

LEWISHAM SCHOOLS FORUM			
REPORT TITLE	National Funding Formula		
KEY DECISION	No	Item No. 7	
CLASS	Part 1	Date	1 October 2015

1. Purpose of the Report

This report looks at the latest information on a possible new national funding formula for schools.

2. Recommendation

The School Forum note the report

3. Background

- 3.1 In its November 2010 education White Paper, the Coalition Government stated its intention to introduce a national formula. Describing the funding system as “opaque and extremely complex”, it set out its strategy and undertook consultations to refine the approach.
- 3.2 In March 2014, the then Government consulted on its funding proposals for 2015-16. These included making an additional £390 million funding available to what it described as the least fairly funded local authorities. There were 69 authorities in total who received funding. Alongside this was a proposal to maintain funding at ‘cash flat’ per pupil for all local authorities. The extra funding was reflected in the Dedicated School Grant (DSG) allocations for 2015/16.
- 3.3 The schools funding formula was also raised at the first education questions of the new Parliament, on 15 June 2015. The Education Secretary stated in response to the questions that the Government would bring forward proposals “in due course”, which would be subject to consultation.
- 3.4 The Secretary of State for Education, Nicky Morgan stated “It is clearly unfair that a school in one part of the country can attract over 50% more funding than an identical school elsewhere. That is why the Conservative party committed to making school funding was fairer in our election manifesto, and we will come forward with our proposals in due course. These are complex issues that we have to get right, so we will consult extensively”.
- 3.5 Further the minister said “But it’s not straight forward and in a climate where you don’t have lots of money, we have to do this in a way that deals with the problems but doesn’t cause lots of turbulence. We will have to look at the impact on areas that have been overly funded”.

4. F40

- 4.1 The f40 group represents 37 English local authorities with historically low funding for education. They have been campaigning for a fairer system for the allocation of funding for schools for many years. Their aim has been to influence a change in the way the government allocates funding to local education authorities and schools.
- 4.2 They feel that the existing funding model has no rationale and is unfair. They describe mainstream school funding as a 'mess' together with the introduction of the Minimum Funding Guarantee (MFG) and capping, they also feel there is no rationale for the funding of Early Years or High Needs either. They feel that the inconsistencies in funding for individual schools with similar characteristics across the country are too great.
- 4.3 They wish to see a national funding formula allocating the same funding for all mainstream pupils nationally. This, they feel, would resolve the problem of a child attracting very different levels of funding if they attend a school on one side of a local authority boundary rather than another.
- 4.4 There is now a real possibility that there will be a redistribution of funds between the Local Authorities with the highest per pupil funding to the lowest.
- 4.5 Lewisham is the 9th highest per pupil funded authority in the country. The F40 group now have significant representation in the Government and have put forward proposals where Lewisham would see a reduction of around 10% per pupil. The proposals would be over a three-year period but would present a significant management challenge for schools in Lewisham.

5. Impact

- 5.1 The F40 group have provided a model of the formula they would like to see implemented, each authority's funding has been calculated individually and for Lewisham the reduction is around 10% over three years. This equates to roughly £17m across Lewisham's maintained schools.
- 5.2 Whether ministers would go for an adjustment of this size it is unknown. In the past it they have shied away from reducing a local authority's funding. However the F40 group have a number of members who are MP's and some of these have been appointed as Parliamentary Private Secretaries to ministers. At the start of parliament there is more political potential for making major reform than when an election is imminent. There is a general view that implementation would not take place until 2017/18 but with a fixed term parliament this would allow a new funding system to bed down before the next general election is expected.
- 5.3 Alternatively ministers allocate extra funding to the DSG. They invested £390m in 2015/16. If we model the financial consequence of bringing every Local Authority to the inner London Average by investing £390m each year it would take over 25 years, which is not practical. The sum needed would be £10bn: the current

overall funding on the schools block is £30bn. Incidentally Lewisham is slightly below the inner London average amount per pupil (excluding the City of London).

- 5.4 Any redistribution would take place against a background where dialogue with schools indicates that they are experiencing greater difficulties in balancing their budgets. Of the schools returns received, 80% are predicting a fall in their balances in 2015/16. With the cost pressures, particular through the changes to Superannuation and National Insurance rates and cash frozen settlements, these cost pressures are likely to continue. The Institute of Fiscal Studies predict this to be around 12% over the 5 year life of this parliament or £17m in Lewisham schools.
- 5.5 It could be then that schools in Lewisham need to find savings of up to 20% over 5 years, which would need significant levels of planning and support.
- 5.6 Any downsizing at this level would involve significant severance costs and need for schools to have support from HR, School Improvement Support and Finance.
- 5.6 It could of course still be possible for ministers to introduce a School-level formula rather than a Local Authority level formula. This would lead though to significant changes in funding across different schools. The Institute of Fiscal Studies has in the past sought to model implications of a hypothetical national funding formula that sought to minimise numbers of big winner and big losers: 1 in 6 schools lose at least 10%; 1 in 10 gain at least 10%. It is felt the level of occurrence of the losses would be too great and it would be for the DFE to manage the turbulence and therefore a local authority level formula is more likely.

6. Conclusion

The Dedicated Schools Grant funding arrangement is based on historical circumstances that were soundly built up originally but over time have been adjusted for by numerous grant decisions. The original basis of the funding has now been lost and a series of anomalies suggest that funding system is now in need of change. The current debate has been around how unfair the funding is and how funding levels should be consistent across the country. It is important that the concept of different needs of local authorities is recognised with this.

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