil amount of £15 has, in part, been derived by using S251 data. DfE has acknowledged the weaknesses in this data and has initiated a piece of research to understand the cost of running an education service.</p> <p>Due to the flexibility enjoyed in utilising the general duties rate of ESG, many local authorities choose to fund additional education related services, such as education attendance teams and family support workers. These services support some of our most vulnerable children, ensuring there is a whole system approach in supporting both families and individual children to achieve positive outcomes. Without such services, the ability of local authorities to identify those children who are missing from school, and therefore may be vulnerable to exploitation and other forms of abuse and neglect, and intervene to ensure they are safeguarded is significantly reduced.</p> <p>The proposals contained in the consultation and the removal of a significant amount of funding from local authorities through the elimination of ESG does not align with the White Paper Educational Excellence Everywhere's recognition of the fundamental role that local authorities will continue to play. This includes the championing of parents and families and therefore children, championing standards for all children and having sufficient and current local intelligence to work with regional school commissioners.</p>
23. Do you agree that we should fund local authorities' ongoing historic commitments	Yes, many LAs will have entered into contracts to achieve economies of scale for all schools and these costs will still need to be met. In addition, many local authorities have created

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<p>based on case-specific information to be collected from local authorities?</p>	<p>combined budgets with ongoing commitments to support collaborative school to school improvement strategies, cluster and early help services, along with the provision of services for vulnerable pupils. Local schools should have the ability to fund services for vulnerable pupils through a collective charge rather than individual buy back arrangements. This would further support the principles as described in the consultation, allowing for a more efficient service and helping to ensure no children fall through the gaps.</p>
<p>24. Are there other duties funded from the education services grant that could be removed from the system?</p>	<p>Funding should not be removed until legislation has been passed to amend local authority statutory responsibilities.</p>
<p>25. Do you agree with our proposal to allow local authorities to retain some of their maintained schools DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?</p>	<p>ADCS believes that local authorities should be adequately funded for the statutory responsibilities that are assigned to them. The newly formed central schools budget should be funded at a level to ensure that this mechanism is not necessary and that all appropriate duties can be carried out by a local authority in relation to the schools it maintains and the duties for all pupils and its wider education responsibilities.</p>

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