



A national funding formula for schools – a proposal from f40

Technical Note

1. Introduction

The government has acknowledged that school funding is unfair and has agreed an interim package of additional funding for 2015/16. f40 welcomes this acknowledgement and urges whatever government is in place following the May 2015 general election to implement a new approach to school funding from 2016/17.

f40 proposes a new model for distributing education funding in England from 2016/17. It retains the existing Dedicated Schools Grant structure with three blocks: Schools, Early Years and High Needs. But the model allocates the funding available through a needs-based formula for each block, removing any reliance on historic spending patterns.

The formula shows how the national DSG total for 2014/15 would have been distributed using a pure formula approach. The allowance for High Needs relies on the PriceWaterhouseCooper research from 2009. We acknowledge that this information is out of date but is the best available until the outcome of the ISOS research commissioned by the Department for Education and due to be published in April 2015.

Our view is that the formula we propose, when the High Needs element has been updated, represents a fair distribution of the available resource according to relative need. Local authorities, in consultation with the local Schools Forum, would be free to move funding between High Needs, Schools and Early Years blocks as now to reflect local priorities and patterns of provision.

f40 proposes that the transition to the funding model should be over three years i.e. with full implementation from 2018/19; any longer transition unreasonably perpetuates unfair funding.

2. The Schools Block

The proposed formula offers a methodology for distributing a national funding quantum to local authority level. Local authorities will need to use some of the funding generated to meet the cost of other formula factors at local level e.g. rates and split sites together with top-slices for (non-exceptional) planned growth, admissions and the costs of the Schools Forum and for any other activity related to improving outcomes for children where there is local agreement that there should be a contribution from DSG. The formula may

nevertheless provide a helpful reference point for LAs and schools in reviewing the local formula.

2.1. Formula Factors

The model for mainstream schools top slices funding for PFI and exceptional growth in pupil numbers (the additional cost of new schools) at national level prior to distribution of the funding using the formula. The allowance for PFI is calculated using LA level assessments of the estimate of the school/academy affordability gap for each PFI school in the LA. Schools Block funding is then distributed through 6 formula factors:

- Core costs:
 - Basic pupil entitlement
 - Lump sum
 - Sparsity

- Additional pupil-level needs:
 - Deprivation
 - High incidence SEN/prior attainment
 - English as an Additional Language

The following notes set out how the formula has been derived.

2.2. The Basic Entitlement

The basic pupil entitlement is constructed for Key Stage 1/2, Key Stage 3 and Key Stage 4 using assumptions on:

- Teaching group sizes
- Teacher contact time, including an allowance for PPA
- Teaching assistant time
- Absence through sickness, maternity etc.
- Leadership costs
- Exam fees (Key Stage 4 only)

All other pupil level costs are covered by a general allowance.

Pupils are funded by their key stage and not the type of school they attend. So primary-aged pupils in middle schools will be funded for using primary factors, and secondary-aged pupils will be funded using Key Stage three factors. The same applies for pupils in all-through schools.

2.3. The Lump Sum

The model aims to meet the basic costs of a 'normal minimum' school size – defined as 60 pupils for a primary school and 600 pupils for a secondary school. We acknowledge that there are schools of below these sizes in many authorities; our expectation is that the

additional cost of such schools in rural areas is covered by sparsity. Where sparsity is not an issue, our view is that the funding model should not subsidise uneconomic provision.

The elements of the lump sum are:

- The cost of a headteacher, less the funding generated by the core pupil entitlement for 60 or 600 pupils.
- An allowance for the fixed costs of administrative staff, premises and supplies.
- In the case of primary schools, the cost of an additional half class. This reflects the difficulties that small schools routinely face in organising 7 year groups into a standard class structure. Very small primary school with age ranges mixed over more than 2 years, for example where year 3 pupils are being taught with year 6 pupils, will need this flexibility to ensure that the curriculum can be effectively taught to appropriate age ranges for some of the time.
- The lump sum for middle schools and all-through schools will be determined by the 'deemed' status of the school. In the majority of cases this will be as secondary schools. How those schools are actually funded will be for local discretion.

2.4. Sparsity

As an interim measure the model uses the current Department for Education methodology and values. Our view is that further research is needed to develop a mechanism that is appropriate to a range of local circumstances. We are convinced that there are additional costs in sparsely-populated rural areas and therefore conclude that the funding formula should include an element for sparsity. We also convinced that no single model can fully reflect the range of circumstances across local authority areas. There should therefore be no restrictions on how a sparsity factor should be applied locally.

2.5. Deprivation

The deprivation factor seeks to reflect the additional needs of pupils from deprived backgrounds and uses free school meals (on the 'ever 6' model) as a proxy indicator. The proposal is based on an assumption that the Pupil Premium will continue as a separate funding stream and at the 2014-15 level.

The declared aim of the Pupil Premium is to raise the attainment of disadvantaged pupils and close the gap between them and their peers. Government has been clear that Pupil Premium should supplement rather than replace existing deprivation funding. Our model is based on an assessment that the overall cost of supporting a pupil qualifying for free school meals (on the 'ever 6' model) – in-school learning support, engagement with parents/carers and liaison with other agencies – is around £2,500 p.a. The allowance in the formula deducts the current Pupil Premium values.

2.6. High Incidence SEN/Prior Attainment

The allocation aims to meet the cost of support for pupils with lower level SEN not covered by the Pupil premium and the cost of Element 2 for pupil with High Needs. The model allocates a flat rate sum for each pupil qualifying for free school meals on the 'ever 6' model. In practice, schools will adopt a range of strategies for meeting needs.

2.7. English as an Additional Language

The model replicates the existing Department for Education allocation through the Minimum Funding Level mechanism. This simply reflects current national averages. Whilst not being strictly needs-based we feel relying on current spending is acceptable in this instance - circumstances experienced by schools across the country vary widely.

2.8. Other Issues

It remains f40's firm view that the formula should apply equally to all maintained schools and academies, on the same funding year, without any 'formula replication' by the Education Funding Agency.

It is assumed that academies will continue to receive additional funding through the Education Services Grant, to reflect their additional responsibilities.

3. The Early Years Block

The proposal for early years applies the same core principle as for schools i.e. the funding model enables settings with similar catchments/characteristics to be funded on a comparable basis wherever they are located.

No account is taken of current patterns of provision; this is consistent with the notion of funding based on a formula rather than reflecting historic decisions at either national or local level.

Allocations are based on January 2014 census data and will need to be updated when January 2015 data is available.

The formula allocates:

- A flat rate amount for:
 - Each 2 year old on roll
 - Each 3 or 4 year old on roll

The allocation for 2 year olds is weighted by 1.2 times. This reflects the approximate actual balance of costs given the likelihood that many children will be in mixed groups.

- An allowance for deprivation. This allocates 3% of the national total using the number of 3 and 4 year olds qualifying for the Early Years Pupil Premium (EYPP). The model is consistent with the approach taken for mainstream schools. This allows an individual deprivation hourly supplement to be calculated for each local authority. All current qualifying 2 year olds meet deprivation criteria so a single hourly rate is applied for all 2 year olds

No funding or adjustment has been included for the Early Years Pupil Premium. The assumption is that, as for schools, the EYPP will be a separate allocation, and additional to current funding for deprivation.

Note: The formula assumes that DSG will continue to fund the current targeted cohort of 2 year olds. Any expansion e.g. to include all 2 year olds, would require additional funding.

As for the Schools and High Needs blocks, area costs are added using the hybrid method.

4. The High Needs Block

The model allocates funding for high needs using the research data produced by PriceWaterhouseCooper in 2009. .

This methodology should be replaced with the outcome of the DfE-commissioned research to be conducted by ISOS and completed in March 2015. The figures currently included in the model are therefore for illustrative purposes only.

Our expectation is that the outcome of the ISOS research will result in a significantly greater weighting for pupil numbers as a proxy indicator for high needs and the distribution between LA areas will be flatter as a consequence. Our view is that the PriceWaterhouseCooper approach over-allows for the impact of deprivation, not least because it pre-dates the introduction of the Pupil Premium.

Under the f40 proposal special schools, alternative provisions schools and other high needs providers would still be funded through a combination of place numbers and top ups based on the needs of individual learners. But all the funding would be allocated to local authorities through the formula-based high needs allocation with local authorities, in consultation with Schools Forums and local providers, having discretion to vary place numbers. This removes the cost and bureaucracy associated with the current process, including 'exceptional needs' cases, managed through the Education Funding Agency. And enables local authorities to commission provision flexibly.

5. Area Costs

An allowance for area costs based on the 'hybrid' model is added for each of the three blocks.

6. Transition

The model illustrates how the national quantum for 2014/15 might be re-distributed on a formula basis. Transition arrangements would need to be developed in the light of the overall impact once the model for high needs has been updated for the outcome of the ISOS research. f40's view remains however that a fair formula should be introduced from 2016/17 with transition to a full formula basis taking no longer than three years.

7. Acknowledgement

f40 would like to acknowledge assistance from Department for Education in supplying data to facilitate the development of the formula. The use of that data in presenting the model is entirely the responsibility of f40.