



Arguments for a fairer funding system for education

Prepared as a contribution to the DCSF's Review of
DSG Funding

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**f40 Group Secretariat, c/o DTW, Bank Chambers, Market Place,
Guisborough, Cleveland. Tel: 01287 610404 www.f40.org.uk**

1. The f40 Focus

The f40 Group's campaign is focusing on the following key areas:

Basic Entitlement Needs - The level of the basic per pupil funding in the formula should not be based on dividing the remaining pot by the total pupils number once the money for the three "top-ups" (deprivation, area cost and sparsity) has been removed, as is effectively what is done currently. F40 will argue for an activity-led calculation of the basic entitlement first, at what is judged to be the standard level of educational provision we can afford for all pupils.

Additional Educational Need – In future this should be targeted at those pupils who are under-achieving in schools.

Area Costs – This extra help for recruitment and retention in high cost areas should be calculated on the actual additional costs faced by schools in "expensive" areas.

Sparsity – F40 wants this element to be reconsidered in terms of the additional costs inherent in running small schools - primary or secondary. We recognise, however, that the small schools attracting extra funding should only be those that exist by necessity, not simply choice.

High Cost Pupils - Recognition must be given to the fact that high cost pupils can be a considerable and unfair burden on authorities as the incidence of these children is not formulaic, but random. Hence there is a case for these costs to be funded centrally, not out of local devolved budgets.

2. Introduction

2.1 The f40 Group represents many of the local authorities that are the least well funded on a per pupil basis in the country.

2.2 The Group fully understand that funding for education must be allocated according to need, whilst ensuring a consistently transparent basic entitlement. We also recognise that since educational need varies considerably between authorities (and within authorities), then in any ranking, there will always be a percentage of authorities classified as having the lowest need and, therefore, the poorest funding.

2.3 Our concerns are to ensure that need is recognised wherever it occurs and that, where additional funding can help to address that need, it reaches the authorities and schools that teach those pupils. The relative cost of suitable provision may cause variance in allocations to authorities but each authority should be funded to enable the need as presented within that area. However, before there can be a sensible discussion about the level of support available for pupils with additional needs, it must be absolutely clear what level of basic educational entitlement the country can afford.

2.4 A significant number of the 40 authorities are counties with substantial rural areas, which makes the fact that there are different functions of rural education insufficiently recognised in the funding formula, particularly frustrating. This relates to definitions of AEN, sparsity and area costs.

3. Basic Entitlement

3.1 The DSG Formula Review is concerned with the allocation of resources to local authorities. We recognise that comparisons between schools in different authorities are complicated by the varying priorities in individual authorities and the different formulae used to distribute the Individual schools budgets to School Budget Shares.

3.2 However, the basic entitlement is about the basic unit of resource given to an authority. It represents the level of per pupil funding that the state can provide for each pupil. Of course, the basic entitlement is not simply passed on to schools. Each authority will decide on the difference between needs in different Key Stages and will use some of the basic entitlement for central pupil services.

3.3 Nevertheless, it is the key calculation in the formula – because the level of basic entitlement determines the definition of additional need. As a simple, if unrealistic example, if the basic entitlement provided an average class size in Key Stage 3 of 15 at school level, most schools would have the flexibility to provide the support for the vast majority of pupils. Of course, a school would not aim to have every class at 15 but would use variations of class size to provide smaller classes in science and technology or support classes in maths and English and so on. With that level of basic entitlement most schools could address the additional needs of their pupils. But if the basic entitlement only provides average class sizes of 30 in Key Stage 3 at school level then most schools would need additional resources to provide the necessary personalised support.

3.4 It is the staffing ratios that are the key to any calculation of the basic entitlement. Staffing is about 80% of a secondary school budget and teaching staffing is about 60% of the total budget. It is difficult to allow for all the local differences in school buildings – such as split sites, old buildings and shared facilities, but a basic entitlement based on staffing levels and resource levels would cover 90% of the budgets and make clear the level of educational provision for the country.

3.5 Within an authority and within a school, the fact that the money is allocated using particular parameters in the formula, does not imply that it has to be used in this way. At the school level, schools receiving the same basic entitlement per pupil would continue to make decisions on the deployment of teaching and support staff, and the balance between staffing and resources and other costs.

3.6 However, the distribution of educational funding would be transparent. In addition, it would be relatively simple to implement changes. Thus if the Government wanted to emphasise the importance of a particular key stage, it would be relatively easy to increase the levels of staffing or resources in that key stage calculation.

3.7 The calculation of any basic entitlement on an Activity-Led Formula takes into account the changing curriculum and pastoral needs of pupils throughout their schooling. This is already recognised in the statutory requirements on class sizes in Key Stage 1.

3.8 As pupils move through school, the curriculum becomes more complicated and expensive to deliver. Secondary schools have to deliver technology and science in appropriate workshops and laboratories and with class sizes appropriate to the safe use of these facilities. The major cost in the secondary curriculum comes when there is choice within the curriculum. Schools have to offer a reasonable choice at Key Stage 4 (and possibly within Key Stage 3 for example in Modern Languages), and choice costs.

3.9 In primary schools there is evidence that pupil attainment varies widely on entry to school and universal funding is required to close the gap. There is a diseconomy of scale in closing the gap in f40 authorities as, although there may be fewer pupils requiring intervention, the cost of provision is not significantly reduced.

4. Definitions of additional educational need and special educational need.

4.1 There is considerable confusion over the use of the terms special educational need, additional educational need, low cost and high cost pupils. Local authorities have different policies in the use of Statements of Special Educational Need and associated funding. The following is one way through the minefield of definitions.

4.2 High cost pupils with very specific special educational need: some pupils require considerable support. Their needs are very high cost because they have profound physical or learning difficulties. These pupils have 'Special Educational High Cost Needs' – the high cost, low incidence needs. Whilst there is not a definite cut off point, either in terms of need or cost, it might be easier to define these pupils as those needing a place in a special school or unit. Once a pupil is placed in a special school or unit, some authorities do not provide these pupils with Statements of Special Educational Need because the provision of a suitable place meets their needs.

4.3 Low cost pupils with additional needs: Any pupil who is able to access the National Curriculum within a mainstream school, but needs extra support to do so, has 'Additional Educational Needs'. These may be resourced through a funded Statement or through a formulaic distribution depending of the level of need and the local authority policy.

4.4 There is still a distinction between those with a Statement of Special Need with its associated resources and those whose needs are low cost but high incidence and are funded through a formula, but the distinction between Additional Educational Need (high incidence, low cost) and Special Need (specific resources for a named pupil) is no longer helpful. In the era of personalised learning, every child matters.

4.5 The funding for low cost, high incidence need is allocated on the basis of proxy indicators; social deprivation and EAL/ethnicity being the two indices used in SFSS because they both have high correlation with high incidence, low cost need. Local authorities use the same basic indices in their formulae – although an increasing number also use some measures of prior attainment.

4.6 Schools should be tracking the progress of every child and identifying those that require additional support to stop them falling behind – and that means falling behind their peers as well as their own personal trajectory.

4.7 Sometimes the support needed will be for a very specific resource – for example, the pupil has hearing difficulties and the school needs to use appropriate microphone/hearing aids or to provide some additional speech therapy. The pupil may or may not have a Statement that identifies these special needs and the school needs to be resourced on an individual basis for this.

4.8 We would argue that It would be quite reasonable for an authority to equip one of its schools to deal, say, with pupils in wheelchairs – in which case pupils going to this school would not need associated extra resources to be provided. So there will need to be local discretion on the use of resources for special needs associated with specific disabilities. However, the fact is that the majority of pupils requiring additional support within mainstream schooling, fall within the learning and behavioural difficulty spectrum, rather than specific physical need. They are the low cost, high incidence need pupils.

4.9 Sometimes the proxy indicator used to allocate funding is confused with the need. A good example of this is the use of social deprivation measures as a proxy indicator for under achievement at school. Schools have responsibility in tackling both underlying social deprivation and educational under-achievement, some of which correlates with social deprivation. Schools now have to manage all five “Every Child Matters” outcomes and should be funded appropriately to meet those requirements. It is not necessary (or helpful) to try to establish a causal relationship. For funding purposes it is sufficient to establish that there is a good correlation. In order to tackle educational under-achievement (as opposed to providing the funding to tackle it) it is important to understand the underlying causes that are linked to measurable outcomes.

4.10 These could be:

- Lack of appropriate skills on entry
- Lack of parental support – parents who are not able to provide a wide range of experiences for their children, or who do not themselves value education, or do not provide a secure emotional or physical environment for their children or do not establish clear boundaries for behaviour
- Specific learning difficulties – including dyslexia, dyspraxia and poor numeracy
- Behavioural and emotional problems
- English as an additional language.

4.11 Individual pupils may have different needs at different times in their schooling and the context of the school will also have an impact. One pupil with poor motivation and behaviour in the class is very different to a group of ten similar pupils in the class. However it is not easy to obtain reliable proxy indicators for all the underlying causes.

4.12 Some indicators that would be worth exploring are:

- Levels of social deprivation, but more sophisticated than simple eligibility for free school meals, which is a simple off/on switch and does not distinguish between those whose social deprivation is very great, those whose social deprivation simply merits free school meals, and those whose families are just above the free school meals thresh-hold and either do not claim or move in and out of eligibility, and so on. There are now better measures available at postcode level. What is important is that the local authority is funded for the pupils it educates and not simply on residency. There are relatively affluent authorities where substantial numbers of the most affluent are in private education but pupils from neighbouring, less affluent areas, are in their schools. We must target the resources for Additional Educational Need at the authorities and schools that educate these pupils
- Parental educational level – this is available at least in the census data and might provide a proxy indicator for parental support for education
- Prior attainment as the pupil progresses through school. It might be very difficult to establish low attainment – or poor progress – in the early years (although this could possibly be the most critical measure) but it will be practical as the pupil progresses through school
- English as a second language can be measured but only as a self-reporting measure and that is not very reliable
- Behaviour and emotional difficulties do not have a readily available, reliable and valid proxy indicator, but may correlate highly with social deprivation measures or slow progress. The Formula Review is only concerned with allocating resources to local authorities; presumably the local authority could have more detailed and consistent measures for behaviour and emotional difficulties in its own schools.

4.13 There will be overlap between the proxy indicators that could be seen as 'double counting' but there is overlap between the needs. Where pupils have two or more underlying causes, the needs do not simply add up – they multiply!

4.14 There are some aspects of rural communities that could be identified as an additional need. Rural communities will have more limited access to a wide range of educational support for pupils, for example, libraries, cinemas, theatres, museums and swimming pools. Choice within small rural schools (primary and secondary) is more restricted and options that require long distance travelling are not a solution. Extended school services are more difficult to access (or the transport costs and time escalate). Whilst good access to the Internet will help, not all families can afford, or choose to provide, this support for their children.

4.15 We have defined pupils with high cost, low incidence special needs as being those who require a special school or unit. At present the proxy indicators used to allocate resources are social deprivation measures and low birth weight – both of which correlate well with incidence of high cost need.

4.16 There is a slight problem with the use of low birth weight as presumably it is based on the percentage of babies born within an authority below a specified birth weight. Many rural authorities will not have specialist low birth weight provision but will move mothers with known likely problems to the nearest (urban) facility. If low birth weight is to be used it must again be based on the pupils educated within the authority and not where they were born.

4.17 However, there are only a few very high cost pupils. Five years ago the figure quoted for the highest cost was over £600 000 per annum and local authorities have reported that £300 000 is fairly common. We are unaware of any available evidence that the incidence of these pupils with exceptionally complex and high cost needs is correlated with the current proxy indicators. If not, the existing system is unreasonable for the smaller authorities where a pupil costing several thousand pounds is a disproportionate cost not covered by the formulaic distribution of resources.

4.18 There are some arguments in favour of a national or at least regional system for funding these pupils.

4.19 Rural authorities face considerable problems in providing for all their pupils requiring special school places. Either the transport costs are enormous or residential accommodation has to be provided. Is there evidence to show that pupils with high cost needs in rural authorities are more likely to be in residential places?

5. Areas Costs and Sparsity

5.1 We have linked area costs and sparsity because the additional costs associated with sparsity are particular to those areas. We are in favour of an

area cost index that is related to the additional costs for providing the same level of education in different areas.

5.2 The additional costs are associated with staffing and size of school. The costs of resources and utilities do not vary across the country – but staffing is about 80% of direct costs in a school budget and contributes to other budgets (including catering, cleaning and support services). In terms of direct and indirect costs, staffing probably contributes to about 90% of the budget.

5.3 There are clearly higher staffing costs in London, both in teacher costs and support staff. An initial survey by the f40 Group showed that there did not seem to be significant differences in staff costs in other areas. This requires more detailed analysis.

5.4 A particular concern for many rural schools is the high cost of supply staff. There is simply not the pool of teachers available and the cost of staff travelling from the nearest urban area can be substantial. Recruitment in rural areas can be as difficult and costly as in London because there is so little choice.

5.5 The major area cost for rural areas is the need to run small schools. At present the necessity for small primary schools is recognised in the SFSS formula. There is no recognition for secondary schools because there did not seem to be more small secondary schools in rural areas than in urban areas and the additional travel costs are in the local authority part of the budget.

5.6 However, there is a distinction between small schools of choice and small schools of necessity. Urban authorities may decide to have small urban schools by choice (and subsidise them from some larger schools), but rural authorities need small schools by necessity. It is not a solution to transport the children substantial distances over long periods of time.

5.7 The definition of when a small school is necessary is difficult. One measure would be to look at the time/distance to the next school but this does not allow for parental choice. In some rural areas there are two small schools close together but one is a religious foundation school and the other a community school (or a different denomination). It might be better to look at the average distance/time for pupils to travel to the next two schools. The argument holds for secondary schools (although a longer distance/time would be acceptable).

5.8 There is a cost to small secondary schools – particularly in providing the new 14-19 requirements. Again, if an urban local authority chose to have small secondary schools, the choice is theirs – and the cost of collaboration between urban schools will be smaller than the costs for rural schools. The additional costs of small schools are explored in more detail in the f40 paper on area costs. (Area Cost Adjustment and the Additional Costs Inherent in Small Schools, submitted to the DSG Review Group in June 2008).

5.9 The particular needs of small rural schools can therefore be shown to be both an issue of area (sparsity costs of staff and the costs of a small school) and additional need particular to rural communities.

5.10 Not all members of the f40 group are rural authorities and the arguments for a well-defined activity-led calculation for the basic entitlement along with a clear understanding of the likely causes and possible solutions to addressing the additional needs of students, are relevant to all authorities. We are not arguing for level funding across the country but funding to provide the same educational provision for the same need across the country.