

Schools' National Funding Formula

Response of the Association of School and College Leaders

A Introduction

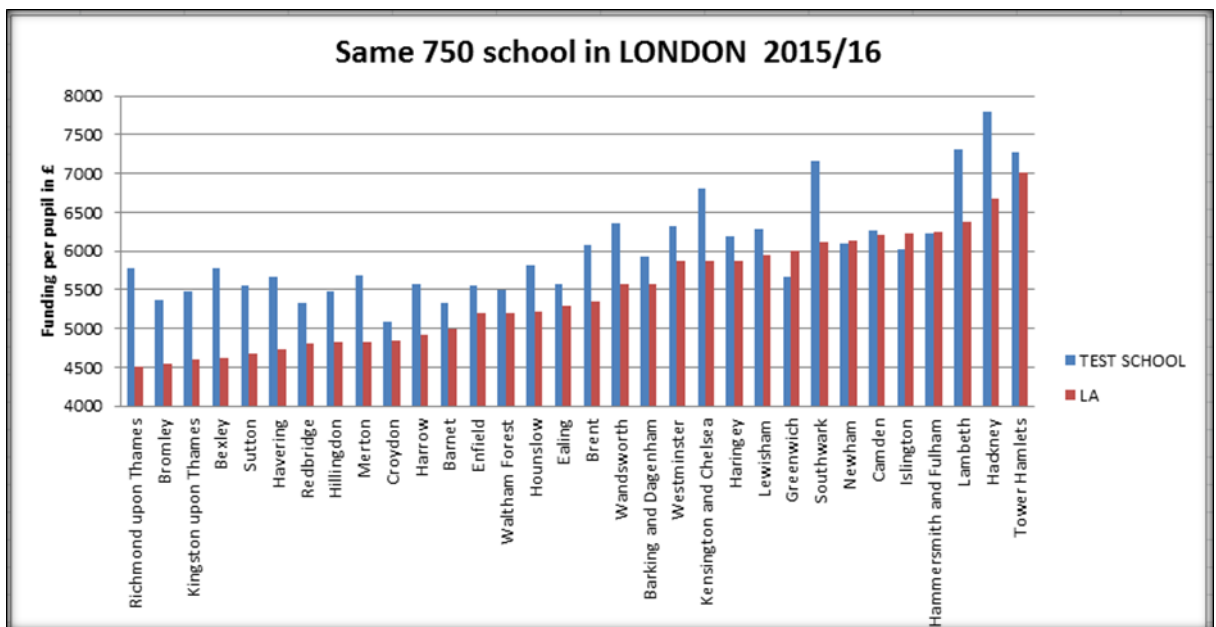
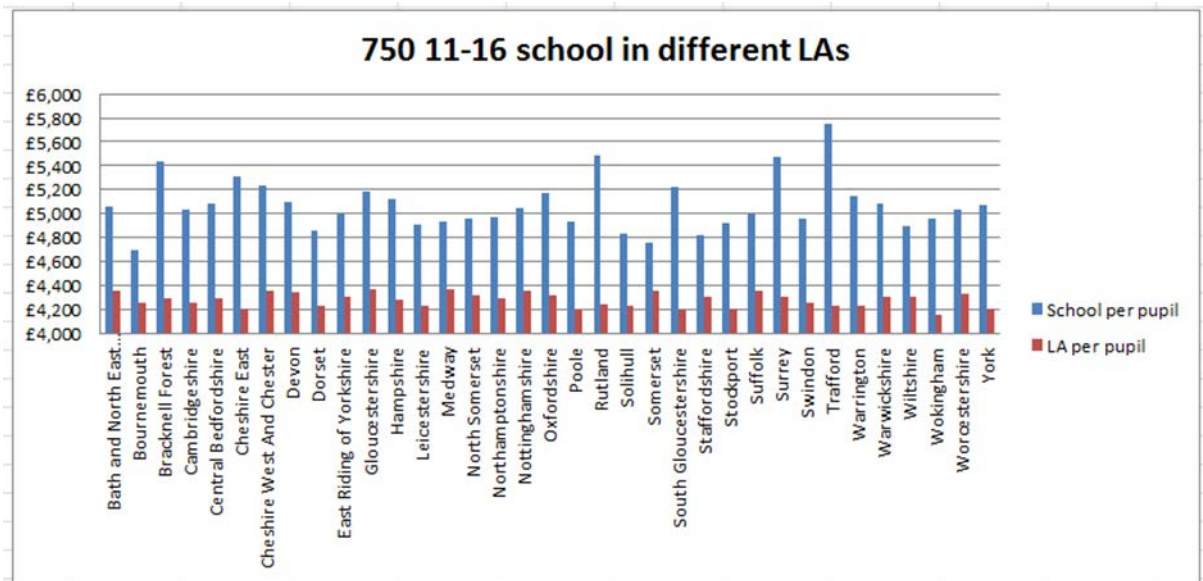
- 1 The Association of School and College Leaders (ASCL) represents more than 18,500 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million young people in more than 90 per cent of the secondary and tertiary phases, and in an increasing proportion of the primary phase. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
- 2 ASCL welcomes the opportunity to contribute to the schools national funding formula consultation. A successful education system is fundamental to the performance, growth and productivity of any country. Education funding represents investment in economic growth and should reflect the expectations of our global positioning in future years. Expenditure on the education system should not be regarded as a cost but as an investment to secure the right of every child to reach their educational potential.
- 3 It is our view that the principles that should underpin the national formula are:
 - The overall national education budget should be set such that all schools and colleges can be funded at a level that enables them to provide an outstanding quality of education for their pupils.
 - The distribution of the national education budget to educational institutions should be sufficient, sustainable and equitable.
 - An individual school or college budget allocation should be transparent and predictable to enable effective strategic financial planning by schools.
 - A national funding formula should take into account the needs of educational institutions and their pupils. This should not be predicated on the historical way in which funding is allocated.
 - A reformed funding formula is not about creating winners and losers – it is about sufficiency and establishing an equitable base level of funding.

- 4 Our remarks are organised in sections as follows:
- A Introduction**
 - B Reforming the funding system**
 - C The schools national funding formula**
 - D Transition to a reformed funding system**
 - E Funding that will remain with local authorities**
 - F Specific questions**
 - G Conclusion**

B Reforming the funding system

- 5 ASCL welcomes the commitment of this government to reform the current funding system. We agree that the funding system should support educational excellence everywhere.
- 6 We would largely agree with the government's proposed principles for the funding system. The ASCL Blueprint for a Self-Improving System¹ calls for an education system in which all children and young people achieve, and in which all schools are funded sufficiently, sustainably and equitably. Our persuasive argument will always be for a formula distribution that enables equality of opportunity for every child, but we would urge the government to be mindful that the call for equity must never detract from the need for sufficiency.
- 7 ASCL acknowledges that the guiding principles in this proposal would be difficult to disagree with, but there are some reservations about the potential for unintended consequences that may emerge at stage two of the consultation. Without any indication of the weightings that would be aligned to each factor it is not possible to determine whether this methodology will adequately address the aspects of 'unfairness' that exist in currently formulae.
- 8 There is currently no demonstrated rationale behind the schools formula that is linked to what it costs to educate a child at different stages of their educational career. This has resulted in wide and indefensible variations in the amounts allocated to fund the education of children depending on where they live. It is possible for students in similar schools on either side of a local authority boundary to be funded at radically different levels. Moreover our evidence suggests that if the pupil characteristics dataset for one school is applied to the local formulae in several different LA's, where the allocated schools block unit of funding (SBUF) is similar, the results show a significant variance in the amount per pupil that schools receive.

¹ <http://www.ascl.org.uk/news-and-views/blueprint-for-selfimproving-system/blueprint-for-selfimproving-system.html>



C The schools national funding formula

- 9 It is our view that the funding formula should be a clear and transparent combination of pupil led and block sum factors which would incorporate an allowance for proven geographical variances in the labour market.
- 10 ASCL generally agrees with the proposal to use the four blocks included in this proposal, but without any indication of the weightings that would be aligned to each factor it is not possible to determine whether this methodology will adequately address aspects of the 'unfairness' that exists in the currently formulae. This would appear to be a particular risk within Block B: Additional Needs, given that we know that the Pupil Premium grant will continue to sit outside the Dedicated Schools Grant (DSG). The table below shows examples of the different levels of local funding that currently exist for one child who is eligible for the national rate of pupil premium grant.

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	Ever6 as a deprivation factor in local formula (FSM6%)	FSM6% per secondary pupil in 2015/16 ²
Northamptonshire	Yes	£3318.00
Nottinghamshire	Yes	£290.00
Portsmouth	Yes	£70.72
Redcar & Cleveland	No	£0

- 12 ASCL supports the need for minimum funding levels at each key stage and for these to be guaranteed at school level. That said we are aware that the variance in ratio between primary and secondary age weighted pupil units (AWPU) that exists currently causes some controversy at local level. Setting a national level for this ratio is likely to be even more controversial and could be misinterpreted as preferential or disadvantageous dependent upon the school level impact of a nationally applied ratio. We would recommend that this is specifically acknowledged in the transition period.
- 13 We would tend to agree with the proposal to set a basic level of funding for primary which incorporates both key stage 1 and 2. However we are aware that research undertaken by Centreforum (*Education in England: annual report 2016*)³ suggests that whilst there is strong evidence that at key stage 2 the gap in attainment between disadvantaged pupils and the rest has been halved more needs to be done at key stage 1 if further reductions in the disadvantage gap are to be made.
- 14 Costs at key stage 4 are impacted by smaller class sizes and escalating exam costs but with many schools choosing to start GCSE options in year 9 consideration must be given to the adequacy of the basic amount of funding at all key stages.
- 15 The ASCL funding policy paper⁴ supports the need for differentials between the basic amounts for primary (key stage 1 and 2), key stage 3 and key stage 4. Our modelling is evidence-based and demonstrates how minimum funding levels should reflect the varying costs of educating a pupil at different stages in their school life.
- 16 However ASCL has serious concerns about the pressures being put on school leaders by increasing demands created by Ofsted and performance measures. The minimum funding levels applied to basic per pupil funding must sufficiently resource the costs of delivering and embedding curriculum change. We are encouraged to note, in the recent White Paper – Educational Excellence Everywhere⁵, the commitment to ‘the right resources in the right hands, investing every penny where it can do most good’.
- 17 The risk of 'double funding' would continue to be an unintended consequence if the evidence in paragraphs 10 & 11 above is not carefully considered in the decisions

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413827/Schools_block_funding_formulae_2015_to_2016.pdf

³ <http://centreforum.org/publications/education-in-england-annual-report-2016/>

⁴ <http://www.ascl.org.uk/help-and-advice/ascl-policy-papers/ascl-policy-education-funding.html>

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508447/Educational_Excellence_Everywhere.pdf

regarding the weightings associated with deprivation factors. That said we would consider FSM6 to be the least-worst proxy for deprivation.

- 18 We would urge caution in relying on FSM data as a proxy indicator in this consultation for two reasons :
 - The impact on numbers of eligible children registering for FSM following the introduction and commitment to continue funding universal infant free school meals (UIFSM) for children in key stage one is not clear.
 - Eligibility criteria for FSM must be rebased following the introduction of Universal Credit. It is disappointing that this has not been done to coincide with the National Funding Formula (NFF) consultation given that proposals for its use as an indicator for deprivation are an intrinsic part of the discussion.
- 19 We note that IDACI is used in around 80% of local authority formulae⁶, however the rates and extent to which the 6 IDACI bands are utilised varies significantly. And issues regarding its effectiveness as a composite indicator for deprivation are exacerbated by the cycle of review of the dataset (every 5 years). This causes turbulence in the system and does not support the principles of transparency and predictability.
- 20 Our view is that the lump sum factor should be included to support the provision of small and necessary schools and that it should be based on a core of leadership, administrative support and fixed whole school costs.
- 21 We aware that the DfE has commissioned research into the cost of running a school, and it is disappointing to note that the evidence from this piece of work is not available at this time. Previous work done by ASCL⁷ indicates that a lump sum of £150,000 gives flexibility to support smaller schools whilst not significantly distorting the allocation through the age-weighted pupil unit (AWPU), however this would need to be remodelled against proposed basic per pupil funding values in stage two of the consultation.
- 22 The evidence suggests that all local formulae include a lump sum factor and that 59% apply the same lump sum value to both primary and secondary schools, although it is not clear how the actual values are calculated.
- 23 Care will be required in the application and adequacy of the lump sum factor. We would not support a formula that acknowledges the need for a lump sum factor but denies a small and necessary rural school, for example, the opportunity to flourish in a sustainable way.
- 24 ASCL would support a methodology for applying a sparsity factor that incorporated a provision for exceptional circumstances, for example where a school might not qualify for sparsity funding using a crow flies distance measure but where using a road distance measure evidences a clear need.
- 25 Care will be required in the application and adequacy of the sparsity factor to support sufficiency. We would not support a formula that acknowledges the need for a sparsity

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413827/Schools_block_funding_formulae_2015_to_2016.pdf

⁷ <http://www.ascl.org.uk/help-and-advice/ascl-policy-papers/ascl-policy-education-funding.html>

factor but denies a necessary rural school, for example, the opportunity to flourish in a sustainable way.

- 26 ASCL recommends that consideration be given to defining split site factors at national level and adopting a tapered approach to take account of varied geographical factors, which by implication suggest that 'a one size fits all' split site criterion will not be effective. We would recommend that consideration is given to including this within the exceptional circumstances factor in future years and that the local authority may continue to be best placed to determine the need for split site funding.
- 27 PFI costs remain a significant and increasing cost pressure on school budgets and can jeopardise the financial health and efficiency of an organisation. We would urge government to take the opportunity to tackle this alongside its commitment to support schools in realising efficiencies. (CSR November 2015). We would argue that a more financially efficient approach be taken that would incorporate a value for money challenge on the PFI contract terms.
- 28 Evidence suggests that growth funding is subject to massive inconsistency across the country (local authority (LA) proforma funding data 2015/16)⁸. We would support the inclusion of a growth factor that recognises both predicted growth in basic need (the schools' capacity data survey provides this information⁹) and in-year growth. It is essential that the growth factor methodology can operate outside the lagged funding system that currently exists and be targeted directly to schools.
- 29 This is important because pupil numbers are increasing. According to statistical first release (SFR) national tables (SFR16¹⁰) the number of pupils in the primary sector has grown by 9.1% between 2010 and 2015. This growth in pupil numbers is beginning to feed through to the secondary phase - the growth in secondary age pupils has grown by 0.1% between 2014 and 2015. This is the first rise since 2010.
- 30 ASCL recommends that schools have the opportunity to access in-year growth funds if October census data shows that the number on roll in the current academic year is above an agreed trigger level (say 5% or 30 in one year group) more than the previous October census as a driver for current academic year funding.
- 31 We would urge government to be mindful of the need for a corresponding education capital spend strategy that enables timely access by schools to capital funding and adequately reflects pupil growth in an efficient and effective way.
- 32 Government, local authorities and schools should have access to statistical data and pupil projections via the compulsory schools capacity data survey (SCAP¹¹) and this should be used to fund growth from 2017 onwards.

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413827/Schools_block_funding_formulae_2015_to_2016.pdf

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508327/2015_capacity_and_forecast_tables.ods

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/433680/SFR16_2015_Main_Text.pdf

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508327/2015_capacity_and_forecast_tables.ods

- 33 This is important because pupil numbers are increasing. See paragraph 29.
- 34 It is unfair that in some local authorities schools that have capacity within their published admission number (PAN) cannot access growth funds when increases in admission numbers require an additional form group to be opened. On average one additional key stage 3 class will require an increase of around 1.3 teachers.
- 35 We would agree that specific support for looked after children (LAC) and those that have left care should be targeted via pupil premium plus. We acknowledge that almost two thirds of local formulae currently include a LAC factor but we are of the opinion that additional learning needs would continue to be picked up via the proposed factors in Block B.
- 36 ASCL broadly agrees with the proposal to remove mobility as a factor. Less than half of local authorities use this factor in their local formulae and in those that do use it, it tends to represent <1% of schools block expenditure. However whilst the statistical evidence suggests that these pupils will be targeted using additional needs indicators - particularly English as an additional language (EAL) - it must be acknowledged that there are additional administrative and support costs associated to the transient behaviour of pupils in this group that cause regular 'churn' in the system for schools in rural and coastal areas in particular. Our caution would be that this may not be adequately addressed via other indicators in the formula proposals. We would recommend that this is kept under review. Without any indication of the weightings that would be aligned to each factor it is not possible to determine the full impact of removing mobility as a factor.

D Transition to a reformed funding system

- 37 ASCL acknowledge that the proposal to ring-fence the schools block element of the DSG would prevent fluctuations that occur when funds are passed between blocks. Evidence suggests that local authorities have made reductions to the AWPU in 2016/17 to offset overspends in the High Needs Block 2015/16¹².
- 38 We think that that local need may necessitate flow between the blocks and that this conceals the inadequacy of the DSG at national level. In particular the extension of the requirement of the high needs block to support young people up to the age of 25 has exacerbated this issue. There needs to be recognition of this at national level.
- 39 ASCL would urge the government to ensure that the need for stability within the Schools Block cannot detract from the need to alleviate pressure on both High Needs and Early Years' blocks. We will cover this in more detail in our responses to the High Needs and Early Years consultations.
- 40 We have concerns about it being permissible for local authorities to set a local minimum funding guarantee (MFG) during the transition from 'soft' to 'hard' formula between 2017 and 2019. It is possible that this would preserve the unfairness that currently exists between local areas within the same region and could have a negative impact on institutions. That said, during this period of dramatic change we tend to agree that to limit local flexibility even further during the transitional period would be counterproductive. Therefore we would support the proposal to allow local authorities

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413827/Schools_block_funding_formulae_2015_to_2016.pdf

to set a local MFG on the presumption that the national MFG rates are fixed for at least 3 years and that they are transparent and available in stage two of this consultation. We expect that local authorities and schools forums will act responsibly in their decision making to utilise a local MFG. They can only do this if the end point is visible. This reinforces the principles of fairness, transparency and predictability.

- 41 The government's agenda for implementing a significant reduction in the roles and responsibilities of local authorities during the transition period will by necessity instigate a review of schools forums. We would welcome such a review and would be hopeful that the outcome will facilitate consistency of approach across the country. This is vital to enable a much weakened local authority structure to effectively execute residual authority functions.
- 42 ASCL supports the use of minimum funding guarantee methodology at national level from the implementation of the new formula in 2017. However, in order to preserve the principle of transparency and to avoid unintended consequences evidential modelling on both options must be available in stage two of this consultation. And schools will need to know that MFG rates are set and fixed for at least 3 years to enable effective financial strategic planning and to meet the government's commitment to the principle of predictability.
- 43 We acknowledge the introduction of the 'invest to save' fund but don't think that there is enough detail regarding which institutions will be able to access this scheme, and when. We call for further clarity on this as part of stage two of this consultation.
- 44 ASCL would urge the government to consider using the £500 million pledged in the March 2016 budget 'to speed up the introduction of the National Funding Formula' in a way that supports very low funded highly efficient schools to reach their end point more quickly, and to save them from the financial cliff edge that they are facing in 2016/17.

E Funding that will remain with local authorities

- 45 It is right to introduce a central schools block into the DSG. Whilst we support the premise that a hard formula for the schools block may be a more efficient way of getting funding straight to schools, we think that for the foreseeable future at least there will remain a need for local funding to support exceptional need.
- 46 We would agree that the value of the central schools block should be derived from centrally held DSG and the retained duties element of the Education Services Grant (ESG). We would recommend that the ESG element is ring fenced with immediate effect. It is our understanding that currently this is not the case.

F With reference to your specific questions

**Question 1 Do you agree with our proposed principles for the funding system?
YES**

- 47 The principle of fairness can only really be tested against the equity of opportunity that a national funding formula gives every child regardless of their needs and where they live. We hope that stage two of this consultation will move us closer to being able to apply this test. And see paragraph 6 above.

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? YES

- 48 An individual school's budget should be transparent and predictable to enable effective strategic financial planning; a school level national formula will be a good opportunity to address the 'unfairness' that exists in the current system. And see paragraph 8 above.

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

- 49 ASCL supports the need for differentials between the basic amounts for primary (key stage 1 and 2), key stage 3 and key stage 4. Our modelling is evidence-based and demonstrates how minimum funding levels should reflect the varying costs of educating a pupil at different stages in their school life. And see paragraphs 12 -16 above.

**Question 4 Do you agree that we should include a deprivation factor? YES
Which measures for the deprivation factor do you support?**

- Pupil-level only (current FSM and Ever6 FSM) YES
 - Area-level only (IDACI) NO
 - Pupil and area-level NO
- 50 The risk of 'double funding' would continue to be an unintended consequence if the evidence in paragraphs 14 & 15 above is not carefully considered in the decisions regarding the weightings associated to deprivation factors. That said, we would consider FSM6 to be the least-worst proxy for deprivation. And see paragraphs 10, 11, 18 and 19 above.

Question 5 Do you agree we should include a low prior attainment factor? YES

- 51 We would agree that prior attainment is an effective indicator of additional need, however we have concerns regarding the effectiveness of this as part of a hard national formula when changes to assessment and accountability measures are causing turmoil in the system. We are keen to see modelling in stage two of this consultation that evidences low prior attainment as a reliable factor for every child.

**Question 6 Do you agree that we should include a factor for English as an additional language? YES
Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)? YES**

- 52 The weighting applied to this factor must account for the removal of mobility as a formula factor. Over time it is likely that EAL3 will be an increasingly valuable indicator in the identification of changing migration patterns. And see paragraph 36 above.

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

- 53 It is our view that the lump sum factor should be included and that it should be based on a core of leadership, administrative support and fixed whole school costs. And see paragraph 20-22 above.

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

- 54 ASCL would support a methodology for applying a sparsity factor that incorporated a provision for exceptional circumstances, for example where a school might not qualify for sparsity funding using the crow flies distance measure but where using a road distance measure evidences a clear need. And see paragraph 25 above.

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

- 55 The business rates factor should ensure that schools continue to be funded to meet actual costs.

Question 10 Do you agree that we should include a split sites factor? YES

- 56 We would recommend that consideration is given to including this within the exceptional circumstances factor in future years and that the local authority may continue to be best placed to determine the need for split site funding. And see paragraph 26 above.

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

- 57 The national funding formula should include a PFI factor to ensure that the inadequate controls afforded to a school with regard to its PFI contract are diminished even further. And see paragraph 27 above.

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

- 58 We agree with this in principle. We think it is right that pupils attending schools who do not have sufficient outside space – for a playing field for example- are not disadvantaged. However we would like to see quality assurance checks built into the system that support schools in their review and negotiation of exceptional premises contracts and arrangements.

Question 13 Do you agree that we should allocate funding to local authorities in 2017/18 and 2018/19 based on historic spending for these factors?

- **Business rates YES**
- **Split sites YES**
- **Private finance initiatives YES – on the presumption that known indexation increments are accounted for in 17/18 and 18/19**
- **Other exceptional circumstances YES**

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

- 59 Evidence suggests that growth funding is subject to massive inconsistency across the country¹³. We would support the inclusion of a growth factor that recognises both predicted growth in basic need (the schools capacity data survey provides this

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413828/Local_authority_funding_proforma_data_2015_to_2016.xlsx

information) and in year growth. It is essential that the growth factor methodology can operate outside the lagged funding system that currently exists and be targeted directly to schools. And see paragraphs 28-34 above.

Question 15 Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spending? NO

- 60 It is our view that government, local authorities and schools have sufficient access to statistical data and pupil projections via the compulsory schools capacity data survey (SCAP) and that this should be used to fund growth from 2017 onwards. And see paragraphs 28-34 above.

Question 16 Do you agree that we should include an area cost adjustment? YES Which methodology for the area cost adjustment do you support?

- General labour market methodology NO
- Hybrid methodology YES

Question 17 Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangement order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula? YES

- 61 We would agree that specific support for looked after children and those that have left care should be targeted via pupil premium plus. We acknowledge that almost two thirds of local formulae currently include a LAC factor but we are of the opinion that additional learning needs would continue to be picked up via the proposed factors in Block B.

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

- 62 Our caution would be that this may not be adequately addressed via other indicators in the formula proposals. We would recommend that this is kept under review. And see paragraph 36 above.

Question 19 Do you agree that we should remove the post-16 factor from 2017-18? YES

- 63 Given the extreme pressures that post 16 funding is experiencing with significant cuts having been experienced in previous years we are pleased to note the proposal to include the sixth form funding factor in MFG calculations going forward.

Question 20 Do you agree with our proposal to require local authorities to distribute all of their school block allocation to schools from 2017-18? YES

- 64 ASCL acknowledges that the proposal to ring fence the schools block element of the DSG would prevent fluctuations that occur when funds are passed between blocks. We would hope that the rebasing expenditure exercise that is being undertaken will prevent the need for further movement between the blocks in the 'soft' formula transitional period. And see paragraphs 37-39 above.

Question 21 Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee? YES

- 65 It is with caution that we support the proposal to allow local authorities to set a local MFG and our agreement is proffered on the presumption that the national MFG rates are fixed for at least 3 years and that they are transparent and available in stage two of this consultation. And see paragraph 40 above.

Question 22 Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula? YES

- 66 We agree in principle with this proposal but look forward to being able to assess the adequacy of this methodology in stage 2 of the consultation. And see paragraph 41 above.

Question 23 Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities? YES

- 67 We accept that this is a sensible approach for now.

Question 24 Are there other duties funded from the education services grant that could be removed from the system? NO

Question 25 Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools? YES

- 68 The White Paper – Educational Excellence Everywhere heralds government commitment to significant change in school structures and severe reduction in the roles and responsibilities of local authorities and schools forums. It seems sensible, therefore, to maintain the status quo for maintained schools whilst we await more detail about how these changes will be rolled out.

G Conclusion

- 69 ASCL has been campaigning for the introduction of a national funding formula for many years and we are encouraged by the government's commitment to introduce the new formula in 2017. We believe that education is for the common good and that government has a role to play in ensuring the system serves everyone equally well. The seven guiding principles set out in the schools national funding formula proposal correspond well with our own values, but we expect to rigorously test the principle of fairness in stage two of this consultation.
- 70 We would maintain that without any indication of the weightings aligned to each factor within the proposed formula it is not possible to determine if this methodology will adequately address the unfairness that exists in the currently formulae. We look forward to the opportunity to stress-test the guiding principles of this proposal against robust real data.

71 I hope that this is of value to your consultation, ASCL is willing to be further consulted and to assist in any way that it can.

Martin Ward
Public Affairs Director
Association of School and College Leaders
15 April 2016