

Consultation on the Future Distribution of School Funding

15 March 2010 to 7 June 2010

Summary of Consultation Responses

Introduction

In March 2010 a consultation was launched by the previous Government on the future distribution of school funding. This followed a wide-ranging review of the mechanism for allocating the Dedicated Schools Grant announced in January 2008. The document set out the previous Government's proposals for distributing school funding from April 2011 including the principles which would underpin a new funding system and options for operating the DSG allocation formula. The consultation closed on 7 June 2010.

The new coalition Government took office on 11 May 2010. It agreed that the consultation exercise should continue and that it would consider the responses in the development of its own funding proposals.

This document provides an analysis of responses to the consultation. It sets out:

- an overview of responses to the consultation and
- a summary of the responses to the questions in each chapter

A total of 3,148 responses were received, 2,658 of which were in the form of responses and petitions from residents of Haringey and Newham, supporting a 'hybrid' approach to the Area Cost Adjustment (Question 14 of the consultation). 22 members of the '4in10' project in Newham also sent in a submission supporting the hybrid approach. A separate 93 responses were received in a petition from Devon seeking 'Fair Funding' for that county.

In total 748 responses, including 351 'campaign' responses, were loaded onto the e-consultation database¹, broken down by organisation as follows:

Parent / Carer:	179	24%
Campaign Group:	147	20%
School:	100	13%
Individual Local Authority:	91	12%
Teacher:	70	9%
Other:	46	6%
Schools Forum:	44	6%
Governor Association:	34	5%
Local Authority Group:	20	3%
Teacher Association:	10	1%
Other Trade Union / Professional Body:	6	1%
Early Years Setting:	1	0%
Total:	748	100%

A list of the organisation that responded can be found at Annex A

¹ 'Campaign' responses received in the Department in hardcopy were counted, but not entered onto the database

Overview

The responses to the consultation have been analysed and a short overview of some of the main comments is set out below:

- The vast majority of the 340 respondents to Question 1 on the principles agreed with all or some of the principles underpinning the formula with just 3% agreeing with none of them.
- There was general support for the policy of mainstreaming grants into the DSG, with nearly two thirds of the 321 responses to Question 2 agreeing, although there was some concern about the impact of mainstreaming specific grants such as EMAG or the school lunch grant.
- The majority of those who responded to the question about the methodology for calculating the basic entitlement, some 51%, supported the Activity Led Funding approach as opposed to 22% who supported the Judgemental approach.
- There was a mixed response to the question of which is the best indicator for distributing deprivation funding with none of the five indicators receiving overwhelming support. The most favoured option - Option 5, a mixed FSM and IDACI indicator - received the most support with 32%, but the second most favoured – Option 4 – received 28%.
- There was strong support for the proposal for LAs to develop their own pupil premium, with 83% in favour.
- There was a lot of interest in the issue of the fairest method of applying the Area Cost Adjustment. There were campaigns in Newham and Haringey which have significantly increased support for the hybrid option. However, even without the campaign responses the hybrid option still received most support (60%).
- There was strong support for the proposal to provide extra funding to schools catering for large numbers of Service children with almost two thirds in favour.

Summary of Consultation responses

(NB – in some case percentages may add up to 99% or 101% due to rounding error)

Chapter 1 – Towards a new formula

The principles underlying the new funding formula are: that it should meet the needs of the 21st Century School; that “fairness” does not mean that everyone will get the same; that needs in individual schools are best assessed at the local level; that differences in funding between local authorities must be justified using robust evidence; that a Local Pupil Premium should be used to distribute deprivation funding, and that there should be protections at school and local authority level to reduce the level of short term changes to the distribution.

1. Do you agree with the principles we are applying to the formula?

340 responses of which:

50% All 43% Some 4% Not sure 3% None

Comments made

An overwhelming majority supported either all or some of the principles outlined in the consultation document which were around the issues of fairness, the use of robust evidence, the introduction of a local pupil premium and the need for funding protection arrangements. There was however some disappointment at the lack of detailed exemplifications which have for some prevented a more informed response.

Many of the specific comments were around questions covered later in the consultation. Others were around: (a) the need to ensure that there is sufficient funding for schools to enable them to meet pupil entitlements; (b) for differences in funding between areas to be backed up by robust evidence so that it is clear where there is the need for higher spend in particular cases, and (c) a more needs-led approach to allocating funding. Some argued that additional funding provided by local authorities over and above SFSS (Schools Formula Spending Share) in 2005-06 which were included in the base used for the spend-plus methodology for calculating the DSG should be protected within each LA or returned to the LA for local tax payers.

We intend to mainstream as many specific grants as possible into the DSG. At this stage we see the DSG as including: Dedicated Schools Grant (including London Pay Addition Grant); School Development Grant (Devolved) excluding Specialist Schools; School Standards Grant; School Standards Grant (Personalisation); School Lunch Grant; Ethnic Minority Achievement Grant; Extension of the Early Years Free Entitlement and Extended Schools – Sustainability and Subsidy.

2. Do you agree with the proposals to mainstream the grants specified into DSG?

321 responses of which:

63% Yes

21% No

16% Not sure

Comments made

A large majority of those who responded to this question supported the case for mainstreaming grants as a way of simplifying the funding system, both in terms of increasing its transparency and reducing its bureaucracy. There were particular concerns around the proposals to mainstream individual grants, EMAG and the School Lunch Grant being the main examples, but no consensus. Those against mainstreaming the School Lunch Grant felt that in a context of reduced public spending and tighter education budgets, this funding may be diverted into other areas of education, and preferred to retain a centrally managed source of funding for school meals. The converse view was that mainstreaming the grant would allow schools to have greater control and discretion over how they allocate funding for school food, allowing schools to be creative in how they invest and fund their school food service.

With EMAG some welcomed the proposed flexibilities to allow LAs to retain a portion of this funding to run centralised services, while others suggested that EMAG funding should be exempt from mainstreaming on the basis that there is a lack of a framework of accountability for LAs and schools in this area; that mainstreaming would diminish the focus on work supported by this specific funding stream, and that the existence of certain specific services (such as the Travellers' Education Service) was threatened by the proposals – a number of respondents commented on the need to maintain central specialised services in the LA.

There was general support for transitional arrangements to ease the effect of the mainstreaming of these grants.

We are clear that the elements of the formula will be: a basic entitlement; additional educational needs, including those associated with deprivation; high cost pupils; sparsity and an area cost adjustment.

3. Do you agree with the proposed elements of the formula?

320 responses of which:

70% Yes

15% No

15% Not sure

Comments made

Many recognised the proposed blocks as similar to those that existed before spend-plus, and were supportive of their continued relevance. There was widespread agreement that the weighting between the blocks was crucial, with some arguing that the ACA and AEN blocks should be reduced to enable more to be put into the basic entitlement.

Chapter 2 – The Basic Entitlement

The basic entitlement is intended to cover the general costs of running schools - notionally just less than three quarters of the current DSG allocation. There are two approaches to calculating the basic unit of funding per pupil: a judgemental approach – in which the funding is based on an assessment about how best to divide up the overall sum planned by the Government into its main formula components, or a bottom-up approach – in which the funding is based on an assessment of how much a school needs to spend to provide education for pupils before any adjustments are made, known as activity-led funding (ALF).

4. Which methodology for calculating the basic entitlement do you consider would enable the fairest and most practical distribution of funding?

305 responses of which:

51% Activity-led funding 27% Not sure 22% Judgemental

Comments made

A majority supported an activity-led funding methodology, but a significant minority either supported a judgemental approach or were not sure. Those supporting ALF saw its advantages as being transparency and that it seemed the 'right' approach to recognising which activities need to be reflected in the basic entitlement. Those arguing against felt that it was likely to be too bureaucratic and expensive to run and there was either a lack of data or the likelihood that data used would not be accurate. Some local authorities that have tried to introduce an ALF element in their local formulae commented on the difficulties.

Chapter 3 – Additional Educational Needs

Our proposed methodology for distributing AEN funding is to make an assessment of the national incidence of additional educational needs and, because we have no way of knowing exactly where each pupil with additional educational needs is located, to use proxy indicators to assess the likely incidence of these needs in each local authority. We propose to distribute funding using carefully chosen indicators that are associated with the individual need types identified in the PricewaterhouseCoopers survey.

5. Do you agree with the proposed methodology for distributing money for additional educational needs?

311 responses of which:

50% Yes 22% No 28% Not sure

Comments made

There was, in general, agreement to the use of proxy indicators, though some debate on the detail of which indicators to use and, particularly, whether or not a 'flat' distribution would reflect need. Several respondents felt that there should be greater transparency between AEN and deprivation, and that the current definition of 'underperforming groups' does not take account of one of the lowest performing groups of all – white working class boys.

Within the distribution mechanism we have identified five options for the indicators to be used for distributing deprivation funding. These are:

- Option 1 Out of Work Tax Credit Indicator**
- Option 2 Free School Meals (FSM)**
- Option 3 Child Poverty Measure**
- Option 4 Average IDACI (Income Deprivation Affecting Children Index) score of pupils educated within the local authority**
- Option 5 FSM with the additional 500,000 pupils in most deprived areas by the IDACI score not on FSM**

6. Which is your preferred indicator for distributing money via deprivation? Why?

258 responses of which:

- Option 1: 5%
- Option 2: 15%
- Option 3: 20%
- Option 4: 28%
- Option 5: 32%

Comments made

As can be seen from the results there was no agreement on which indicator to use. Those who favoured FSM did so mainly on the basis that it is the easiest to measure, directly pupil-related and provides the best correlation with attainment. Many felt, however, that because take up is known to be poor in some areas it was not the best measure of deprivation and preferred either the Child Poverty Measure, or IDACI. Overall, the dual approach of FSM + IDACI received most support, but not by a wide margin. Several alternatives, such as Education ACORN or MOSAIC were suggested, based on local authorities' experience of using these.

In the consultation document we have linked the non-high cost AEN need types to what we consider to be the most appropriate distribution indicator. This results in 49.5 per cent of AEN funding being distributed via a deprivation indicator, 24.6 per cent is distributed via underperforming groups, 13.5 per cent via English as an Additional Language and 12.4 per cent via a flat per pupil rate.

7. Do you agree with the indicators, other than for deprivation, that we have proposed for each need?

287 responses of which:

26% All 54% Some 15% Not sure 6% None

Comments made

80% of people who responded to this question agreed with either all or some of the indicators. Issues identified by respondents were that: (a) white working class boys (closely followed by white working class girls) are amongst the lowest performing groups nationally, yet do not feature in allocations for underperforming groups. (b) The proportion of AEN funding to be distributed via 'English as an Additional Language' (13.5%) is high, given that pupils identified as having EAL may already be fully fluent in English. (c) The issues of Gypsy Roma and Traveller Education, Gifted and Talented and Children in Care are not given sufficient priority. (d) The High Cost pupil block uses achievement levels for Cognition & Learning, and it is not clear why the different measure of under performing groups is used here. (e) There seems no logic to using flat rates – more should be done to develop a suitable indicator.

To ensure the funding to support schools to meet the needs of deprived children is clearly identified and responsive to where these children are, the Government will require all local authorities to operate a Local Pupil Premium from 2012-13 onwards. This means that an amount of money in a school's delegated budget must relate directly and explicitly to deprived pupils within the school, and should move around the system as necessary. Such a Local Pupil Premium would mean that if a school recruits a larger number of deprived pupils, they can see that they will get additional funds, which will be reflected in their budget.

8. Will the Local Pupil Premium mechanism help funding to be more responsive to changes in pupil characteristics?

294 responses of which:

55% Yes 13% No 32% Not sure

Comments made

While there was a majority agreeing that a pupil premium will make funding more responsive, many local authorities commented that they - in effect - already operate a local pupil premium for allocating their deprivation funding. It was thought that it might be helpful in rural settings, and with overcoming resistance from schools in admitting Gypsy Roma and Traveller children. In-year transfers and clawback were identified as disadvantages, and it was pointed out that because school budgets are delegated there is no audit trail to show that funding allocated to an individual pupil is actually spent on that pupil; it simply becomes part of the school budget.

The Government believes that local authorities and schools are in a far better position than central Government to assess the levels of need within individual schools. Local authorities will have the freedom to agree with their Schools Forums how to operate a local pupil premium, rather than a process being mandated nationally. Local authorities will want to develop different systems depending on their local circumstances, and we will look to provide best practice as systems develop.

9. Is it right that local authorities should each develop their own pupil premium mechanism?

301 responses of which:

83% Yes

8% No

8% Not sure

Comments made

There was strong support for the pupil premium mechanism to be developed by each local authority, though it was pointed out that this might lead to a lack of parity between children in one LA compared to children with the same needs in another. It was recognised that LAs would need to work closely with their schools and school forums in developing the mechanism. It was suggested that largely rural LAs may decide relevant indicators for rural deprivation are different to those appropriate in an urban environment. Guidance from the Department on this would be seen as useful.

Chapter 4 – High Cost Pupils

We propose to use the same approach for the allocation of funding for the high cost pupil block to that proposed for the allocation of AEN funding – namely that based on the pupil need types identified in PwC school survey, but using the specific data for high cost pupils, and identifying the most appropriate distribution mechanism for allocating resources to local authorities for these need types. The effect of the formula is to distribute 14 per cent of the high cost pupils block via deprivation, 50 per cent distributed via a flat per pupil rate, 33 per cent distributed via a measure of those pupils not achieving higher than Level 2 at Key Stage 2, 2 per cent via the take-up of Disability Living Allowance and 1 per cent via English as an Additional Language.

10. Do you agree with the methodology for distributing money for High Cost Pupils?

282 responses of which:

43% Yes

18% No

39% Not sure

Comments made

Responses were mixed. Those who agreed tended to simply state that the proposed methodology was appropriate. There was little consensus amongst the 57% who were either against or not sure. Some respondents, for instance, welcomed the flat rate element; some felt that the percentage to be allocated by a flat rate was far too high. Differences in the methodology used to High-Cost Pupils pre- and post-16 were raised. And several respondents pointed out that using pupil achievement would not incentivise pupil progress as it would simply reward low attainment.

Chapter 5 - Sparsity

For sparsity funding we propose to use the home postcode data collected in the annual school censuses; these are collected annually and, as a pupil census, would more accurately reflect the sparsity of the pupil population. We also propose to use the Middle Super Output Area to provide a replacement to the ward geography, providing a comparable number of geographic units to that of wards

11. Do you agree that the school censuses and Middle Super Output Area are the right data source and geography to use to assess the sparsity of an area?

267 responses of which:

64% Yes

6% No

31% Not sure

Comments made

A large majority of respondents agreed with the use of home postcode data and the MSOA for the assessment of sparsity. It was pointed out, however, that although the home postcode of the child would reflect the distance a child has travelled to get to school, this may be as a result of the popularity of a school, whether it is selective, or parental choice for a particular type of school (e.g. faith). There was some support for the use of lower super output areas as MSOAs could cover both rural and urban areas.

Two options are proposed for calculating the sparsity factor – broad and narrow. The broad option would, at current figures, result in 104 local authorities receiving additional money for sparsity, with 1.07 million pupils deemed sparse or super-sparse. An alternative, narrow, option would mean that around 300,000 pupils are deemed sparse or super-sparse, a number similar to the 280,000 pupils who currently attend small (<150FTEs) rural primary schools. Under these altered thresholds 66 authorities would receive sparsity money, enabling us to increase the unit cost for each sparse pupil.

12. Which method for calculating the sparsity factor do you think will best enable additional funding to reach those local authorities that need to maintain small schools – the broad or narrow option?

264 responses of which:

25% Broad

42% Narrow

33% Not sure

Comments made

The largest percentage of responses supported the narrow option, but this was not overwhelming. Support for the narrow option were based on the view that the broad option would include too many LAs, some of which would not appear to have a strong justification for sparsity funding; that if sparsity funding is spread too thinly there will not be enough to guarantee the survival of village schools; and that for the broad option, using a threshold of 0.408 pupils per hectare, there would be approximately 1300 children within that area likely to attend the school. Support for the broad option was based on the view that it would create less turbulence; that as pupil numbers in small rural schools can vary significantly year-on-year, the narrow option has the risk of not reflecting these variations and that the narrow option creates cliff edges. Whichever option is chosen it was commented that it should not discourage local authorities from tackling the sensitive issue of inefficient small primary schools.

The case for a sparsity factor for small secondary schools was considered, having regard to:

• Whether there are enough small secondary schools to warrant a dedicated sparsity factor and whether their occurrence can be predicted by a sparsity measure;

• Whether or not small secondary schools require more teachers per pupil than other schools; and

• If not, whether that means that small secondary schools are unable to deliver sufficient choice in the KS4 curriculum.

No robust link was found between small schools (below 600 FTE) and sparsity. No evidence was found that small secondary schools have disproportionately more teachers than other schools. And an analysis of the number of subjects on offer at each school showed a very wide variation in the number of subjects available in schools of similar sizes. This suggests that the need for a secondary sparsity factor has not been proven.

13. Do you agree that there should not be a secondary sparsity factor?

274 responses of which:

42% Yes

28% No

30% Not sure

Comments made

While there was no majority for a secondary sparsity factor, where there was support for one it tended to be a strongly held view. Most agreed that secondary schools were less affected by sparsity issues than primary, though strong arguments were put forward for a secondary factor based on the need for significant additional funding to ensure the full curriculum can be delivered, particularly with the Diploma. It was also pointed out that there are significant issues around providing extended services in sparsely populated areas and many commented on the additional home-to-school transport costs (though these are not covered by the DSG). Nonetheless the majority supported the analysis by the Department and did not feel the case for a secondary factor has been proved.

Chapter 6 – Area Cost Adjustment

The Area Cost Adjustment (ACA) reflects the need for schools in some areas to pay higher salaries and to pay more to recruit and retain staff. Two options are proposed for reflecting area cost differences for education: the general labour market (GLM) approach and a hybrid approach. The latter is based on the specific pay costs of teachers, details of which are available, and the GLM approach for the elements of staff costs where details are not available.

14. Which is the fairest method of applying the Area Cost Adjustment?

2,814 responses (including the campaigns from Haringey and Newham)

2% GLM

96 % Hybrid

2% Not sure

261 responses (excluding the campaigns from Haringey and Newham)

16% GLM

60% Hybrid

25% Not sure

Comments made

Responses to this question were dominated by the campaigns and petitions – mainly from residents in Haringey and Newham who strongly supported the hybrid approach. This would, they felt, go some way to addressing an historical anomaly under which they are funded using an outer-London ACA for DSG purposes, whilst being required to pay inner-London teacher salaries.

Even without the large number of responses by the campaigns, however, the hybrid option was still the most popular, with the majority feeling that it was both fairer and easier to explain than the GLM. Some respondents, however, felt that there should not be any ACA (apart from an inner-London addition), and/or that the amount paid was too high and drained funding away from the basic entitlement. A number supported the GLM, arguing that it had the broadest recognition of variances faced by all local authorities and schools, and that as teachers are part of the wider labour market the GLM method should adequately reflect differences across the country.

Chapter 7 – Transitional arrangements

As we are mainstreaming specific grants into the DSG we propose having a single set of transitional arrangements that applies to a baseline incorporating both the DSG and those grants. As the approach is likely to require local authorities to revise their formulae and as timing is tight to do this for 2011-12 we propose to amend the School Finance Regulations to enable local authorities to include previous specific grant payments as formula factors for 2011-13.

15. Do you support our plans for the transitional arrangements for mainstreaming grants?

285 responses of which:

67% Yes

16% No

17% Not sure

Comments made

Overall, respondents strongly supported proposals for a single set of arrangements to cover DSG and mainstreamed grants. The need for flexibility and the importance of agreeing a way forward with school forums was raised. As with question 2, some felt that EMAG should be retained as a discrete grant – at least for an interim period. The need for transparency was raised by several respondents, particularly in the childcare and early years' sector. It was suggested that replicating existing grant streams in the schools' local funding formula would defeat the principle of mainstreaming grants in the first place.

In order to protect local authorities from significant potential losses in the formula, we intend to have a per pupil cash floor which will be set above the level of the Minimum Funding Guarantee. This floor will need to be paid for by either a ceiling on large increases the formula generates for some authorities or by reducing the allocation to all other non-floor authorities (or a combination of the two).

16. Should floors be paid for by all local authorities or just the largest gaining authorities?

272 responses of which:

39% All Authorities

31% Largest Gaining Authorities

31% Not sure

Comments made

There was no consensus on this, with many respondents saying it was impossible to give an opinion until they can see exemplifications. A number of respondents did not support a cash floor or a MFG for authorities, commenting that they both extend inequity by protecting school budgets above the level the local formula would allocate, and that any transitional arrangements must not be complex or long-standing. Other options offered were a combination of both approaches or a sliding scale.

We have said that we will take this opportunity to consider if the operation of the Minimum Funding Guarantee can be improved.

17. Have you any suggestions as to how the Minimum Funding Guarantee could be improved?

247 responses of which:

45% Yes

37% No

19% Not sure

Comments made

Responses ranged from “It should be scrapped” to “works well and gives a sense of stability”. A number of respondents suggested abolishing it, though it was acknowledged that it had been useful in the past. Arguments against it were that it adds another layer of bureaucracy to the system and reduces the power of local authorities and their schools forums to make local funding decisions. If it is to continue, however it was felt that there should be more local discretion in setting the MFG as it currently dampens the effect of the local formula and that we should allow School Forums the flexibility to make changes to reflect local circumstances. It was suggested that in order to avoid the MFG acting as a force to stifle change, it should be retained but set at “a very low level” to allow more headroom. It was also suggested that pupil number changes have more of an impact on school budgets and schools generally manage the effects of these. A nationally set MFG builds in too much protection if, for example, there are local pay awards for non-teaching staff below the assumed rise. Several LAs thought that protection was built in for too long and should be tapered/time-limited or that it should be changed so there is just a minimum increase to the AWPU. Several respondents mentioned that more clarity is needed around Early Years settings and possible use of the MFG.

In 2008 we introduced the Exceptional Circumstances Grant (ECG). Its purpose was to assist local authorities who experience:

- **significant growth in the number of pupils between the January school census and the start of the academic year; or**
- **significant growth over the spending period in the number of pupils with English as an Additional Language.**

This grant is funded from the overall DSG settlement. In 2008-09 and 2009-10, no authorities received ECG for a general increase in pupil numbers, although several have received funding for increases in the proportion of pupils with EAL. We are seeking views on whether there is a case for a similar arrangement from 2011, funded from the DSG, and if so how it should operate and what circumstances should be covered.

18. If a contingency arrangement for local authorities is to continue, funded from the DSG, what areas should it cover and what should the criteria be for triggering eligibility?

Comments made

The vast majority of respondents supported the continuation of the ECG, though a few argued against the principle of holding contingency funds centrally and felt that all funds should be distributed to LAs and schools. On the whole respondents agreed with the current circumstances covered, though some felt that the criteria were too strict and should be relaxed and some argued that it should apply to EAL only. There were a number of additional suggestions for increases that could generate bids for funding, e.g. additional funding for Gypsy, Roma and Traveller pupils and significant growth in pupils with AEN. A number of respondents felt that any underspend in one year should be added to the DSG in the next.

The review considered whether there is evidence that children of parents from the Armed Services are underachieving and need additional support. Evidence shows that such children do well compared to their non-Service children peers and this does not suggest the need to make specific provision for Service children in the DSG formula to support underachievement.

We consider there is a case for additional support for schools which traditionally cater for Service families, mainly those located near armed service establishments. Such schools are prone to pupil number fluctuations and therefore funding due to troop movements, which can affect their stability and sustainability. We are considering whether to allow local authorities with such schools to make a claim for additional pupils to be counted for DSG purposes where numbers have fallen significantly from one year to the next as a result of armed forces movements. These claims would be made directly to the Department and would be considered individually on their merits.

19. Do you support our proposals for Service children?

264 responses of which:

66% Yes

19% No

16% Not sure

Comments made

The majority supported the proposals, though a number of respondents felt that this was a local issue and should not complicate national funding arrangements. A significant number of respondents also felt that it was an appropriate use of the Exceptional Circumstances Grant, rather than setting up an additional discrete funding arrangement. A small number of respondents felt that the issue did not only apply to schools with service children but also coastal resorts, particularly those that attract large numbers of families on benefits in temporary accommodation, and schools that had high numbers of travellers.

20. Have you any further comments?

Many of the issues raised under this question reflected specific examples relating to earlier questions in the consultation, and have been covered by the summaries to these questions. A number of separate issues, however, were raised:

- The scope of the review was discussed, with suggestions that it should have been wider and included such subjects as transport costs, particularly in rural areas, and should have specifically looked into the funding for home education.
- The question of Looked After Children (LAC) was raised, with one authority saying that the funding allocated did not adequately reflect the very high levels of LAC placed in it by neighbouring (London) authorities
- Early years providers mentioned the difficulties caused by the decision not to implement EYSFF across all local authorities from April 2010.
- The importance of ensuring that the basic entitlement block is sufficient to meet all of the basic educational needs of all pupils was reiterated, as was the call for it to include a distinct block for local authority central expenditure.
- There were a number of calls for a National Funding Formula to be developed. It was commented that this should “build on the experience of the 16-19 funding formula developed through the LSC”, to provide a “national formula in the context of a national system for state education provision”.
- The position of PFI schools was raised. Many schools have agreements in relation to the charges they pay calculated as a proportion of between 10%-20% of DSG. If grants are mainstreamed into DSG that proportion will need to be renegotiated.
- There was a call for more recognition for deprivation in rural and suburban areas and smaller towns.

Next Steps

The review of school funding was started by the previous Government and a consultation was underway at the time of the election. The coalition Government is aware of the consultation and is grateful for the work of education partners in developing proposals. It has considered the consultation responses in the context of its own aims and objectives about how schools should be funded, in particular that a less complicated system can and should be developed. It supports proposals to mainstream relevant grants into the DSG as a step on the way to reducing the complexity of the system and accepts some of the principles that were put forward.

The Government has already committed to changes to the funding system through the introduction of a pupil premium for disadvantaged children. As well as the premium, any changes to the system will need to support the Government's policy objective of giving schools more freedom including through increasing the number of Academies and making it easier for parents and other groups to start new schools. On 26 July the Government launched its own consultation on school funding, and this can be found at <http://www.dcsf.gov.uk/consultations/>.

Longer term the Government is looking to bring in a simpler and more transparent funding system and will work with education partners to consider how best to bring this about. In particular, the intention is to introduce a fairer, formulaic basis for distributing funding, and to reduce differences in funding between similar schools in different areas. In developing proposals the previous work of the Formula Review Group will be considered.