



UNINTENDED CONSEQUENCES

Examples collected from f40 members of the unintended consequences stemming from the current changes to school funding.

1) Leicestershire County Council

The obvious thing for Leicestershire is the new approach to funding high needs pupils in mainstream schools. The LA has a highly delegated system of funding pupils with special educational needs. This has meant that schools receive funding through SEN proxy indicators within their budgets and have funding available to them to meet need through early intervention, rather than being reliant upon proving needs through the issue of a statement and then drawing down the resource to service it. It has been a successful system fully supported by schools and has reduced the overall 'statementing' rate in Leicestershire.

As a result of funding reform we are having to de-delegate funding to provide the necessary funding for additional needs over £6,000, which will create turbulence within schools when the funding is then re-targeted at needs. Additionally, it results in the need for administration systems to be established to track the funding needs, make the necessary payments etc. It may also result in us needing to adopt a new process for drip feeding cash to our schools. We also have concerns that now there is again a clear link between proving need and accessing funding that the cost of SEN will increase.

2) Herefordshire Council

- The loss of incentives for federating is surely an unintended consequence – I would be surprised if the DfE were not aware of this already – we added comment in our consultation response form. This “reform” will deter schools and local authorities from staking sensible steps in managing falling rolls re small school federations/combinations in future.
- If we are asked/expected to achieve the 1:1.27 funding ratio then this will have a serious impact on our rural primary schools – I presume this is unintended as the DfE have said that they are small protecting rural by continuing with the statutory presumption against closure (we are currently at 1:1.17 very low nationally)
- Also we know far less about the impact of the SEN funding changes and particularly the requirement that all schools must now provide the first £6,000 of additional SEN provision – this will definitely have an impact on our small primary schools particularly where there is a family in a village/school with more than one such pupil. There is also some hearsay evidence from heads that pupils with SEN needs will be harder to place as heads will not want/not be able to find the £6,000. (When we delegated SEN we deliberated moderated the proposals to protect small schools – not such effort by DfE!) There could be many intended consequences in SEN but they will not appear until it is too late.
- If the Institute of Fiscal Studies is accurate then surely it is not intended to take even more funding from a low funded authority such as us?

Achieving the 1:1.27 ratio will require us to close/federate small schools but the lump sum is a disincentive to federate schools.- there are unintended consequences of different parts of the DfE school formula even working against itself!

3. Cambridgeshire County Council

The key messages from a Cambridgeshire perspective are:

- The potential impact on small secondary schools due to the proposed limit on lump sums and more importantly the fact that the lump sums are required to be the same for both primary and secondary schools.
- The potential impact for schools which have previously benefitted from a targeted funding whether it be via formula factors or mainstreamed grants.
- As we will be limited to a set number of funding factors from April 2013, there is less flexibility for local discretion and the targeting of resources as we have aimed to do in the past following consultation with Head Teacher groups and Schools Forum. This could lead to a big movement in funding for some schools.
- The lack of any protection for schools with falling rolls could threaten the viability of some of our smaller primary schools where the numbers fluctuate significantly from year to year. MFG does not protect against a sudden drop in numbers.
- The biggest area of turbulence in both Primary and Secondary is likely to be for schools which currently have a large number of statements of SEN which are currently funded in full by the local authority. Under the new proposals they will be responsible for funding the first £x amount of each statement. (This is very much a local issue due to our current funding methodology for Pupils with Statements).

Across other LAs, the potential impact will vary significantly, dependent on their current levels of funding, and/or their current formula arrangements.

4. Head Teacher, Primary School, North Lincolnshire

Federation was initially introduced to solve the problem of finding head teachers for small schools. It may have an advantage in reducing the administration and senior management costs of small schools. However, it would now be in the best interests of LAs to close or to amalgamate schools where this would be an advantage e.g. infant & junior schools, schools that are no longer viable. Governors and schools have recognised that it is very much in their interests to federate and maintain higher levels of funding than pursue the alternative options of closure or amalgamation. Federation can become an obstacle to a rational programme of school organisation.

There's also concern about the proposed changes to SEND funding. There are basically two concerns. First, pupils with EBD and ASD will no longer have additional funding linked to a specific pupil. These pupils may have had difficulties in a school that have been managed previously by a transfer between schools. If there is no money linked to transfers, it will be more difficult to arrange such moves as there will be no benefit to a school providing a place for these pupils. Secondly, with respect to changes in SEND funding to replace funding for statements, the prospect that a school will have to provide an initial level of spending before additional funding is made available, will make it more difficult for those schools, and in particular primary schools, that have a lower level of per pupil funding. This may make

placing pupils with SEND in mainstream schools more difficult. These outcomes are obviously not the intended outcomes expected from these changes.

5. West Sussex County Council/WSCC Schools Forum

The unintended consequences include:

- extra functions and bureaucracy for schools, together with potential loss of efficiency and economy of scale arising from additional delegation since the local authority cannot coordinate collaborative activity even at the request of Schools Forum.
- Additional redundancy costs arising from the redistribution of funding - it is difficult to provide a cost for this because costs will arise gradually in 13/14, 14/15, but possibly increase significantly thereafter.
- Impact of funding changes on small primary and secondary schools may affect long term financial viability and reduce parental choice.
- Changes create risks for LAs in relation to statutory duties as employer for maintained schools e.g. no longer responsible for induction year for NQTs, but any employment tribunals arising would be the liability of the LA; delegation of funding for union facilities time which is essential for maintaining good employment relations but only affects 5/6 schools in terms of additional costs.
- Increased costs for school likely as LAs outsource process functions such as HR, payroll, IT to profit making third parties such as Capita. Profit approach may affect costs of services, particularly for small schools since the social pricing model may be abandoned, creating risks for LA functions as employer and accountable body for maintained schools.
- Loss of CC leadership and influence on education outcomes affecting future employment skills in our community.

6. East Riding of Yorkshire Council

One unintended consequence is that a simplistic system doesn't fit all and that some pupils will suffer as a result. It is important to remember that all we are doing is moving the same pot of money about in each LA to create winners and losers. It's not based on any educational grounds or school specific factors. Some schools may have 'unique' circumstances at which only an LA could target money. For example, some of our school buildings are old and have antiquated heating systems which cost a fortune to run. The energy bills for these schools are much higher than the new build schools elsewhere. Under our current system we compensate a school for this - no fault of their own situation - but under the new formula they will have less money left to pay for the resources needed to educate the children.

The speed of the changes has meant that LAs have had no choice but to try and devise a formula that causes as little turbulence to schools as possible. It is unlikely that this could have been the government's intention, but lack of time has not permitted any detailed work to be done and so those historic standard fund grants and targeted funding have still been locked in existing mfg, at least the time being. Rushed decisions and rushed formula as a result.

SEN is a real problem, but it is very intentional to have a common approach across all LAs. For those LAs that are further away from the top-up over £6000, it just makes turbulence worse. A significant unintended consequence could be an increase in the number of requests for statements, as currently we only fund £10,830 and above, the new system will fund above £6K.

7. North Yorkshire County Council

The county council has identified four main issues which impact at individual school level:

- **Targeted Funding:** The key factor that is arising is that the data and methods provided by the proposals are not allowing us to target funding to the same degree as we have in the past. This is particularly highlighted when we look at mobility funding or funding to support EAL. By using a combination of IDACI and FSM we are able to target some of our most deprived schools as best we can but some are still seeing losses. We are also no longer able to target funding at schools through an area-based premises allowance, which recognised that there are occasions when the historical size of a school does not reflect the current population, although they are still both viable and needed to provide statutory school places for the area. Such schools are still faced with significant premises costs, and this will continue as large, replacement school building programmes are not available.
- **Age-Weighting of per pupil funding:** Due to the fact that the DfE requires LAs to have only one primary AWPU, there are large losses in our infant schools and primary schools with a larger proportionate number of infant pupils, whereas our junior schools are seeing corresponding gains. A similar issue arises in secondary if we were to opt for one AWPU.
- **Lump Sum:** This is the biggest issue. The choice of lump sum value will determine which schools will gain and which will lose. The higher the lump sum the greater number of larger schools will lose as to be able to pay for the lump sum funding needs to be taken from the AWPU. Our best fit is £125k.
- **Mainstreaming of Grants:** Funding allocated to schools through the mainstreaming of grants was based upon numerous factors some of which were targeted at certain schools that had met the DfE's criteria for that particular strand of funding. It is impossible to match the previous level of funding through the new formula. Examples of this are highlighted in the schools that received the former LIG transition funding.

School variances can fluctuate between the different factors when compared to the existing levels of funding, however there is a group of schools that seems to lose over a number of the factors which will leave the schools faced with a significant loss prior to applying the DfE's Minimum Funding Guarantee. Our best fit model sees over 100 schools losing more than 2% of funding, with a shift of nearly £7m between schools.

8. Warwickshire County Council

- **Reductions in funding -** Of the 227 schools that these changes will affect, initial financial modelling indicates that up to 120 may see a reduction in funding from their 2012/13 position, even after the Minimum Funding Guarantee. In particular, of the 25 primary schools in the County, 23 are seeing a reduction, which could impact on the future sustainability of some of these schools. Particularly those schools that do not have

higher, or medium numbers of deprivation or Free School Meal children, the future viability of these schools may need to be considered.

- **Common Lump Sum** - Introducing a common lump sum across primary and secondary, a similar issue of future viability is inherent in 5 of the 9 secondary schools in Warwickshire that have less than 600 pupils. Both these situations are after the schools were also subject to changes to funding in 2012/13, as a result of the Department for Education's (DfE) encouragement to simplify local formulae for 2012/13 in the 2011 consultation papers.
- **Changes to additional educational need funding** - There is concern regarding the changes to the way that additional needs funding can be allocated to schools. The choice of the prior attainment indicator has been criticised by primary head teachers in that a pupil with a level 73 in the Early Years Foundation Stage Score will not necessarily need additional support all through the primary sector. They believe that a level of around 50 points would be more indicative. The result of the use of the 73 cut off point is that some schools may be over funded for additional needs. In fact, around 30% of schools under the proposed options will see a reduction in the schools current notional SEN budget of at least 10% whilst 47% will see an increase in excess of 10%.

Whilst the LA appreciates that additional needs does not need to be allocated using the prior attainment data, the only alternative is to use Free School Meals and/or IDACI. Locally there is evidence that additional needs is not linked to deprivation and that using this single indicator may not be reflective of schools funding needs.

The introduction of a set cash £6,000 contribution for high needs pupils in schools is unfair in light of the varying funding that Local Authorities receive. Warwickshire receives only £4,663 per pupil in DSG whereas the average is £5,082. In effect, some local authorities will be in a better financial position to fund this set cash value than others.

The LA will still retain a statutory responsibility for these vulnerable pupils during a period where the DSG is 'cash flat'. The impact of these SEN funding changes is that there is an increased risk to the affordability and flexibility of the High Needs Block; allocating funding to schools in a manner that might not reflect their needs and needing to be able to notionally offer £6,000 per high needs pupil may well result in a greater demand on the High Needs Block than previously experienced.

This is further reflected in High Needs funding for post 16 students. Previously, had the Local Authority required further funding in the Specialist Placement Budget, the EFA had provided extra support from other underspends. This pressure is now likely to fall to the LA DSG allocation in the future. There is also some uncertainty regarding the funding levels to be transferred to the High Needs Block for post 16 at this stage – the process of guaranteeing place funding to providers offers a reduced level of flexibility from within the High Needs Block.

In addition to this, the widening of the remit of management of the High Needs block, including all negotiations of top-up for 0-25 year olds means there will be additional administration costs in delivering this service. Given that flexibility of managing funds from the High Needs block will be reduced, as much of the funding will passport directly to providers, and likely increases in complexity and cost of support for these children, there are

likely to be significant financial liabilities that the local authority will be subject to. Clearly there is currently no additional resource to support this.

- **Protection levels** – There is an inequitable level of protection being offered by the DfE in relation to these reforms. Whilst there is a protection to schools in the form of the minus 1.5% Minimum Funding Guarantee (MFG), Academy schools LACSEG is protected at 10% and post 16 SEN providers are to be protected in terms of place funding, there is no protection for the overall Local Authority DSG. This is at a time where Warwickshire, like all other Councils, are required to make significant savings. For example, the main schools funding options being considered in Warwickshire could increase the MFG from approximately £2m to £6m. Whilst this can be offset by capping, it highlights the financial impact of the changes on a school by school basis.

The overall impact of the reforms is that the risks are being transferred to the LA without the corresponding financial protection.

- **Lagged policy guidance** - In terms of a policy steer, there is a risk that the Local Authority may be introducing changes to schools funding that have limited sustainability. Whilst the introduction of the prescriptive headings encourages each local authority to fund schools in a specific manner, the fact that the expected relationship between the basic per pupil entitlement and the additional needs funding has not been defined by the DfE nationally and could result in each Local Authority still funding schools in quite different ways. This will not be evident until a national funding formula is introduced but a comparison of neighbouring LA proposed rates shows some marked differences. This in turn will mean further turbulence for the schools in those Local Authorities who have not chosen in 2013/14 to adopt unit values that are then included in a national funding formula.

Similarly, the introduction of SEN funding reforms which rely on operational frameworks of practice, in advance of the SEN White Paper, may result in U-turns needing to be undertaken. This is de-stabilising for schools at a time when so much of their agenda is changing.

Finally, it is interesting to hear from the Institute of Fiscal Studies that it is not clear what a reasonable rate of funding for a school is at this stage, yet the intention is to implement a national funding rate in the foreseeable future, which is evidently not fit for all schools. There is a general assumption that individual schools funding is inherently unfair, although this is purely based on standardised generic school characteristics and the fact that different schools receive different funding levels. This generic evidence is inconclusive and the basis of the funding changes will significantly impact the future viability of some schools, particularly small schools (primary and secondary) with little or no FSM or deprivation. Clearly, the impact of this would be partly mitigated if the national funding allocations were revisited so that Warwickshire schools received funding more in line with the national average.

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