

Schools: National Funding Formula Consultation Response

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Overview

To be successful, any new National Funding Formula (NFF) for schools would boost funding for historically underfunded rural areas, direct money to areas of higher deprivation, and protect valued small schools in areas where large schools cannot be built. The proposals put forward by the Department for Education (DfE) fail on all three of these counts.

This response will conclude that Hampshire County Council should retain discretion over distribution of the block grant.

The proposed NFF sees the total money received by schools in North West Hampshire increase from £54,110,000 to £54,113,000, a 0.01% increase.

Despite the total funding remaining constant however, the NFF negatively impacts the constituency when compared to the funding formula used by Hampshire County Council (HCC) at the moment. If implemented as proposed the NFF reduces the funding for several schools substantially with secondary schools in more deprived parts of Andover and highly valued small rural schools bearing the brunt of the change.

In Andover, Winton Community Academy, which is rated as 'requires improvement' loses 2.9% of its funding, while Harrow Way Community School loses 0.8% of its funding. These are schools with many pupils from more deprived backgrounds as reflected by the HCC preferred measure of deprivation, but fewer who are in receipt of free school meals, the NFF preferred measure. Andover, with a population of 62,758 at the last census, is not an affluent town and that it is affected in this way is illustrative. Despite the rate of employment being relatively high, many of the jobs on offer are at the lower end of the income scale. The result of this is fewer children eligible for Free School Meals, but a higher rate of deprivation as measured by an income linked index. Andover is by no means unique in its socio-economic make-up and it is likely that this is a phenomenon repeated around the country revealing a flaw in the NFF.

In more rural areas of the constituency, the smaller schools are the biggest losers. On average, schools that are net losers are smaller than those that gain and the smallest schools lose the largest percentage of their funding.

Considering the impact of the NFF it is also of note that the constituency is protected by the funding floor up to 2020, but not necessarily beyond this period. Given that this funding floor is worth £6.8 million across the county and worth £690,000 in my constituency, it is clear that the NFF sets the county and the constituency on a negative trajectory on funding, forecasting further damage through the years. This problem is even more noteworthy given Hampshire's status as one of the lowest funded areas in the country per pupil (3rd lowest before the NFF, and 5th lowest afterwards).

Small Schools: Lump sum and Sparsity Factor

The negative impact on small schools in my constituency is driven by two factors: The diminished role of the lump sum funding and; the sparsity factor's lack of weight within the formula, its insufficient generosity, and its weighting against small schools.

The impact of this is stark. Out of the smallest twenty schools in my constituency, 18 lose funding, with the average level of funding lost by these schools standing at 2.1%. Of all the schools in the constituency with under 200 pupils, all but 2 lose funding.

This is concentrated on rural schools. In total, the 24 rural schools lose £66,000 with 20 of these losing on average £9,000 each.

As a rural MP I know that parents and communities both value and prefer smaller schools in rural areas and it would be seen as a great loss if this British tradition and staple of countryside life had to come to an end due to a Whitehall policy.

Lump sum

The main way that HCC has hitherto protected rural schools has been with the lump sum. The highest permissible lump sum used by HCC is set at £175,000 while the proposed NFF lowers that to £110,000. HCC used this total due to the high number of small rural schools in Hampshire.

Small schools cannot recover losses from a smaller lump sum with additional per pupil led funding either in the basic per pupil amount or in the additional per pupil factors such as deprivation or low prior attainment. The sparsity factor also fails to address the shortfall.

Smaller schools need to be protected with a larger lump sum because they are naturally less efficient. This is not because of poor management. Due to sparsity factors they cannot grow as other schools can and cannot merge. If the Government recognises that these schools cannot be closed by including the sparsity factor within the NFF, then surely this measure should protect the schools. Given that it fails to and even singles out the smaller schools for less protection, it seems that the sparsity factor is badly designed. Under the current proposals many of these smaller schools are rendered financially unviable. The DfE should accept, as HCC understood, that smaller schools need a higher base level of funding. The base level of funding that a school needs to run should be the start point of calculations, not an afterthought.

Sparsity Factor

In the proposed plans, the DfE will decide if a school is to be eligible for sparsity funding by using the same criteria they currently recommend for use in local authority schools block funding formula, as well as sparsity distance and year group data from the 2016-17 APT.

Under the NFF, a school will be eligible for sparsity funding if it satisfies two measures laid out in the DfE's technical note.

First, the school will be eligible if it is the case that for all the pupils for whom it is the nearest compatible school, the average straight-line distance from the pupil's homes to the second nearest compatible school (the sparsity distance) is more than three miles (for secondary schools) or two miles (for all other schools). Second, the average year group size (APT adjusted pupil count divided by number of year groups) must be below the year group threshold. This is 21.4 for primary schools, 69.2 for middle schools, 120 for secondary schools and 62.5 for all-through schools.

This is a complex system, but even if a school qualifies, the NFF sets a maximum sum that schools can receive through it. This done by tapering according to the school's sparsity weighting, so that as the average year group size approaches the threshold, sparsity funding decreases. The result of this is to reduce the benefit the sparsity factor has for smaller rural schools.

If the DfE was serious about helping redress the impact of the NFF on rural schools, the sparsity factor would have a greater impact and tapering would not negatively impact them. It is smaller schools in my constituency that are already, on average, losing the highest percentage of their funding under the NFF. If the schools that are supposed to be protected by the sparsity factor still see their funding levels dangerously reduced then it is plainly inadequate.

I would also suggest that if the DfE want to the Sparsity Factor in the NFF to help small rural schools, the qualification criteria would be looser. Despite being 'rural enough' or 'sparse enough' to suffer

under the formula, most of the schools losing out in my constituency are not 'sparse enough' to qualify under the rules outlined above.

Another proposed solution, the merging of the schools into multi-academy trusts (MATs), is also unsuitable. All this would achieve is to put a number of financially struggling schools together in a trust. And even if it was proposed to merge them into to MATs with less financially strained schools, one would also question whether larger better funded schools would want to join a MAT with struggling schools so that funding can be redistributed. HCC have also pointed out that there is not the capital available to build larger schools and therefore amalgamate 2 or 3 smaller schools on one new site.

Measures of Deprivation

Differences between the way we currently fund deprivation through the local Hampshire formula and the proposals in the National Funding Formula consultation are probably the other main factor impacting the schools in my constituency.

Hampshire's local funding formula uses IDACI (Income Deprivation Affecting Children Index) as its means of identifying deprivation and distributing funding. This measure identifies need in small geographical (sub ward (super output)) areas. This means that pupils can be funded depending on which income 'band' their postcode falls into. The Council can then distribute funding for deprivation based on the general geography of deprivation – a school in a deprived 'area' draws in the funding.

Hampshire has also chosen to fund the higher IDACI bandings at a high level so the funding for deprivation in Hampshire is weighted quite heavily to the areas of highest deprivation.

Instead of using the IDACI, the NFF proposes to use Free School Meals registration of the pupil as a measure. There are several reasons why HCC disagree.

First, the Lib Dem driven policy of universal infant Free School meals has led to a reduction in registration for Free School Meals and therefore loss of funding for the areas that should receive it under the formula.

Second, the pupil premium is based entirely on Free School Meals and so is a significant source of deprivation funding being distributed to schools already on that factor.

Third, entitlement to Free School Meals under universal credit is reducing.

And fourth, whereas IDACI measures the general geography of deprivation i.e. how deprived the area is, Free School Meals, measures the deprivation of the individual pupil and not the area in which the school is located. This means that a generally affluent area with many children eligible for Free School Meals would be measured as more deprived than an area that was more deprived on average.

In my constituency the result of this is to cut funding for the 5 schools for whom the IDACI based funding made up between 5-10% of their total budget and for the 4 schools for whom this deprivation based funding made up over 10%. This is clearly a perverse result of a formula intended to protect deprived pupils.

The NFF consultation also proposes using a combination of IDACI and Free School Meals. That difference between the NFF proposals and the Hampshire current formula (just IDACI) gives a general 'shift' of deprivation funding from the most deprived areas to a more general distribution. Areas of low deprivation gain deprivation funding because of the free school meal factor picking up the more isolated deprivation within an otherwise affluent area.

The Hampshire Group's response to the proposed NFF should suggest using IDACI only and not using Free School Meals as a measure to distribute extra funding for deprivation.

Conclusion

The Hampshire Group's response to the consultation should ask the DfE to work out the base level of funding that schools of various sizes need just to run the school day to day, and then to ensure that the national funding formula reflects that. I would also add that the problems being revealed by this consultation around a one size fits all formula should suggest that local government is better placed to manage school funding than national government: HCC had the system under control.

Today Conservatives make a lot of their support for local government, local democracy and making decisions as close as possible to those they effect. This initiative runs contrary to those stated priorities and I would suggest that we either believe in local democracy or we don't.

The Hampshire Group's response should also ask the Government to reconsider whether Local Authorities should keep the ability to redistribute funds within an area to account for local needs, specifically in relation to the sparsity, school size and measures of deprivation.