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By email to: SchoolsNationalFundingFormula.CONULTATION@education.gov.uk

ADCS response to the stage 2 consultation on the schools national funding formula

1. The Association of Directors of Children's Services Ltd (ADCS) welcomes the opportunity to respond to the stage two consultation on the national school 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.
2. The landscape that schools operate within is changing and it is worth recognising the unprecedented pressure they are under in terms of the ever-rising bar of performance; a tighter funding regime; the challenge of a changing curriculum; the prospect of inadequate capital funding to meet rising pupil numbers; and an impending crisis in the recruitment and retention of teachers.
3. Although the school system is changing, ADCS members are clear that local authorities (LAs) continue to have an essential role to play, which is now more strategic than it has been in previous times. LAs retain a number of duties including school place planning, yet they increasingly lack influence in the planning and establishment of new schools. There is a clear role for LAs in bringing forward provision that meets the needs of learners and local communities - the Department for Education (DfE), the Education Funding Agency (EFA) and Regional Schools Commissioners (RSCs) are simply too remote and lack the necessary infrastructure to fulfil this role. On this basis, ADCS members would be interested in exploring if some of the elements described in the funding formula could be allocated to LAs to help them shape the education market and ensure appropriate provision across their localities.
4. ADCS agrees, in principle, with the concept of a funding system that fairly distributes public funding for schools in a consistent way, acknowledging the characteristics of both pupils and schools. However, it is questionable whether a centrally controlled national funding formula can ever be sufficiently flexible and sophisticated enough to actually achieve this aspiration. As this consultation has progressed the potential for anomalous and perverse outcomes has become increasingly apparent.

5. It is concerning that the National Audit Office, in its report on the *Financial sustainability of schools* (2016), finds that although the DfE's schools budget is protected in real terms, due to the projected increase in pupil numbers, it does not allow for funding per pupil to increase in line with inflation. DfE estimate that between 2015/16 – 2019/20 there will be a 3.9% (174,000) increase in primary school pupils and a 10.3% (284,000) increase in secondary school pupils. Further, schools will experience an 8.0% real terms reduction in per-pupil funding between 2014 – 15 and 2019 – 20 due to cost pressures. The proposed funding formula is attempting to redistribute an insufficient level of funding, this is the principle concern of our members. Any system requires sufficient funding to support pupils to reach their full potential.
6. It is somewhat reassuring that the government have included measures to ensure no school will see a reduction in their funding by more than 3% per pupil while also maintaining a minimum funding guarantee of -1.5%. However, ADCS members are concerned that any reduction in funding, no matter how small, coupled with increasing cost pressures, may result in some schools quickly becoming unviable. This cannot be allowed to happen as many areas are already experiencing a shortage of school places.
7. ADCS welcomes a funding formula which routes significant amounts of funding through additional needs factors, it is right that we target resources to support the attainment of pupils who are most in need. It is acknowledged that as a result of this, less funding is being channelled through other aspects of the formula.
8. The allocation of a lump sum as part of a funding formula is essential for the sustainability of many schools, particularly small and rural schools, helping to ensure they remain viable for the communities they serve. Given there is no consensus about the amount of lump sum funding required by schools, it is surprising that the government has decided to set this below the national average. ADCS members acknowledge that this has been done to encourage partnership and the development of shared services, while also allowing for an increased level of funding to be channelled through pupil-led factors. There is however, concern that some small and rural schools will struggle to operate with such a low lump sum, even when allocated additional funding through the sparsity factor. ADCS members would welcome further research into what amounts to an appropriate lump sum before a decision is taken.
9. Although the funding formula includes an element to reflect growth, schools require a level of funding flexibility to manage unexpected demand, particularly if there are large increases in the number of pupils who meet the additional needs funding criteria. For example, the recent unprecedented demand placed on services due to the number of unaccompanied asylum seeking children arriving from Calais. It is unclear how, given the anticipated reduction in per-pupil funding, schools will manage any such unforeseen demand in the future.

10. ADCS members are concerned that the proposed national funding formula will result in less inclusivity in mainstream schools. With limited resources, some schools may not be willing or able to fund the additional support some children and young people need to access education in a mainstream setting. This potential consequence of the funding reforms will result in increased pressure on the high needs budget while pushing children with SEND into more specialist provision. This is unacceptable and not in the best interests of our learners. Further, cuts to the Education Services Grant (ESG) will impact on services such as speech and language therapy, occupational therapies, truancy and education welfare services which have previously supported students with additional needs and helped to promote inclusivity. Historically, these services have played a vital role in supporting some of the most vulnerable pupils to achieve their educational potential, it is unclear how pupils will be able to access similar support under the current proposals.
11. Given the potential for the system to become less inclusive as a result of these proposals, ADCS members welcome the additional arrangements proposed for 2018/19 to allow some flexibility in transferring funds from the schools block to the high needs block with the agreement of the LA, schools forum and the majority of schools. A mechanism within the hard national funding formula to allow schools within an area to pool funding and redirect it to more inclusive schools is also a welcome addition, however it must be acknowledged that even with an element of flexibility, it is difficult to see how the current level of resource can meet the needs of the increasing number of pupils with SEND. Due to reductions in resources, schools may become increasingly reluctant to pool funding to support those who are more inclusive. This may be a particular issue for schools with a below average number of learners with additional needs, such as grammar schools. The proposals offer no guidance as to how LAs should manage pressure on the high needs block should this arise in a locality where schools are reluctant to contribute an element of their funding. Further, there is a perverse incentive within the system whereby the decisions by schools to exclude or seek specialist provision have no impact on their budget unless all schools have agreed to contribute to pooling arrangements.
12. The SEND reforms introduced a notional SEND budget of up to £6k per pupil which schools must fund before approaching the LA for top-up funding via the high needs block. The consultation document on the national schools funding formula does not refer to the notional budget for pupils with SEND. ADCS members would welcome further information in relation to this so there is clarity regarding both school and LA responsibilities.
13. In the response to the stage one consultation, ADCS members argued that it would be unacceptable for multi-academy trust (MAT) boards to pool their academies' funding and redistribute it based on their own internal priorities. This practice is in tension with a funding formula where resources are distributed in line with pupil-led and school-led factors. ADCS acknowledges that, via the funding formula, DfE are attempting to encourage schools to work together efficiently, however safeguards must be in place to ensure that MATs, who may well be operating on a large geographical footprint, are not able to undermine the funding formula and are bound by the same rules as LAs with regard to formula distribution and top slicing. Further clarification on this issue would be welcomed.

14. ACDS members remain concerned that a funding system, where schools are directly funded by central government, is being proposed without the appropriate checks and balances in place to hold them to account. At present, neither the EFA or regional school commissioners have the capacity to do this effectively. Further details are needed on what the accountability framework will be in a system where schools are directly funded by the EFA.
15. ADCS members would like to take the opportunity to highlight the on-going inconsistencies in treatment of different types of schools as this can significantly impact the level of funding available to them. LA funding for general ESG ceases immediately from September 2017, as it does for academies. However, those academies that receive ESG protection will continue to receive it on a tapering basis until 2020, which does not create a level playing field. The removal of the LA funding will create an immediate additional pressure for maintained schools; because the funding relates to statutory duties, there is no option but for LAs to pass on the cost. In addition, the approach to financial surpluses and deficits when schools change status is inconsistent and unfair. In circumstances where schools are taken over by sponsors (via intervention), LAs must write off any deficits the school may have built up however if there is a surplus, this transfers to the new academy. This penalises LAs for something for which they are not responsible for on a day to day basis. With no control over when or if a school becomes an academy, LAs are exposed to significant financial risk. In contrast, both surpluses and deficits remain with converter academies. There are also inconsistencies in the approach to payment of the apprenticeship levy depending on the status of schools. For schools required to pay the levy, there is little opportunity to benefit from this yet it represents a significant financial burden. Such anomalies within the system do nothing to promote fair funding of all schools, irrespective of status. It is disappointing that such inequities within the system remain after a major review of school funding systems. ADCS would welcome further discussion on these points.
16. ADCS members believe that inclusion should sit at the heart of the education system, therefore, we welcome the recent announcement of Ofsted's investigation into schools that are 'gaming the system', i.e. entering pupils for non-academic qualifications to improve league table performances. ADCS would suggest that practices designed to 'game the system' are wider than this and can also include excluding pupils during crucial GCSE studies or encouraging parents to educate at home, all to improve league table performances. This lack of inclusivity is driven, in part, by the ever-sharper focus on absolute achievement, rather than progress, as part of the ongoing national reforms and the inspectorate's framework for inspecting schools. This does nothing to support vulnerable learners achieve their potential and requires urgent review. This is in stark contrast with the relatively new SEND inspections which focus on how well pupils are supported to reach their identified outcomes. In a system with insufficient resources, there is a risk that practices designed to 'game the system' continue as mainstream schools' ability to provide SEN support diminishes.

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