



National Funding Formula for Schools – updated proposals from f40

November 2018

1. Introduction

- 1.1. This document builds on the proposals for a fair funding formula that f40 published in March 2016 and updated in July 2017. It reflects the national discussion and changing landscape of school funding. The f40 formula is a bottom up calculation of the costs of running a school in any part of the country.
- 1.2. Since f40's initial proposals were published, the National Funding Formula (referred to in this document as NFF) has been consulted on and initial implementation took place for 2018-19 and 2019-20 (both utilising a baseline of 2017-18). Other amendments have occurred, and many local authorities are in the process of moving toward the NFF. However, it is f40's view that there are necessary changes to the NFF that must be considered and implemented.

2. Summary of Costs

- 2.1. The NFF relies upon a set of values for factors in a formula. These are applied to schools in each local authority along with protections via floors and ceilings, the minimum funding guarantee (MFG) and minimum per pupil funding levels (MPPFL). In starting the implementation of the NFF, the Department for Education (DfE) stated that their 'end point' is that schools should never fall below the floor, but that the cap will be removed over time.
- 2.2. Our estimate of the amount of funding required for the f40 model in 2018-19 above that which was delivered by the NFF is £2.5billion with an additional £1.9bn to take the funding into 2019-20.

3. The case for a National Funding Formula

- 3.1. To briefly re-state the case for fundamental reform:
 - i. The historic funding model had no rationale and was clearly unfair. There was no rationale for the funding of High Needs or Early Years and a new start was needed.
 - ii. The inconsistencies in funding for individual schools with similar characteristics across the country were too great.
 - iii. A national funding formula for schools should minimise the problem of a child with similar needs attracting very different levels of funding if they

attend a school on one side of a local authority boundary rather than another whilst recognising the different regional costs.

- iv. Schools in low funded areas have inevitably had to prioritise meeting their core costs and have struggled to improve outcomes for vulnerable pupils as a consequence. Fully implemented fair funding will enable schools to be judged fairly on the outcomes their pupils achieve.

3.2. However, implementation of the NFF to date has not altered the inconsistencies outlined in paragraphs ii) and iii) above, due to the multiple protections laid on top of the NFF. This means that the NFF is not meeting its key objectives and the issues for low funded schools remain as much now as they did in 2017 and earlier years.

4. **Key Principles**

4.1. The f40 model is based on the following principles/features:

- i) It offers a formula for distributing the national schools budget to local authorities based on a clear rationale: education funding can be geared towards improving educational standards across the country rather than perpetuating an inequitable distribution of the national budget.
- ii) The f40 national funding formula has, as its main building block, a core entitlement at pupil level. The formula enables a school to have access to similar resource levels for a child's basic classroom costs i.e. the share of a teacher and teaching assistant. The core entitlement reflects different needs and costs at the various Key Stages.
- iii) The formula contains factors to reflect pupil level needs beyond the core entitlement (e.g. deprivation and high incidence SEN) and factors to reflect the needs of small schools that are necessary in a local authority's structure. The DfE will need to provide clarity about what needs and outcomes each factor is seeking to address.
- iv) All funding formula factors used in the proposed model allocate the same flat rate per pupil across all regions and appropriate area cost adjustment will be applied accordingly.
- v) f40 would ideally include all current grant funding streams (i.e. Pupil Premium) in the overall proposed model. However, for the purposes of this proposal, the current Pupil Premium funding allocated nationally has been excluded. There is no doubt that if the current cost of Pupil Premium was to be mainstreamed it would provide a significant contribution to the increasing employment costs on schools and still allow for some support for deprivation within the formula. However, it is part of the totality of funding pupils in schools and if added to the formula must be recognised as part of the totality and not as additional funding.

- vi) Local authorities, following discussion with their local Schools Forum, would be free to move funding between Schools, High Needs and Early Years blocks.

5. The National Funding Formula: A Framework

5.1. In considering the national funding formula, f40 concluded that it favoured a proposal which resulted in a core formula to produce a local authority level total, with each local authority then having discretion on how the total is allocated within the area. This option would ensure consistency in the overall level of funding whilst offering the local flexibility needed, together with very sharp local accountability. We propose the following arrangements for the Schools Block:

- i) The national pot for the Schools Block should be increased to take account of exceptional pupil growth (i.e. exceptional pupil growth as defined by the DfE). *Note: Illustrations in this paper do not allow for this as the quantum is unknown to us and we could not make true comparisons with the NFF formula.*
- ii) The Schools Block should then be distributed between local authorities on six formula factors:
 - Basic entitlement (formerly age weighted pupil unit)
 - Deprivation (based on Ever 6 FSM data only)
 - Low prior attainment
 - English as an Additional Language (EAL)
 - Lump sum
 - Sparsity
- iii) Attached as an Appendix is a technical note which provides further information on each of the six formula factors.
- iv) Area costs to be added, on the 'hybrid' model. This will be applied to all pupil-led factors to reflect regional differences in costs.

5.2. f40 agrees that, in the interests of transparency, local authorities should use common criteria and data for deprivation, low prior attainment and EAL.

5.3. The formula for distribution from DfE to LA level will need to be sufficient to cover the needs of the premises related factors such as rates, split sites, joint use or other exceptional circumstances that a national formula cannot hope to cover in the long term other than by reference to actual costs. If the funding for these is to be lagged, the DfE must accept that the national values within the NFF will not be able to be provided as published¹.

¹ For example, if the NNDR bill for a school is £1,000, but the amount that the DfE formula provides is £950, then either the basic entitlement value must be lowered or the amount provided under this heading will be insufficient. But, if the amount of NNDR is left at the lower figure, in the following year the DfE will still only provide 950, but the bill could now be £1,050. This system needs to take account

5.4. It must further be remembered that the basic entitlement and lump sum are simple to distribute, but that schools are not generic and that there are significant numbers of extraordinary circumstances which account for small sums nationally, but which are significant sums to the schools concerned. The position of these exceptional items is not static either and that LAs put considerable effort into managing these arrangements annually. Joint Use arrangements, for example, are mostly based on individual contractual agreements which need to be managed in the context of the funding formula to ensure that the contract can be adhered to by the school or academy concerned. Similarly, split sites will vary from school to school, but will equally impact on the funding formula. If LAs are not to be involved in overall school funding they must be able to pass full costs to schools and the school must be funded to afford these costs otherwise schools with exceptional circumstances will remain disadvantaged as far as teaching is concerned compared to similar schools. And as schools are not static, there must be mechanisms in place to enable change, for example when a school changes so as not to require a funding factor.

5.5. Local Authorities/Schools Forums should be free to:

- add additional factors e.g. split sites and leases
- shift funding between the three blocks
- agree any de-delegations from all LA maintained schools.

5.6 We see no need for restrictions or regulation given the level of accountability.

6. **The High Needs Block**

6.1. In line with the government's proposals, this paper primarily reviews the Schools Block, but as f40 has stated on previous occasions, the relationship between the Schools Block and the High Needs Block is not as discrete as the Schools Block proposals and the High Needs Block proposals suggested. Actions taken by schools nationally during 2018-19 in connection with increased numbers of Education, Health & Care Plans (EHCPs) and rapidly increasing exclusions are making this clear. Children and young people in schools are not defined by whether they are a 'typical child' or 'high cost child' – they are all children and the majority are educated in the same school. There are different views regarding whether children with SEN should be educated in mainstream schools or special schools and around the country there are differences in the way that schools are set up to support pupils with SEN and these views alter around the country too. The relationship between the High Needs Block and the Schools Block needs to have the ability to ebb and flow with these views and ways of supporting children and young people change. This is the only way that schools can support pupils with SEN and schools can challenge or support each other.

of the real costs of NNDR and not reliant upon 'catch up'. Academies are paid based upon presentation of the actual account – maintained schools need to be treated in the same way rather than penalised by an inadequate system.

- 6.2. f40 strongly believes that Schools Forums should have the power to transfer funding between the blocks and that the artificial wall that is being built between the Schools Block and the other blocks must be removed as it is divisive and sets up an expectation that mainstream schools will be protected at the expense of special schools, PRUs and other schools educating pupils with SEND including those mainstream schools with resourced provision or SEN bases. If this artificial divide is to be perpetuated, then it is essential that the DfE funds the High Needs Block sufficiently to meet need.
- 6.3. f40 also considers that LAs should commission places in providers directly, without the bureaucracy of the high needs place number process. This commissioning should be from home local authority to provider, regardless of where the provider is situated. By this approach LAs will be required to commission appropriate numbers for the pupils that they are responsible for rather than relying on other LAs commissioning places for other LAs pupils from their already stretched High Needs Block. This must be better for providers and means that the amounts commissioned are at the correct rate. This removes the need for the import/export adjustment.
- 6.4. It has become clear that since the introduction of the SEND Reforms in 2014, the number of EHCPs has been rising dramatically, and at a much faster rate than the funding available. Many local authorities are now in or moving into deficit in the High Needs Block. LAs are struggling to create places in specialist provision fast enough. It has become clear that the DfE will need to co-ordinate a rapid review the reasons for the rise in EHCPs, although part of the issue is associated with the increase in responsibility for education of 19-25 year olds from the DSG, but numbers of EHCPs have increased rapidly in other age groups too.

7. The f40 Mainstream Formula

- 7.1. Since f40's initial formula development work was undertaken in March 2016 the NFF consultation has been held and implementation has commenced. f40 was extremely disappointed that the government's proposals demonstrated a lack of evidence and understanding of the costs of running schools and the need to be able to operate effectively before it is possible to adequately address the needs of vulnerable pupils properly. Headteachers concerned that they don't have enough teachers, support staff or funds for heating buildings, cannot start to dedicate resources to those pupils that are failing to thrive. Since 2016, it has become clear that the cuts to LA funding are having an impact on the amount of family support that is available. Schools are having to replace these services providing more and more pastoral support, but with fewer resources. Where schools do not have the resources to provide support to children and families, the alternative is often exclusion (which may be formal routes or informal marginalisation).
- 7.2. It should be noted that one small adjustment to the formula originally proposed by f40 has been made, namely to split the free school meals funding to provide the cost of a meal for those currently eligible for a meal in addition to an amount for all pupils that have been eligible for free school meals for income reasons in the last six years using the same method that the DfE has applied in the NFF.

8. The Values – including updating the values

- 8.1. The initial version of the f40 formula used 2015-16 economic datum. The two main components of the formula are the Basic Entitlement (Age Weighted Pupil Unit and the lump sum. In this paper we have updated to September 2018 economic datum as shown in the table below.
- 8.2. This table below shows the Basic Entitlement as calculated in 2015-16, updated to 2018-19 or even 2019-20. In the original f40 paper, the primary AWPU was calculated to be £2,923 per pupil. This should now be £3,120. This calculation has been updated each year by the pay amounts as recommended by the Teacher Pay Review Body and by the changes to teaching and non-teaching on costs (NI and Pension). Non-staff costs have been inflated by RPI.

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Basic Entitlement (AWPU) | Key Stage 1/2 | Key Stage 1/2 | Key Stage 1/ | Key Stage 1/ | Key Stage 1/ | Key Stage 3 | Key Stage 3 | Key Stage 3 | Key Stage 3 | Key Stage 3 | Key Stage 4 | Key Stage 5 | Key Stage 6 | Key Stage 7 | Key Stage 7 |
| | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ | Cost £ |
| Standard teacher cost (U1) (sept 15) | 35,218 | 35,571 | 35,927 | 36,646 | 37,379 | 35,218 | 35,571 | 35,927 | 36,646 | 37,379 | 35,218 | 35,571 | 35,927 | 36,646 | 37,379 |
| On cost percentage | 25.00% | 27.14% | 27.14% | 27.10% | 31.25% | 25.00% | 27.14% | 27.14% | 27.10% | 31.25% | 25.00% | 27.14% | 27.14% | 27.10% | 31.25% |
| Standard teacher cost (U1) with on costs | 44,023 | 45,226 | 45,678 | 46,577 | 49,060 | 44,023 | 45,226 | 45,678 | 46,577 | 49,060 | 44,023 | 45,226 | 45,678 | 46,577 | 49,060 |
| Allowance for non-contact time <i>PPA min 10%, secondary also includes allowance for setting, practical classes and subject inefficiencies</i> | 10% | 10% | 10% | 10% | 10% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| | 4,402 | 4,523 | 4,568 | 4,658 | 4,906 | 11,006 | 11,307 | 11,419 | 11,644 | 12,265 | 11,006 | 11,307 | 11,419 | 11,644 | 12,265 |
| Teaching assistant (mid-point grade F) <i>includes movement for national minimum wage</i> | 16,559 | 17,129 | 17,435 | 18,354 | 19,272 | 16,559 | 17,129 | 17,435 | 18,354 | 19,272 | 16,559 | 17,129 | 17,435 | 18,354 | 19,272 |
| Term Time Only 25 hrs pw, 43.6 wks per yr | 9,356 | 9,677 | 9,850 | 10,370 | 10,888 | 9,356 | 9,677 | 9,850 | 10,370 | 10,888 | 9,356 | 9,677 | 9,850 | 10,370 | 10,888 |
| | 26.00% | 27.21% | 28.85% | 29.94% | 31.00% | 26.00% | 27.21% | 28.85% | 29.94% | 31.00% | 26.00% | 27.21% | 28.85% | 29.94% | 31.00% |
| | 11,788 | 12,310 | 12,692 | 13,474 | 14,263 | 11,788 | 12,310 | 12,692 | 13,474 | 14,263 | 11,788 | 12,310 | 12,692 | 13,474 | 14,263 |
| Proportion per class | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| | 5,894 | 6,155 | 6,346 | 6,737 | 7,132 | 2,947 | 3,078 | 3,173 | 3,369 | 3,566 | 2,947 | 3,078 | 3,173 | 3,369 | 3,566 |
| Sickness Maternity etc cover | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| | 1,358 | 1,398 | 1,415 | 1,449 | 1,527 | 1,449 | 1,490 | 1,507 | 1,540 | 1,622 | 1,449 | 1,490 | 1,507 | 1,540 | 1,622 |
| Direct employee cost | 55,677 | 57,302 | 58,006 | 59,421 | 62,625 | 59,424 | 61,101 | 61,777 | 63,130 | 66,513 | 59,424 | 61,101 | 61,777 | 63,130 | 66,513 |
| Standard no. of learners per teaching group | 29 | 29 | 29 | 29 | 29 | 22 | 22 | 22 | 22 | 22 | 19 | 19 | 19 | 19 | 19 |
| Direct employee costs per pupil | 1,920 | 1,976 | 2,000 | 2,049 | 2,159 | 2,701 | 2,777 | 2,808 | 2,870 | 3,023 | 3,128 | 3,216 | 3,251 | 3,323 | 3,501 |
| Responsibility points | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Responsibility points per pupil | 29 | 30 | 30 | 31 | 32 | 81 | 83 | 84 | 86 | 91 | 94 | 96 | 98 | 100 | 105 |
| Exam fees | | | | | | 275 | 275 | 275 | 275 | 275 | 275 | 275 | 275 | 275 | 275 |
| Proportion for other staff | 20% | 20% | 20% | 20% | 20% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Other staff - finance, mid day, technician, premises | 390 | 401 | 406 | 416 | 438 | 417 | 429 | 434 | 443 | 467 | 483 | 497 | 502 | 513 | 541 |
| Proportion for other costs | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| Other costs - resources, premises, library, ICT etc | 585 | 602 | 609 | 624 | 658 | 835 | 858 | 868 | 887 | 934 | 966 | 994 | 1,005 | 1,027 | 1,082 |
| Age weighted pupil unit (AWPU) | 2,923.03 | 3,008.37 | 3,045.34 | 3,119.60 | 3,287.79 | 4,034.09 | 4,147.90 | 4,193.82 | 4,285.66 | 4,515.30 | 4,946.05 | 5,077.83 | 5,131.00 | 5,237.34 | 5,503.24 |
| National Funding Formula Basic Entitlement | | | 2,747.00 | 2,747.00 | 2,747.00 | | | 3,862.25 | 3,862.25 | 3,862.25 | | | 4,385.81 | 4,385.81 | 4,385.81 |
| Difference to NFF | | | 298.34 | 372.60 | 540.79 | | | 331.57 | 423.41 | 653.05 | | | 745.19 | 851.53 | 1,117.43 |
| Proportions | | | | | | | | | | | | | | | |
| Teaching | 60% | | | | | 66% | | | | | 62% | | | | |
| Class staff | 7% | | | | | 3% | | | | | 3% | | | | |
| Non Class staff | 13% | | | | | 10% | | | | | 10% | | | | |
| Other costs | 20% | | | | | 21% | | | | | 25% | | | | |
| | 100% | | | | | 100% | | | | | 100% | | | | |

8.3. The NFF values were announced in 2017-18, but have not changed, whereas costs have changed considerably, making the Primary AWPU £372.60 too low in 2018-19 and an estimated £540.79 too low in 2019-20 (with equivalent rises at Key Stages 3 and 4).

8.4. The same process was applied to the lump sum calculations.

| LUMP SUM | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| based on 60 pupil primary & 600 pupil secondary | PRIMARY | | | | 2% | SECONDARY | | | | 2% |
| Headteacher (L10 Primary) (L25 Secondary) | 48,228 | 48,710 | 49,199 | 49,937 | 50,936 | 69,652 | 70,349 | 71,053 | 72,119 | 73,561 |
| Teaching On costs | 25.00% | 27.14% | 27.14% | 27.10% | 31.25% | 25.00% | 27.14% | 27.14% | 27.10% | 31.25% |
| Headteacher with on-costs | 60,285 | 61,932 | 62,552 | 63,470 | 66,853 | 87,065 | 89,445 | 90,337 | 91,663 | 96,549 |
| Non teaching time | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Head teacher for leadership | 30,143 | 30,966 | 31,276 | 31,735 | 33,427 | 43,533 | 44,722 | 45,168 | 45,832 | 48,275 |
| other leadership costs | | | | | | | | | | |
| 1@0.1 Assistant Head / 1@0.6 Deputy Head | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 |
| pay% | 75% | 75% | 75% | 75% | 75% | 85% | 85% | 85% | 85% | 85% |
| multiplier | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.51 | 0.51 | 0.51 | 0.51 | 0.51 |
| Other leadership | 4,521 | 4,645 | 4,691 | 4,760 | 5,014 | 44,403 | 45,617 | 46,072 | 46,748 | 49,240 |
| Total Leadership Contribution | 34,664 | 35,611 | 35,967 | 36,495 | 38,441 | 87,936 | 90,339 | 91,240 | 92,580 | 97,515 |
| Plus Allowance for fixed elements of with RPI | | 0.60% | 2.87% | 2.60% | 2.50% | | 0.60% | 2.87% | 2.60% | 2.50% |
| Administration and Finance | 15,000 | 15,090 | 15,523 | 15,927 | 16,325 | 30,000 | 30,179 | 31,047 | 31,854 | 32,651 |
| Premises Supplies and Services | 5,000 | 5,030 | 5,174 | 5,309 | 5,442 | 10,000 | 10,060 | 10,349 | 10,618 | 10,884 |
| Insurance | 10,000 | 10,060 | 10,349 | 10,618 | 10,884 | 20,000 | 20,120 | 20,698 | 21,236 | 21,767 |
| Office/Medical supplies | 5,000 | 5,030 | 5,174 | 5,309 | 5,442 | 10,000 | 10,060 | 10,349 | 10,618 | 10,884 |
| Minimum ICT Provision | 5,000 | 5,030 | 5,174 | 5,309 | 5,442 | 10,000 | 10,060 | 10,349 | 10,618 | 10,884 |
| Primary: 0.5 additional class to allow for numbers not fitting standard class structure | 27,159 | 27,952 | 28,296 | 28,986 | 30,549 | | | | | |
| Lump Sum Total | 101,823 | 103,802 | 105,659 | 107,954 | 112,524 | 167,936 | 170,818 | 174,032 | 177,525 | 184,584 |

8.5. f40 has always advocated a separate lump sum for primary schools from secondary schools. £110,000 is reasonable (at present) in primary schools, but not sufficient for secondary schools. Further details of these calculation are provided in the appendix to this paper.

8.6. All revised formula values are shown in the table below.

| | NFF | | f40 2015-16 | | f40 2018-19 | |
|---------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Primary £ per pupil | Secondary £ per pupil | Primary £ per pupil | Secondary £ per pupil | Primary £ per pupil | Secondary £ per pupil |
| Basic Entitlement Primary | 2,747.00 | | 2,923.00 | | 3,119.60 | |
| Basic Entitlement KS3 | | 3,862.65 | | 4,034.00 | | 4,285.66 |
| Basic Entitlement KS4 | | 4,385.81 | | 4,946.00 | | 5,237.34 |
| | | | | | | |
| Free School Meals P | 440.00 | | 440.00 | | 440.00 | |
| Free School Meals S | | 440.00 | | 440.00 | | 440.00 |
| Ever 6 FSM P | 540.00 | | 1,060.00 | | 1,211.63 | |
| Ever 6 FSM S | | 785.00 | | 1,060.00 | | 1,211.63 |
| IDACI F | 200.00 | 290.00 | | | | |
| IDACI E | 240.00 | 390.00 | | | | |
| IDACI D | 360.00 | 515.00 | | | | |
| IDACI C | 390.00 | 560.00 | | | | |
| IDACI B | 420.00 | 600.00 | | | | |
| IDACI A | 575.00 | 810.00 | | | | |
| | | | | | | |
| EAL | 515.00 | 1,385.00 | 466.00 | 1,130.00 | 532.66 | 1,291.64 |
| Prior Attainment | 1,022.00 | 1,550.00 | 1,000.00 | 1,000.00 | 1,143.05 | 1,143.05 |
| | | | | | | |
| Lump sum | 110,000.00 | 110,000.00 | 101,823.00 | 167,936.00 | 107,953.78 | 177,525.07 |
| Sparsity | 25,000.00 | 65,000.00 | tba | tba | tba | tba |
| | Tapered | Tapered | | | | |
| | | | | | | |
| | | | | | | |
| Mobility | 299.2 | 299.2 | | | | |

9.3. f40 considers that there should be no protections, floors, or capping and thus the value that is compared to is the formula with historic premises. The difference at this point is £2.5bn which is the amount required to bring the formula to current economic datum. To take the funding through to 2019-20 would add a further £1.9bn.

10. **Minimum per Pupil Funding Levels (MPPFL)**

10.1. Minimum per pupil funding levels should not be necessary if the underlying formula is properly funded. However, f40 is willing to undertake more research into whether its formula will work appropriately for different types of schools including very small schools or those with unique characteristics.

11. **Floors and Ceilings**

11.1. If MPPFL are not required, or are used in specific circumstances, and funding is fully applied, then floors and ceilings should not be needed. With our current calculations few schools are likely to need floors and those that are not on the formula should not be artificially held back from gaining to meet the formula.

12. **Other School Funding Issues**

12.1. We recommend that the allocations for EAL, deprivation and low prior attainment are 'smoothed' by averaging data over three years.

12.2. We proposed in 2016 that property rates be removed from school funding, or as a minimum all schools, not just Voluntary Aided, Foundation Schools and Academies, should be entitled to an 80% rebate. That remains f40's position. However, this is a complex issue and beyond our remit to make detailed recommendations. As an interim step we propose that rates be funded through one mechanism which should be the academy reclaiming arrangements for all schools (with the claim made by the LA for maintained schools if preferred). Rents, where these concern land or buildings that are intrinsic to the running of the school, should be funded at the LA level for all schools and academies.

12.3. We feel it is vital that the formula should apply to all maintained mainstream schools and academies in exactly the same way and on the same funding year. Our preference would be for the academic year.

12.4 All school funding should be through a single stream i.e. no specific grants and incorporating the Pupil Premium. We acknowledge that there has been a strong political commitment to maintaining the Pupil Premium as a separate funding stream, but it remains f40's view that it should be incorporated within the main funding for schools at full value of the current quantum.

12.5 The school funding system should be cost-effective to administer. All allocations to schools and academies should be administered by the LA as this would remove the costly and bureaucratic formula replication (i.e. recoupment) undertaken by the EFA. LAs must manage the whole system to enable the required flexibilities to take account of all the individual circumstances that exist. If LAs are left to 'manage' the difficult elements of school funding such as premises, high needs costs and pupil growth, they will need to have complete oversight of the funding system to utilise flexibilities to support schools in their

area. It will not be possible to reduce every element of school funding to a formula and it is highly unlikely to be possible for LAs to commit to maintaining small elements of the system that the DfE considers too difficult – the losers will be schools that are already managing different arrangements for a variety of reasons and this will make those arrangements even more difficult to manage.

Appendix

Technical Note – f40 Formula Factors for the Schools Block

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

1. **The Basic Entitlement, formerly known as the AWPU (Age weighted pupil unit) – an amount per pupil in the school)**

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 planning, performance and assessment (PPA)
- Teaching assistant time
- Absence through sickness, maternity etc.
- Leadership costs
- Non-class staff costs
- Resources
- Exam fees (Key Stage 4 only)

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.

We calculated a basic entitlement value for each key stage of education (KS1-4) based upon known or estimated costs using published teachers' pay scales, benchmarking data or professional experience.

Perhaps the biggest assumption in this was assumed class sizes of 29 in primary phase, 22 in Key Stage 3 (years 7-9) and 19 in Key Stage 4 (years 10-11). These numbers are based upon the average class size needed at each age. It might be suggested that for the primary sector we should be using 30 to match the infant class size legislation which states that no infant may be taught in a class of more than 30 where the majority of pupils in the class are age 6 or under. But there are occasions in a school life where it is necessary to teach children in smaller classes for some of the time and 29 is a reasonable average.

For secondary schools, whilst a cohort entering the school is likely to be a multiple of 30, it is not possible to teach all lessons in groups of thirty. At Key Stage 3 schools often need to stream pupils for some academic lessons and create smaller classes, many schools don't have science or design & technology spaces that are capable of taking a group of 30 pupils at once (either physically or safely). When you average out the amount of time pupils spend in smaller classes across the whole curriculum an average class size of 22 is the norm.

At Key Stage 4 we have all the same issues that are there at Key Stage 3, but with the added complication of subject options for GCSEs. Schools need to offer a breadth of choice to cover the likely life paths of pupils in the future and this brings the average class size down to 19.

The national statistics Schools, Pupils and their characteristics based upon the January 2018 census² shows that in 2018 primary classes were on average smaller at about 27.1 and for secondary schools (i.e. both Key Stages 3 and 4) were about 21.2.

2. The Lump Sum

This 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 head teacher (Leadership Scale 10 for a 60-pupil primary school and Leadership Scale 25 for a 600-pupil secondary school).
- An allowance for the fixed costs of administrative staff, premises, ICT 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 two 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.

3. Sparsity

The majority of sparsely-populated rural areas incur additional costs due to the requirement to fund small necessary schools across all sectors. As such f40 is of the view that any national funding formula should include an allocation to recognise these costs. The f40 model would ideally distribute an initial allocation to local authorities based on population density, allocating funding to those with the lowest number of pupils per square kilometre. However, when comparing to the NFF, sparsity is allocated by the same method (the average distance to the next nearest school and size method).

We do recognise that no single model can fully reflect the range of circumstances across local authority areas and as such there should be no restrictions on how a sparsity factor should be applied locally.

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/719226/Schools_Pupils_and_their_Characteristics_2018_Main_Text.pdf

4. 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. As is proposed in the NFF the cost of a meal is paid to all pupils on FSM and a separate amount is paid for pupils currently eligible for FSM or who are ever 6. The proposal is based on an assumption that the Pupil Premium will continue as a separate funding stream and at current levels.

The above figure is in line with and in addition to the current Pupil Premium allocations and is broadly calculated on the following basis:

- £440 for the provision of a free school meal; and
- £1,283 for additional associated support costs (2018-19 economic datum)

The declared aim of the Pupil Premium is to raise the attainment of disadvantaged pupils and close the gap between them and their peers. The government has been clear that Pupil Premium should supplement rather than replace existing deprivation funding.

f40 has not used the IDACI indicator because we consider that in rural areas particularly there is too much spread of income to make it target funding properly. Where the geographical area that it covers is small (i.e. 1,500 people are living closer together) it is a better indicator, but where the geographical area covered is spread over miles it can be diluted for the pupils that actually need support. However, we consider that technology and data are now good enough for the DfE to be able to ascertain at school level, the likely deprivation needs of the school from Work and Pensions data without the need for parents to apply (and likewise for Pupil Premium allocations). Schools don't necessarily need to know the pupils that create the funding pot – they need to use it for the pupils that need it, but the funding pot is likely to be at an appropriate level. Schools will need to know which parents wish to take up the offer of a meal, but that is no different from the current situation.

4. Low Prior Attainment

The allocation aims to meet the cost of support for pupils with lower level SEN not covered by the Pupil Premium. The model allocates a flat rate sum for each eligible pupil. Eligibility is determined for low prior attainment as children who do not meet certain expected levels in the Early Years Foundation Stage (age 5) or at the end of Key Stage 2 (age 11) and is used as an indicator of high incidence SEN. It is felt that having a similar rate for both phases is an investment in early intervention. We are still very concerned about the reliability and consistency of data being used to determine funding allocations under the current system in this area.

5. English as an Additional Language

The model originally replicated the DfE allocation through the 2014 Minimum Funding Level mechanism (which is different from the current MPPFL). 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. These have been upgraded by the increase in support staff costs between 2015-16 and 2018-19.