

Schools national funding formula – Stage 2

Consultation response

March 2017

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GENERAL COMMENTS

CIPFA welcomes the opportunity to respond to the consultation *Schools National Funding Formula – Stage 2*. Our comments focus on the issues and consultation questions which CIPFA, in its role as a professional accountancy body, has a particular interest.

CIPFA supports the overall aims of the proposed national funding formula. We believe that schools' funding should be transparent, fair and that the outcomes of the formula should support opportunities for all pupils. In our view, key to a successful implementation is the need to ensure that there is sufficient funding overall to provide for a high quality education system and that there is appropriate transitional protection to allow schools to adjust to changing funding levels. Introducing a new formula could see significant losers in terms of funding and has the potential to generate turbulence across the education sector.

We note that detailed proposals for the implementation of the 'hard' national funding formula will be subject to later consultation. We therefore remain unclear regarding how the proposed national funding formula will be managed. For example, will local authorities have a continuing role as intermediaries between schools and the Department? A significant volume of maintained schools still liaise with their local authority rather than directly with the Department. A change resulting in all these schools having the direct relationship with the Department instead would result in significant pressures on departmental resources.

RESPONSES TO QUESTIONS

Question 4

Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language)?

Whilst we support factors within the proposed funding formula intended to address deprivation, low attainment and English as an additional language; we are concerned that the difficulties in recognising and accommodating local circumstances should not be underestimated. It is currently unclear regarding how effective a national funding formula could be at addressing a range of local circumstances which impact on disadvantage such as high urban costs, remoteness, high travel to school costs and dilapidation of schools' estates and equipment. It also is not yet apparent how the information to support the new process will be generated in a timely and efficient manner, where overall responsibility for its accuracy and reliability will fall and the costs associated with it.

Question 9

Do you agree that lagged pupil growth data would provide an effective growth factor in the longer term?

We believe that using lagged pupil growth data as a growth factor would be inappropriate - a factor based on historic data would be ineffective. We are concerned that it could result in the need for a complex mechanism to claw back or pay additional funds where there is a significant change in numbers.

In our view, growth funding should be based on actual in-year census data and applied via a separate factor above an agreed tolerance. This would ensure that it is targeted at growth that is planned and would better match the timing of significant additional costs to schools.

Question 10

Do you agree with the principle of a funding floor that would protect schools from large overall reductions as a result of this formula? This would be in addition to the minimum funding guarantee

We support the principle of a funding floor, as it is important that successful schools deemed to be overfunded do not quickly become unviable. However, there is a need to ensure that there is sufficient funding overall to provide for a high quality education system.

Schools facing funding reductions will need to reduce their costs. To do this effectively, schools' leaders need to understand clearly what they spend their money on and the associated outcomes. In our view, there needs to be investment in data, skills, training and support for the schools' sector in order to do this.

Question 14

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

We note that the DfE is proposing that local authorities would have a limited ability to move funding between the schools and high needs blocks in 2018-19, following local consultation and with the explicit agreement of the schools forum and a majority of their schools. We also note that the DfE intends to develop some continuing local flexibility from 2019-20. In our view, there needs to be sufficient flexibility at a local level in order to ensure that local needs and priorities, for example issues surrounding mental health and SEN, can be taken into account.

Question 15

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

The consultation considers the transition to a reformed funding system and arrangements for a 'soft' formula. The stage one consultation noted plans to phase in changes over time. We believe that the proposed changes need to be phased in gradually to protect those facing a reduction in budgets. We are therefore concerned about the proposal to have only one year of the 'soft' formula in 2018-19 and not two as proposed in the stage one consultation.

Where schools lose 3% of their funding, there will be significant one-off costs associated with redundancy payments and pension contributions which will be difficult for academies, particularly stand-alone academies, to address. Currently there is no financial help available for this. In our view, it would be helpful for the DfE to look at how academies in these situations might be supported.

Question 18

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

As was stressed at the beginning of this response, key to a successful implementation is the need to ensure that there is sufficient funding overall to provide for a high quality education system. We remain concerned about the savings of around £600 million to be made from the withdrawal of the Education Services Grant (ESG) and its impact. Schools will be expected to fund core services such as education support and school improvement from their own budgets,

despite a smaller element of funding for ESG duties being paid through the schools block of Dedicated Schools Grant. This is against a backdrop of concerns regarding the financial health of the sector expressed by the National Audit Office in its report on schools' financial health (*Financial sustainability of schools, December 2016*). This noted that the DfE's overall schools budget, although protected in real terms, does not provide for funding per pupil to increase in line with inflation.



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