

Schools National Funding Formula Consultation Stage 2

Response by Hadrian Learning Trust

Overall Approach

- 1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance? (Pages 7-15)**

Yes

No

Please explain your reasoning and any further evidence we should take into account:

We recognise the Government's commitment to tackling fairer funding when previous administrations have failed to do so. We also recognise that the 'flat cash' context makes it politically difficult to strike the right balance between winners and losers. However, we are concerned with the proposals as they stand.

Unfairness remains and is compounded for historically underfunded schools such as ours that are due to receive even less income under the proposals. Beyond this, there is fundamentally not enough funding in the national pot to meet schools' needs and the situation is set to become much worse. A recent report by the National Audit Office says that schools face an 8% real-terms reduction in funding by 2019-20.

We are concerned about the proposal to limit losses to 3%. As some schools currently benefit from a double-digit uplift, this means that there is less money to re-distribute. Inevitably, therefore, many underfunded schools are likely to be disappointed. We appreciate the need to avoid very large cuts over a short period – a better approach would be to extend losses of 1.5% per annum over a longer period than two years. This was recognised in IFS analysis in 2011.

We are also concerned about the proposal to shift £1.1b from core funding (i.e. the money required to run any school) to pupil-led factors. In Northumberland, for example, the indicative values show a cut in the lump sum for secondary schools of £60k and a cut in KS4 funding per pupil of £268 (which equates to a cut of £155k for a high school such as ours). These are only partly off-set by a small increase in KS3 funding of £82/pupil, the impact of which is particularly limited for 13-18 high schools have only one year group at KS3).

Pupil-led factors are mainly proxies for deprivation, such as eligibility for Free School Meals. There is a very strong correlation between those pupils who suffer from deprivation and Low Prior Attainment. Few would dispute that schools in more disadvantaged areas should receive additional funding. However, a key question is how much extra funding is required? Schools already receive Pupil Premium of £935 per disadvantaged pupil. In addition, it is proposed that, for each secondary pupil, schools would also receive £785 if Ever6 FSM, £290-810 for IDACI bands and £1550 if Low Prior Attainment. That's total extra funding per disadvantaged pupil of up to £4080. To put this in perspective, our high school's total funding per pupil was about £4605.

In 2014-15, our high school received £705 per pupil less in grant funding than the non-London median. The NFF proposal indicates a cut in funding for this school of 1%. All other things being equal, we could absorb this without impacting on our very strong educational experience and outcomes. However, as mentioned above, the National Audit

Office has concluded that all schools face a real-terms cut of 8% due to unfunded cost pressures. On 20 December, it was announced that, as a Multi-Academy Trust, we will face an additional cut through the removal of the Education Services Grant. We have already made significant savings to address cuts in sixth form funding. The reality is that we face a crisis in financial sustainability. Surely, a fairer funding system must start with the principle that all schools receive the minimum money required to provide a decent education for our children?

2. Do you support our proposal to set the primary to secondary ratio in line with the current national average? (Pages 16-17)

We have decided that the secondary phase should be funded, overall, at a higher level than primary, after consulting on this in stage one. We are now consulting on how great the difference should be between the phases.

The current national average is 1:1.29, which means that secondary pupils are funded 29% higher overall than primary pupils.

Yes

No – the ratio should be closer (i.e. primary and secondary phases should be funded at more similar levels)

No – the ratio should be wider (i.e. the secondary phase should be funded more than 29% higher than the primary phase)

None of the above

Please explain your reasoning and any further evidence we should take into account:

We recognise the need for a differential in funding between primary and secondary schools but comparison to a ratio is an artificial concept. The amounts and relative weightings need to be evidence based with reference to actual costs and factors such as:

- Teaching group sizes.
- Teacher contact time, including an allowance for planning, performance and assessment (PPA).
- Teaching assistant time.
- Absence e.g. sickness, maternity etc.
- Leadership costs.
- Non-class staff costs.
- Resources.
- Exam fees (Key Stage 4 only).

When this has been calculated the ratio will be what it is.

3. Do you support our proposal to maximise pupil-led funding? (Pages 17-18)

We are proposing to maximise the amount of funding allocated to factors that relate directly to pupils and their characteristics, compared to the factors that relate to schools' characteristics. We propose to do this by reducing the lump sum compared to the current national average (see question 7 on the lump sum value).

Yes

No - you should further increase pupil-led funding and further reduce school-led funding

No - you should keep the balance between pupil-led and school-led funding in line with the current national average

No - you should increase school-led funding compared to the current national average

Please explain your reasoning and any further evidence we should take into account:

One of the principles set out for the NFF was that it should be predictable. The shift to more pupil-led funding is in direct opposition to this. We do not know until pupils enrol in September how many will be eligible for FSM, Ever6, Low Prior Attainment and so on. Numbers of these can vary considerably from year to year and are completely outside of our control. For example, the indicative £265k of Low Prior Attainment funding could fall considerably as improvements in local KS2 performance feed through but we cannot estimate by how much as so many of our pupils come from outside our catchment. This makes it impossible to budget accurately more than one year ahead. For small primary or first schools, the volatility of funding is particularly acute as a small number of disadvantaged pupils either way will result in swings of several percentage points.

Pupil-Led Factors

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think are the right proportions for each factor.

4. Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors? (Pages 20-21)

Of the total schools block funding, 76% is currently allocated to basic per-pupil funding (AWPU) and 13% is allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language).

The formula will recognise educational disadvantage in its widest sense, including those who are not eligible for the pupil premium but whose families may be only just about managing. It increases the total spent on additional needs factors compared to the funding explicitly directed through these factors in the current system.

We are therefore proposing to increase the proportion of the total schools block funding allocated to additional needs factors to 18%, with 73% allocated to basic per-pupil funding.

Yes

No – allocate a greater proportion to additional needs

No – allocate a lower proportion to additional needs

Please explain your reasoning and any further evidence we should take into account:

It is vital that the basic level of funding allocated to all schools is adequate for the school to staff and operate sufficiently. The additional needs funding should be as the name suggests, additional. If the DfE can clearly evidence that additional funding needs to be targeted at the AEN factors, this should not be at the expense of the basic entitlement funding which is intended to provide a core baseline of funding for all pupils and is imperative to achieving a fair, balanced and equitable funding formula.

As mentioned above, pupil-led factors are mainly proxies for deprivation, such as eligibility for Free School Meals. There is a very strong correlation between those pupils who suffer from deprivation and Low Prior Attainment. Few would dispute that schools in more disadvantaged areas should receive additional funding. However, a key question is how much extra funding is required? Schools already receive Pupil Premium of £935 per disadvantaged pupil. In addition, it is proposed that, for each secondary pupil, schools would also receive £785 if Ever6 FSM, £290-810 for IDACI bands and £1550 if Low Prior Attainment. That's total extra funding per disadvantaged pupil of up to £4080. To put this in perspective, our high school's total funding per pupil was about £4605.

5. Do you agree with the proposed weightings for each of the additional needs factors?

Deprivation - pupil based at 5.5% (Pages 21-25)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above.

Total deprivation should all be funded via pupil-based indicators without containing an area-based deprivation amount as the IDACI model does not work well (see below).

We are concerned about the double funding of deprivation through pupil premium. Where schools attract relatively low levels of additional needs funding there needs to be confidence that basic funding is sufficient to cover the costs of running the school. The additional needs funding should be as the name suggests – additional and to support creative additional programmes for pupils, not prop up the funding for the majority of pupils. Clarity is required between the differences as to what the deprivation funding in the main funding formula and pupil premium are supposed to support.

Parents with children in infant year groups do not always apply for free school meals because of the universal infant free meal. Schools with these year groups; which are the building blocks for a child's future education path are being underfunded for their pupil needs as a result and to allocate more funding via this route will make that unfairness worse. As a minimum, we believe that the DfE should be developing methods of removing the need for parents to need to apply for free school meals and this should now be an automatic entitlement for all that are eligible.

Deprivation - area based at 3.9% (Pages 21-25)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. We do not believe that the IDACI model works well for large rural postcode areas as there as the area is too large to achieve a homogenous population. Given the known and recent difficulties in revaluing the IDACI indices regularly, we consider it better at least in the short- to medium-term, not to use the IDACI model. This is in line with the needs-led funding model produced by f40. In the future, when the new national formula has settled down, this could be re-visited.

Low prior attainment at 7.5% (Pages 25-27)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above. We are concerned about the reliability and consistency of data being used to determine funding allocations under the current system in this area. National changes in assessments have resulted in data volatility which seriously undermines confidence when using to allocate funding.

We recommend that the DfE looks at the f40 model that suggested low prior attainment at 3% for primary and 2% for secondary.

English as an additional language at 1.2% (Pages 27-28)

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

See answer to Q4 above.

This is less about the proportion and more about who is deemed eligible and for how long, and the extent of actual individual need.

The weightings are a proportion of the total schools budget.

6. Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond? (Pages 28-29)

We have decided to include a mobility factor in the national funding formula, following the first stage of consultation. This will be based on historic spend for 2018-19, while we develop a more sophisticated indicator. We would welcome any comments on potential indicators and data sources that could be a better way of allocating mobility funding in future.

Mobility factor needs to provide for two different situations. First, for schools that have a high proportion of service children where whole regiments can be transferred in and out and the mobility factor needs to provide sufficient funding to keep a stable staff in school. Secondly to provide for exceptional turnover of pupils. The current mobility factor requires a 10% turnover before providing even the smallest payment. Schools with the highest turnover probably require a stepped payment method. We support the f40 offer of being willing to work with the DfE on technical formula matters to explore suitable mobility factors and data sources.

School-Led Factors

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think are the right amounts for each factor.

7. Do you agree with the proposed lump sum amount of £110,000 for all schools? (Pages 29-31)

This factor is intended to contribute to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will receive a certain amount each year in addition to their pupil-led funding.

Primary

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Secondary

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Please explain your reasoning and any further evidence we should take into account:

See also the answer to Q3.

We agree with the f40 position, which is as follows:

f40 would challenge the use of the same funding rates across both the primary and secondary sectors. A more sensitive approach could be to link the level of the lump sum to the size of school rather than/or as well as sector. The lump sum is vital to support the operation of all schools, especially small schools. As such f40 believes that the lump sum needs to be considered alongside the basic per pupil funding amount and sparsity funding to ensure that a necessary small school receives a sufficient funding allocation to be able to operate.

f40's needs-led formula suggested values of £102,000 for primary and £168,000 for secondary schools. We have not changed our mind on this point.

f40 considers that the distribution of the lump sum and the sparsity factor could be managed locally in line with local priorities along with the other school led funding arrangements that will need to be made. We would anticipate that the DfE will suggest that this is not in line with a national formula and pupils across the country receiving the same levels of funding, but the current proposals already see differences in funding for the remaining school led factors alongside the ACA and proposals for transition and a locked in funding floor. Pupil led funding will be the main component of the formula and at that level will be equal – certainly much more equal than it currently is. Schools are not the same and it is reasonable that the school led factors, held in a ring-fenced budget could be locally directed. This is where local knowledge and negotiation are essential and the Schools Forum can provide this.

The f40 needs-led funding model set out our expectations for what the lump sum should fund. In the absence of any DfE national model we would advocate the adoption of the f40 model. It is a fundamental tenet of accounting principles that school fixed costs should be provided for by a fixed income that is commensurate with the expenditure and likewise that variable expenses should be funded through a variable income stream and per pupil funding is precisely that.

In addition, the attempt to fix the lump sum at the same value for both sectors would appear to go against the DfE recognition of stakeholder feedback from the first stage of reforms back in April 2013 which resulted in local authorities being permitted to allocate different funding levels in their current local funding formula.

8. Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools? (Pages 31-33)

We have decided to include a sparsity factor to target extra funding for schools that are small and remote. We are proposing that this would be tapered so that smaller schools receive more funding, up to a maximum of £25,000 for primary schools and £65,000 for secondary schools.

Primary

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Secondary

Allocate a higher amount

This is about the right amount

Allocate a lower amount

Unable to say but see guiding principles below

Please explain your reasoning and any further evidence we should take into account:

See also the answer to Q3.

The Government needs to be clear whether or not it wants to enable small rural communities to continue to have schools that serve their needs. If it does, it needs to fund this properly but not at the expense of inadequate funding for all schools.

If the sparsity factor is not adequate, there will be a movement to the closure of small schools with social consequences for communities and financial consequences for the transportation of pupils.

However, the lump sum must not be so large that small schools do not have to consider sensible efficient operating practices. Inefficient practice should not be funded by an overgenerous lump sum.

9. Do you agree that lagged pupil growth data would provide an effective basis for the growth factor in the longer term? (Pages 34-37)

The growth factor will be based on local authorities' historic spend in 2018-19. For the longer-term we intend to develop a more sophisticated measure and in the consultation we suggest the option of using lagged pupil growth data. We will consult on our proposals at a later stage, but would welcome any initial comments on this suggestion now.

The use of lagged pupil growth data appears to be a reasonable interim approach to funding growth. However, we support the f40 position which is to seek a fundamental review of how growth in existing schools and new schools is funded. As we move towards a national funding formula there needs to be a consistent approach and guidance to funding growth and new schools. This will undoubtedly require local knowledge and input to ensure that growth is based only on need, otherwise there is the potential for inefficient use of resources. We think that if there were national funding rates based on set criteria it would support some of the additional issues in meeting sufficiency requirements.

Funding Floor

10. Do you agree with the principle of a funding floor? (Pages 37-39)

To ensure stability we propose to put in place a 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 (see question 13).

Yes

No

Please explain your reasoning and any further evidence we should take into account:

As set out in response to Q1 the proposed 3% funding floor “locks” in some of the historical differences for those schools which have been relatively better funded for several decades. Equally the cost of this protection limits the redistributive impact and will result in the continuation of different funding levels for pupils across the country. MFG should be sufficient protection at -1.5% per pupil per year.

The application of a national funding floor does not enable the model to achieve one of the key principles of “fairness” and will only continue to perpetuate the argument for these

changes outlined by the DfE of similar schools in different local authorities being funded at different levels.

If a floor is to be implemented, whether in the short or longer term, there needs to be the ability to apply dis-applications to the calculation should school circumstances change, so not to further lock in historical funding which is no longer appropriate.

11. Do you support our proposal to set the funding floor at minus 3%? (Pages 37-39)

This will mean that no school will lose more than 3% of their current per-pupil funding as a result of this formula.

Yes

No – the floor should be lower (i.e. allow losses of more than 3% per pupil)

No – the floor should be higher (i.e. restrict losses to less than 3% per pupil)

Please explain your reasoning and any further evidence we should take into account:

There should not be a funding floor (as set out in our response to Q1 and Q10).

The MFG mechanism provides stability to schools and if the NFF identifies schools that have been considerably better funded for many years then this funding should be removed over time and re-distributed accordingly.

MFG should be sufficient protection to allow change over a period of time. This floor locks in past inequities. In fact, new schools in 'floor areas' are likely to attract new floor funding so it will be perpetuated.

12. Do you agree that for new or growing schools (i.e. schools that are still filling up and do not have pupils in all year groups yet) the funding floor should be applied to the per-pupil funding they would have received if they were at full capacity? (Page 43)

Yes

No

We believe that, to treat growing schools fairly, the funding floor should take account of the fact that these schools have not yet filled all their year groups.

Please explain your reasoning and any further evidence we should take into account:

We agree that new/growing schools may require additional protection, but there is a need to ensure their funding is not artificially inflated and that there is the ability to apply dis-applications to the MFG should school circumstances change.

Transition

13. Do you support our proposal to continue the minimum funding guarantee at minus 1.5%?

The minimum funding guarantee protects schools against reductions of more than a certain percentage per pupil each year. We are proposing to continue the minimum funding guarantee at minus 1.5% per pupil per year.

Yes

No – the minimum funding guarantee should be lower (i.e. allow losses of more than 1.5% per pupil in any year)

No – the minimum funding guarantee should be higher (i.e. restrict losses to less than 1.5% per pupil in any year)

Please explain your reasoning and any further evidence we should take into account:

The continuing -1.5% per pupil MFG provides sufficient protection to schools on an ongoing basis.

Further Considerations

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

Yes, as follows.

Education Services Grant (ESG)

The removal of the ESG will have an impact on all schools, whether maintained or academy. Academies will have costs which were supported by the ESG which they will need to fund from their General Annual Grant and local authority cuts are likely to lead to additional charges to maintained schools. This is another cost which schools across the country will have to bear without additional resources.

Review Mechanism

The NFF is not something that is done once and just applied every year ad infinitum. Yet this is the way that it appears at present. We agree with the f40 approach to the NFF, which is to create a formula that is applied based upon criteria about class size, teacher costs and how schools are run. The DfE is basing its formula on average costs without knowing what it is buying. In 4 years' time when the next administration is in place and the next set of ministers want to leave their mark on the education system by the introduction of a priority (e.g. School Standards Grant, Pupil Premium, UIFSM), there must be an understanding of the basic needs before you can successfully make a targeted change to children's lives. As has been seen to date, when additional funding comes in, schools will automatically spend it on the basics before they spend it on the target. There must be a rational process for reviewing, adding or subtracting from the formula and the NFF does not provide that as it currently stands.

Auto-registration for free school meals

There ought to be auto-registration for free school meals. Parents with children in infant year groups do not always apply for free school meals because of the universal infant free meal. Schools with these year groups; which are the building blocks for a child's future education path are being underfunded for their pupil needs as a result and to allocate more funding via this route will make that unfairness worse. As a minimum, f40 believes that the DfE should be developing methods of removing the need for parents to need to

apply for free school meals and this should now be an automatic entitlement for all that are eligible.

Central School Services Block (Pages 66-72)

15. Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?

Yes

No - a higher proportion should be allocated to the deprivation factor

No - a lower proportion should be allocated to the deprivation factor

No - there should not be a deprivation factor

Please explain your reasoning and any further evidence we should take into account:

Nothing to add.

16. Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?

Yes

No - allow losses of more than 2.5% per pupil per year

No - limit reductions to less than 2.5% per pupil per year

Please explain your reasoning and any further evidence we should take into account:

Nothing to add.

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

We would make the same points as the f40 group, as follows:

Paragraph 5.22 refers to the ability of the LA to recycle money that is no longer needed for historic commitments into schools, high needs or early years in 2018-19. Clarity is required as to how this will be taken into consideration against a move towards a 'hard' national funding formula for schools i.e. if funding is moved into the schools block in 2018-19 is there a danger it will be "lost" when the hard funding rates are introduced from 2019-20?

The consultation states that the department will "set out our long-term intention for funding released from historic commitments at a later point". We would request this guidance as early as possible as it is likely to influence Schools Forum decisions on where best to recycle this funding as and when it becomes available.

Finally, many of our members would also urge the DfE to consider the continuation of certain pooled arrangements from within the central schools service block where they are to the benefit of all schools (maintained and academies) across the LA. In much the same way as the national copyright licences, there are opportunities to broker similar arrangements for all schools which removes a considerable amount of administration costs.

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Equalities Analysis

18. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?

Nothing to add.
