

Government consultation on fair school funding for all: completing our reforms to the National Funding Formula

Response of the Association of School and College Leaders

A. Introduction

1. The Association of School and College Leaders (ASCL) represents over 21,000 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 this consultation.

B. Key points

3. ASCL welcomes the direct National Funding Formula (NFF) in supporting the principles of fairness, transparency, and predictability. However, we do not wish to see a direct NFF rushed through to meet a legislative deadline. We acknowledge the steps that the government has undertaken to address the distribution inequities that had arisen prior to the introduction of the NFF in 2018.
4. It is our firm view that the formula needs to be functioning well before the progression to a direct NFF can take place. In the funding year 2020/21, 15.6% of all schools required top-up funding to meet the government's own minimum per pupil funding levels. In other words, this is not a formula that is functioning well.
5. We support the government's 'levelling up' ambitions, and the role that a national funding formula can play in that ambition. Unfortunately, since its introduction the NFF has tended to provide larger increases for the least deprived schools (8-9%) than those in the most deprived areas (5%)¹. Again, this is not a formula that is functioning well.
6. ASCL's [Blueprint for a Fairer Education System](#)² starts from the overarching principle that a wealthy, democratic country in the 21st century should support all its citizens to succeed. A priority outcome in the government's own education strategy document³ is to "*Level up education standards so that children and young people in every part of the*

¹ <https://ifs.org.uk/publications/15588>

² <https://www.ascl.org.uk/Microsites/ASCL-Blueprint/Home>

³ <https://www.gov.uk/government/publications/department-for-education-outcome-delivery-plan/dfe-outcome-delivery-plan-2021-to-2022>

country are prepared with the knowledge, skills, and qualifications they need". Both statements are concerned with equity, and with every child and young person having access to what they need to succeed. Changes to the funding distribution mechanism cannot deliver equity unless the funding quantum is sufficient.

7. The quantum is not sufficient. Despite the additional £7.1 billion allocated to the dedicated schools grant (DSG) between 2020/21 and 2022/23, evidence indicates⁴ that school spending per pupil will be around 1% lower than in 2009/10.
8. ASCL believes that the principle of subsidiarity should apply to the distribution of education funding, and that for the most part this means devolution to school level. However, we also think that in some cases the Local Authority (LA), with its capacity for local decision making, is the most appropriate level for allocation of funds. Growth and falling rolls funding might be an example of this.
9. The direct NFF supports the principle that schools are best placed to target available funding to meet local need. However, the distribution methodology can only work effectively when the amount of funding available is adequate to meet both basic and additional need. In our view the current situation (funding has increased but the formula is still hampered by a top-down approach) will continue until such time as a policy of bottom-up budgeting can be introduced.
10. We broadly support the principle of general annual grant (GAG) pooling, which aligns with paragraphs 8 and 9 above. However, we think that the government should consider including, within the trust regulatory framework, an obligation to transparency regarding whether minimum per pupil funding levels have been met for all schools.
11. We are concerned that progressing reforms to the schools block NFF in isolation presents some risk. This is highlighted by proposals to ring-fence the blocks within the DSG whilst insufficiency of the quantum remains a live issue. We acknowledge that additional funding has been added to the high needs block, and that the DfE has supported some LAs to stabilise growing and significant deficits. However, we are concerned about what might happen to high needs provision if demand exceeds the financial capacity of the high needs block. The delay in the publication of the SEND Review is unfortunate. We think that modelling the financial implications of the outcome of the SEND Review is a necessary part of the progression to a direct NFF.
12. We would urge the government to consider the wider implications of reducing the responsibility, and therefore the resource, of LAs. LAs must be properly resourced for all responsibilities for which they remain accountable.
13. The consultation document acknowledges the benefits of using current data on costs and needs at school level, and allocations that better reflect 'the actual costs that schools face'. We welcome this. However, this was also acknowledged when the soft NFF was in consultation phase, but unfortunately at that time work to determine the costs of running a school was deemed to be 'inconclusive'. The risk here is that, in an inherently underfunded system school, expenditure will continue to be driven by financial capacity rather than need. We would be keen to support any work on actual costs to support completion of the reforms to a direct NFF.

⁴ <https://ifs.org.uk/publications/15588>

C. Answers to specific questions

Question 1: Do you agree that our aim should be that the directly applied NFF should include all pupil-led and school-led funding factors and that all funding distributed by the NFF should be allocated to schools on the basis of the hard formula, without further local adjustment through local formulae

14. Yes.
15. ASCL agrees with the stated aim in this question. However, we think that there are issues with the formula detailed in this consultation that render the aim unachievable. Please refer to paragraphs 3-5 and 11 above, and responses to the remaining questions, for more detail about why we think this.

Question 2: Do you have any comments on how we could reform premises funding during the transition to the directly applied NFF?

16. We have significant concerns around the feasibility of formularising premises costs to the degree proposed when, according to the government's own data ⁵, the modelled cost of the remedial work to repair or replace all defective elements in the school estate is £11.4 billion. (Also see paragraph 13 above.)

Question 3: Do you agree with our proposal to use national, standardised criteria to allocate all aspects of growth and falling rolls funding?

17. No.
18. We disagree with proposals for popular growth funding, which will disadvantage maintained schools. This contradicts the principle of 'fair' as defined in the consultation.
19. We would broadly support the proposals for basic need growth and falling rolls, but see paragraphs 19-21 below.

Question 4: Do you have any comments on our proposed approach to growth and falling rolls funding?

20. Whilst we agree with the premise of consistency, we are unsure how effective the funding will be if broadly the same proportion of schools block is allocated to these factors. We would like to see modelling on the impact of this. We would also seek assurance that factor values will be based on evidence of effectiveness, and not just affordability.
21. It seems sensible to continue to allocate a higher rate for secondary growth than primary growth. The biggest cost for schools is staffing. In the primary phase, the curriculum structure tends to be less complex than in the secondary phase. The curriculum structure describes the way that staff are organised in order to deliver the curriculum content. In a more complex structure, more teaching staff will be required. This principle is reflected in national pupil to teacher ratio (PTR) statistics⁶. In 2020 the PTR in primary schools was 20.6 and 16.6 in secondary schools.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/989912/Condition_of_School_Buildings_Survey_CDC1_-_key_findings_report.pdf

⁶ <https://explore-education-statistics.service.gov.uk/find-statistics/school-workforce-in-england>

22. The proposals are not clear on what determines significant growth. We would need to see modelling to assess the efficacy of more detailed proposals on what 'significant' means. We think any proposals must include capacity for reflecting the impact on costs of curriculum delivery, which will vary. Variation will occur for many reasons including, but not limited to, the spread of growth across the age ranges, curriculum framework, building age and design, and pupil characteristics.

Question 5: Do you agree that, in 2023-24, each LA should be required to use each of the NFF factors (with the exception of any significantly reformed factors) in its local formulae?

23. Yes.

Question 6: Do you agree that all LA formulae, except those that already 'mirroring' the NFF, should be required to move closer to the NFF from 2023-24, in order to smooth the transition to the hard NFF for schools?

24. Unsure.

25. We support the principle of this proposal but, given the accepted period of transition to the direct NFF, it may not be a helpful lever as early as 2023/24. Our particular areas of concern are the uncertainty around high needs block deficits and the as yet unknown financial implications of the SEND Review. (See paragraph 11 above.)

26. We understand that from 2023/24 unrecovered high needs deficits may represent a risk to the schools' block, in that LAs may face a going concern risk once these deficits again sit outside the DSG.

Question 7: Do you agree that LA formulae factor values should move 10% closer to the NFF, compared with their distance from the NFF in 2022-23? If you do not agree, please explain why.

27. Unsure.

28. We support the principle of this proposal but given the accepted period of transition to the direct NFF it may not be a helpful lever as early as 2023/24. Our particular areas of concern are the uncertainty around high needs block deficits and the, as yet, unknown financial implications of the SEND Review. (See paragraph 11 above.)

29. We understand that from 2023/24 unrecovered high needs deficits may represent a risk to the schools' block, in that LAs may face a going concern risk once these deficits again sit outside the DSG.

30. However, we remain concerned about the inequalities that exist between schools' funding allocations and the time taken for these to be adequately addressed. We urge government to address this as part of the levelling up agenda.

Question 8: As we would not require LAs to move closer to the NFF if their local formulae were already very close to the NFF, do you have any comments on the appropriate threshold level?

31. The consultation sets out that if LAs currently have local factor values within 1% of the relevant NFF value then they are classed as mirroring. We think that 1% is a sensible

threshold to use for those LAs where local context has provided the opportunity for alignment with the NFF.

Question 9: Do you agree that the additional flexibility for LAs in the EAL factor, relating to how many years a pupil has been in the school system, should be removed from 2023-24?

32. Yes.

33. In 2021/22 142 LAs used EAL3. Of these 90 allocated a factor value within 15% of the NFF EAL3 value for that year (£1485). Therefore, evidence suggests a high level of consistency already exists in the use and value of this factor.

Question 10: Do you agree that the additional flexibilities relating to the sparsity factor should remain in place for 2023-24?

34. Unsure.

35. Funding year 2022/23 will be the first year in which changes to the sparsity factor will have been applied. We would need to see the impact of at least one year's application of the changes before being able to determine whether they have introduced positive change.

36. The current flexibilities incorporate mitigation to protect schools where eligibility for sparsity fluctuates year by year. We welcome this as a protection against the negative impact of a 'cliff edge' scenario. However, as we move towards a direct NFF, we suggest that, instead of minimum funding guarantee protection, consideration should be given to using a rolling average year group size. We would be keen to see modelling on this to understand if this approach would deliver stability for schools.

37. We would be keen to see any evidence that demonstrates how decision makers take account of *why* a school is small, when it is being protected by the rural school presumption, and to what extent this aligns with schools in receipt of sparsity funding.

Question 11: Are there any comments you wish to make on the proposals we have made regarding ongoing central school services, including on whether in the future central school services funding could move to LGFS?

38. The proposals include the proposal that statutory responsibilities would continue to be funded, but that a review of schools' services (across on-going responsibilities, de-delegated central functions, and optional traded services) will be undertaken. We feel unable to make comment until the review of services has been undertaken and more detailed proposals are available.

39. We would urge the government to consider the wider implications of reducing the responsibility, and therefore resource, of LAs. LAs must be properly resourced for all responsibilities for which they remain accountable.

40. In particular we would like to see more detailed proposals on the following areas:

- a. Central school services delivered by MHCLG
- b. School improvement
- c. Family/ welfare support. (ASCL members report increasing demand for these services, often falling to the school itself to fund. Reducing LA resource limits their flexibility to respond to need and presents increased risk to school budgets.)
- d. Facilities time

- e. Schools forums

Question 12: Do you agree with the proposal for a legacy grant to replace funding for unavoidable termination of employment and prudential borrowing costs?

41. Yes

Question 13: How strongly do you feel that we should further investigate the possibility of moving maintained schools to being funded on an academic year basis?

42. We think that moving to a single funding year for all types of school should be investigated further. We would be happy to support the DfE in this piece of work. However, if the change generates additional costs, these must be funded.

Question 14: Are there any advantages or drawbacks to moving maintained schools to being funded on an academic year basis that you feel we should be aware of?

43. Further investigation is required to properly understand the significance of perceived advantages or drawbacks. The following are areas for consideration:

- a. Changes to the reporting / accounting cycle
- b. Impact on curriculum led planning
- c. Equity between all schools (For example, currently academies have to meet a full year of unfunded elements of increased teacher salary cost from the same budget allocations as maintained schools, which only have to meet seven twelfths.)

Question 15: Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.

44. A direct NFF must have formula values set so it is a functioning NFF. Currently the basic entitlement funding is too low to deliver the core functions of the school, and so additional needs funding is commonly diverted to deliver core spend. The inequalities are further exacerbated by the MPPL because schools with very different characteristics receive the same amount of funding. These issues are not addressed in the consultation, but if a direct NFF is introduced without significant change to the factor values, and to the operation of the MPPL, it will 'bake in' these inequalities. Until the SEND Review is published, it is unknown what the overall impact will be on funding to support children and young people with SEND. (See paragraphs 10 and 11 above.)

Question 16: Are there any further comments that you wish to make about our proposed move to complete the reforms to the NFF?

45. In their July 2021 report on school funding, the NAO recommend⁷ an evaluation of the impact of minimum per pupil funding levels over time. ASCL supports this recommendation and looks forward to seeing the outcome of this evaluation. It remains our strong view that the minimum per pupil funding level should align with the basic entitlement per pupil funding factor (AWPU) and not include deprivation factors, or the lump sum. (See paragraphs 5,6,9 above.)

46. The consultation includes consideration of the freedom that trusts currently have to pool the General Annual Grant (GAG). We acknowledge that, in the soft formula implementation phase, GAG pooling has offered mitigation for variations in levels of funding between schools across a trust. However, we are disappointed to note that the government has made the decision to allow this freedom to remain without proper

⁷ <https://www.nao.org.uk/report/school-funding-in-england/>

consultation. Evidence indicates that there are currently around 11% of MATs that pool GAG⁸.

47. ASCL is concerned by the findings of the NAO. The NAO evidence indicates⁹ that local freedoms can result in schools receiving below the government's own minimum per pupil funding levels with no accountability at trust level. We urge the government to consult more widely and consider introducing accountability on this point, via the Academy Trust Handbook, for example.

D. Conclusion

48. ASCL supports progression towards the direct NFF. However, we think that the pace of transition is crucial to its success. The formula must be functioning well in the context of both schools and high needs, and we do not want to see a direct NFF rushed through to meet a legislative deadline. We acknowledge the steps that the government has undertaken so far to address distribution inequities that had arisen prior to the introduction of the NFF in 2018.
49. I hope that this response is of value to your consultation. ASCL is willing to be further consulted and to assist in any way that it can.

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28 September 2021

⁸ <https://www.krestonreeves.com/news/academies-benchmark-report-2021/>

⁹ <https://www.nao.org.uk/report/school-funding-in-england/>