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A core funding level for schools

PROTECTING EDUCATIONAL AND FINANCIAL VIABILITY
THROUGH A NATIONAL FUNDING FORMULA

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Conclusions

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Chapter 9: Conclusions

We think it is a matter of fact that the mechanism chosen for the National Funding Formula cannot actually deliver the policy intention of a funding system that supports opportunity, is fair and efficient, transparent, and predictable. The ideas of a mechanism that gets funding straight to schools and one that is simple can be met but unfortunately the result simply does not work for a significant number of schools unless the whole system is funded in an arguably inefficient manner.

Core Pupil Resource

The analysis has evidenced that the relationship between the number of pupils on roll and the number of teachers a basic school requires. This has been done through analysis of the spending patterns of good, efficiency schools with low levels of additional need in low funded areas as well as through a variety of theoretical models ranging from simple to the more sophisticated. At 2016/17 values, using educational parameters drawn from the ‘wisdom of headteachers’, the analysis has demonstrated that the total funding allocated for basic educational provision is understated by £2.66bn.

The conclusion is that the extent to which additional needs funding is currently subsidising core basic educational provision far exceeds the notional “hidden deprivation” that is referred to in the NFF consultation proposals.

In addition to reversing the transfer out of basic entitlement funding (lump sum and AWPU), the need for a differential lump sum between the two education phases has been evidenced.

Suggested formula values (CPR), based on the data and validated through theoretical modelling are repeated in the table below:

Figure 1: Core Pupil Resource - suggested formula values

	Core Pupil Resource		NFF Values for comparison	
	Lump sum	Basic per pupil funding	Lump sum	Basic per pupil funding
Primary	£61,769	£3,343	£110,000	£2,712
Secondary	£239,152		£110,000	£3,797
Key Stage 3		£4,093		£4,312
Key Stage 4		£4,143		

To summarise, the NFF proposals carry the following risks and issues:

- a) The proposed AWPU values are too low for many schools if they are expected to provide even a very basic curriculum without using some or all of the funding allocated for Deprivation, EAL, Sparsity etc. and in many cases any other additional revenue such as the Pupil Premium Grant.
- b) A single lump sum value for all schools does not work if it is to reflect any aspect of school operation in an equitable manner. The common factor between a UTC, and All through school, an 11 to 16 secondary 9 to 14 middle school and a reception to year 6 primary is that they are all schools. However given the numbers of year

- groups and the ability or otherwise to operate with derived years the mode of operation and hence the idea of a common value of lump sum is wrong.
- c) Given the impact of rising costs against relatively static per pupil funding since 2010 the mathematical model of a Lump Sum and Per pupil amount allocation no longer works for many schools.
 - d) Making even parsimonious adjustments to the values shown in the data analysis to account for inflation and probable future trends it is clear that the level of funding provided by the NFF proposals falls short of what many schools are going to need in order to maintain educational provision no matter how financially efficient they may be.

Alternative approaches

A curriculum referenced, policy-led spending model can be used to allocate baseline funding equivalent to the total Lump Sum and AWPU allocations in the NFF in a transparent and equitable manner through the use of a limited number of agreed variables and a set of lookup tables. The estimated additional cost of doing this at 2016 values in relation to the figures in the NFF consultation is £2bn, given a set of reasonable values for the fourteen parameters in the model. If very small schools are taken out of the formula system and funded on a special case basis, then the cost may well be lower than this.

Even if a curriculum referenced spending model based on the operation of financially efficient and educationally outstanding schools is rejected as a mechanism for fairly allocating baseline funding it still has value as an assessment tool to judge the characteristics of schools that may be at financial risk in a Lump Sum and per pupil amount allocation mechanism. It also allows for a view to be taken of the impact of inflationary pressures on the operation of schools and their capacity to meet those pressures with no increase in resources.

An alternative policy-led approach is to replace the lump sum with a locally determined place-led funding allocation, reflecting the local authority's responsibility to secure sufficient places across the area. This approach has the real advantage of being capable of sweeping up a number of tricky funding issues relating to schools and their circumstances rather than pupils.

Future developments

The essential objective is to develop and implement a basic funding mechanism that efficiently allocates sufficient basic funding for all schools, so that they can be both educationally and financially viable, without drawing on funding intended to support pupils with additional needs. It would be short sighted, if such a system was to be implemented, to allow the basic values to be eroded over time by unfunded inflation. This would undermine the core integrity of the approach.

The values used in the exemplifications are estimated to be at 2016/17 prices. The full cost of implementation, over the life of a parliament, would need to factor in unavoidable cost pressures, rising pupil numbers and transitional protection, otherwise the approach would be devalued over time.

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