

Schools national funding formula

Consultation response

April 2016

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For more information on this response contact Kerry Ace, Finance and Policy Manager
kerry.ace@cipfa.org

General Comment

CIPFA welcomes the opportunity to respond to the consultation *Schools National Funding Formula*. This response focuses on the issues and consultation questions which CIPFA, in its role as a professional accountancy body, has a particular interest.

General comments

CIPFA welcomes the overall aims of the consultation. We support the view that schools' funding should be more transparent, fairer and that the outcomes of the formula should support opportunities for all pupils. However, there is still much to be decided and it is not yet possible to see how the new formula will operate across the sector. In particular, it is not possible to see what the impact of the factors will be until they have weightings attached to them.

Introducing a new formula could see significant losers in terms of funding and has the potential to generate significant turbulence across the education sector. 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. Chapter 3 of the consultation considers the transition to a reformed funding system but further detail is required regarding what the protection arrangements will be and how they will be funded. Paragraph 3.23 notes plans to phase in changes over several years, but the maximum rate at which schools lose funding will also need to be considered and set out as well as a defined timescale to help schools plan accordingly.

It is important that successful schools deemed to be overfunded do not quickly become unviable. Pages 50 and 51 of the consultation paper look at how those schools that will lose funding will need to increase their efficiency. To reduce costs, it is essential that schools' leaders are clear about what they spend their money on and the associated outcomes. They require appropriate knowledge, skills and support to carry out this role effectively.

Whilst acknowledging that there are factors within the proposed funding formula intended to address such issues as deprivation, sparsity and exceptional circumstances; we are concerned that the difficulties in recognising and accommodating local circumstances should not be underestimated. It is currently far from clear 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.

It also remains unclear 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? There is currently a significant volume of maintained schools which 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 could result in significant pressures on departmental resources.

At a practical level, the Department will need to set out how schools will be paid - some small schools do not have bank accounts or the accounting systems to handle their own payments. A further concern is that many do not have the management accounting capacity to monitor their expenditure. Where local authorities choose to withdraw further from providing services to schools, an increased number of schools will also need to negotiate contracts direct and require the necessary procurement expertise to do so.

Responses to questions

Question 1

Do you agree with the proposed principles for the funding system ?

In our view, the principles for the proposed funding system are sensible. However, we note that under the first bullet, 'a funding system that supports opportunity', the consultation paper notes that 'Reliable and robust data about pupils' characteristics should determine the resources their schools receive'. Whilst we do not disagree with the point, we do question whether this data is/will be available at the required level. How will it be collected and will it be sufficiently robust, reliable and up to date ? Who will be analysing the data and how will the Department ensure that there is adequate capacity to cope with what will be required ?

Question 2: Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula ?

The move to a national funding formula has the potential to add transparency and understanding to the process and also to remove a layer of complexity that exists in current arrangements. However, we also believe that very careful balancing of the funding factors will be required in order to align funding with need at a local level.

Question 3: Do you agree that the basis amount of funding for each pupil should be different at primary, key stage 3 and key stage 4 ?

We agree that funding at these stages should be different in order to take into account the differentials in costing course programmes at different stages. In our view, consideration should be given to an additional rate at KS1 where staffing ratios are necessarily higher.

We note the mention at paragraph 2.3 of factors being based on ' data which is accurate at school-level, up to date and appropriately quality assured'. In our view, the Department will need to give further guidance on how this to be achieved.

Question 4a : Do you agree that we should include a deprivation factor ?

We support the inclusion of a deprivation factor and the emphasis on promoting greater certainty for schools with regard to funding in relation to this factor.

Question 6: Do you agree that we should include a factor for English as an additional language?

We support the inclusion of a factor for English as an additional language.

Question 7: Do you agree that we should include a lump sum factor?

Yes, this seems sensible.

Question 8: Do you agree that we should include a sparsity factor?

Yes, this seems sensible.

Question 9: Do you agree that we should include a business rates factor?

In our view, some local discretion would be helpful in relation to 'other school cost factors'.

Although we agree that a business rate factor should be included, we believe that thought should be given to exempting schools from business rates in order to avoid circular funding. This would have the advantage of removing bureaucracy from the current claims process.

Question 11: Do you agree that we should include a private finance initiative factor?

Although we support the inclusion of a private finance initiative factor, a solution for it could be complicated and will need to be balanced carefully with the cost of generating the necessary data.

Question 12: Do you agree that we should include an exceptional circumstances factor?

We support the inclusion of this factor, but there remains much to be resolved.

Question 14: Do you agree that we should include a growth factor?

We agree that a growth factor should be included. 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 results in significant additional costs to schools.

Question 17: Do you agree that we should target support for looked-after children ...through the pupil premium plus ?

We support the consolidation of funding for looked after children into a single funding stream. However, this funding should go directly to schools where accountability for outcomes should also rest.

Question 18: Do you agree that we should not include a factor for mobility ?

In our view it would be helpful to include an additional factor for pupil mobility in order to recognise additional costs faced by some schools.



Kerry Ace
Finance & Policy Manager
CIPFA
77 Mansell Street
London
E1 8AN

T: 01425 403314
kerry.ace@cipfa.org
cipfa.org.uk