



16 November 2019

The Rt Hon Philip Hammond MP  
Chancellor of The Exchequer,  
The Treasury,  
1 Horse Guards Road,  
London  
SW1A 2HQ

Dear Chancellor

### **The importance of a fair funding deal for schools**

As the new chair of the f40 Group of local authorities I am writing to express my disappointment with the inadequate attention paid to schools in the Autumn Statement and to emphasise the importance of additional resources being made available for future years via the 2019 Comprehensive Spending Review.

The f40 group, which has been campaigning for fairer funding for schools for over two decades, is convinced there is a better and more equitable way for the government to allocate funding to local authorities and schools. We seek fairness and equal opportunities in education for all children regardless of where they live, and to equip schools to provide a quality education for all children to meet the future needs of Britain.

The allocations for primary and secondary pupils in the authorities in the f40 group are among the lowest in the country. Following the school funding consultations in 2016 and 2017, f40 hoped that the case for fair funding for schools had been won as the government agreed that the funding allocation system was unjustifiable and unfair. The introduction of a National Funding Formula (NFF) and additional funding for 2018-19 and 2019-20 were welcomed and f40 viewed the overall outcome as another step towards fairer funding.

Regrettably, the NFF did not deliver a new formula that is adequate and acceptable, especially for the poorest local authorities and schools. It falls considerably short of what was expected and f40 has concluded that the government has replaced one unfair system with another. We believe that the NFF does not deliver true fairness and is, therefore, in need of fundamental change and we are making our case to the Secretary of State for Education, but also wish HM Treasury to understand why we are continuing to campaign for a better and fairer funding deal. Our main concerns are:

#### **1. MAINSTREAM SCHOOLS**

##### **f40 seeks a £2billion increase in the amount invested in Schools Block funding to meet the cost pressures facing all schools.**

Cost pressures are significant for all schools, but those in the lowest funded areas have been forced to prioritise funding to meet core costs at the expense of improving outcomes for vulnerable pupils. Pay and inflationary cost pressures, such as teachers pay increases (which are only partially funded) are significant. Cuts in local government have pushed cost burdens to schools for aspects of youth work, parental support and social care. Equally, low funding for post-16 courses in schools have created additional pressures. The government must take account of f40's index linked activity-led formula (previously presented to the DfE and referenced below) which sets out the true costs of delivering to Ofsted standards. This clearly shows the real cost of running a school. f40 believes the current funding shortfall in schools is £2bn pa.

**f40 continues to argue for an index-linked activity-led formula to ensure sufficient funding in the system, which is correctly balanced to meet needs.**

Funding continues to be directed on historic considerations and the average of decisions made by local authorities that had different spending powers. There is no rationale: there is no real understanding of the needs of schools or the needs of children. f40 believes funding should be appropriately and correctly targeted to specific needs or ages with reference to an activity-led formula, such as the well regarded f40 model. Providing an activity-based formula would allow for future changes of policy direction and enable the government to create a world class system of education to allow our pupils to compete in the post-Brexit age with the rest of the world. In addition, index linking would mean that the activity-led formula could keep pace with the cost changes occurring around them.

**f40 seeks a review of the amount of funding for basic entitlement relative to the educational additional needs.**

Schools cannot provide appropriate support for pupils with additional needs, from deprived backgrounds or with special educational needs if they cannot afford to run a core education for all. The basic entitlement funds the core cost of schools (e.g. teachers and heating) and must be sufficient to run the school before the costs of additional support are added to school budgets. The NFF should be underpinned by f40's index-linked activity-led formula to set out the basic entitlement funding to meet the core cost of running a school and the extra cost of additional services for SEN and deprivation.

**f40 seeks one NFF without the need for Minimum Funding Levels (MFL) and long-term locked-in protections.**

One of the key principles set out in the early NFF consultations, supported by f40, was that pupils of similar characteristics should attract similar levels of funding wherever they are in the country (allowing for the area cost adjustment). Therefore, NFF should be applied to all schools on a consistent basis. However, the protections applied, such as the 0.5% funding floor, 'lock in' some of the historical differences for those schools which have been comparatively well funded for several decades. The government must continue to develop the national formula so that it is fit for the future i.e. is fairer, more easily understood, transparent and adjustable. Transition to the new formula is sensible but locking in past inequalities is not.

**If the Minimum Funding Level is here to stay, then it should be fairly applied to take account of the additional educational needs (AEN) of individual schools.**

The MFL is unnecessary. An activity-led NFF should undertake this role. The MFL is applied to bring schools up to an artificial minimum level, but schools with pupils with few additional needs are being funded at the same level of funding as a school with a greater number of additional needs pupils. This is not fair. Ultimately, we wish to see the removal of the MFL, or in the short term it should be modified to take account of varying levels of additional education needs in the calculation.

**The NFF needs to cover all the funding for mainstream schools, not just the pupil-led elements.**

Within the NFF there will always be elements that are individual to each school such as property related costs, e.g. business rates and sparsity. Funding for these cannot continue to be based upon historical costs. The government must introduce mechanisms to deal with exceptional premises funding. Exceptional premises should be funded at realistic, not historical levels. F40 believes that all schools should be exempted from business rates with a one-off compensating cost adjustment nationally for local government.

**f40 seeks continued funding flexibility to support specific local issues and organisational requirements.**

No two schools in the country are exactly the same, but the NFF assumes all schools are almost identical. There are good local reasons why some schools have costs that others do not have, and an inflexible national system cannot support these schools equitably. Some local flexibility is essential

in achieving a fair formula that works and stands the test of time. The government should allow an element/percentage of the formula to be targeted using local discretion (via the Schools Forum or similar representative group).

**f40 seeks to see plans for the funding formula beyond 2020 and the establishment of rolling 3-4 year budget settlements for schools which are inflation-proofed, including funding for cost-of-living increases.**

We understand what the final values of the NFF may be, though these are not yet achievable because of the funding shortfall. There is no information about funding for 2021-22, yet schools are expected to plan 3-5 years ahead. If there are changes to be made, schools need time to plan and achieve that change. School funding is dependent on Comprehensive Spending Reviews, but the education of children doesn't stop in the interim. The reality is that the vast majority of school budgeting is pre-determined. Why then is it necessary to hold back the whole school funding announcement in such circumstances? Whilst the CSR is an important government control, there is enough known about the system to make an educated estimate of future pupil numbers and future funding requirements. A 3-4 year rolling settlement could be achieved for the vast majority of funding without Parliament losing control of what it wants to achieve.

## **2. HIGH NEEDS**

**f40 seeks an immediate injection of emergency funding for the high needs block.**

There is an emerging crisis in high needs funding, created in part by the continued use of historic funding levels, that f40 urges the government to address before permanent damage is done to very many vulnerable pupils. The Department for Education's short-term attempts to fix the problem are woefully inadequate. The demand for high needs funding is out-stripping the budgets available to local authorities across the country, resulting in serious deficits in the high needs block in over half of all local authorities. Many are finding it extremely difficult to recover these deficits and cuts to existing high needs services and pupil top-up funding makes what provision that is available simply unsustainable. The complexity of the high needs services demanded by more and more children (and their parents) is far greater than was the case just a few years ago, more accurate medical assessment and improved methods of treatment increase demand still further. Such increasing needs requires recognition through the national high needs formula.

f40 is calling for an immediate injection of new funding, estimated on increased costs and demand since 2015 as at least £1.5bn pa, and the introduction of an annual index-linked review for this block. This is the block of funding that supports the most vulnerable pupils in our schools: those with complex SEN, those who are excluded or at risk of exclusion and those that cannot access education for medical reasons. We have asked the DfE to undertake a review of SEN policy and guidance to help manage down demand more effectively.

## **3. EARLY YEARS**

**f40 seeks a review of the early years national formula to make it fit for future use, together with an increase in the quantum of funding for early years providers to take account of the pressures of the living wage and the impact of 30 hours.**

There have been no universal increases in funding rates for early years providers, yet the cost of introduction of the living wage and separately increased employer costs are having a significant impact on the nursery sector, which traditionally employs a higher proportion of low paid workers than many other employment sectors. Providers are expected to implement 30 hours for working parents which means more of their working week at the national rate, with fewer opportunities to cover any shortfall in costs. Thus, providers are finding it increasingly difficult to provide early education. There must be an immediate injection of new funding and the introduction of an annual index-linked review for this block

Additionally, nursery schools are required through regulation to have unique cost factors so moving to a single hourly rate across all providers will not be sustainable. The uncertainty over future plans is causing turbulence in our schools which is unhelpful. The government must change the rules so that local authorities are able to properly fund nursery schools.

#### **4. OTHER MATTERS**

##### **f40 seeks clarity on the way that the Central Schools Services Block will work and be increased in future.**

Not all funding to support education is directed via the NFF. Funding that is directed by the Central Schools Services Block for services such as combined budgets are being funded at historic levels and not keeping pace with the requirements that are made on them. The central services block should be index linked to meet increasing costs.

##### **f40 wants to see parity with Multi Academy Trusts**

f40 understands that MATs are different to maintained schools and are part of the future landscape for schools, but we would like to see MATs being held more accountable for some of the decisions that they make, especially with regard to pay and distribution of funding between individual academies in the MAT. A national funding formula should mean equality for all schools, including those in MATS and we would welcome appropriate legislation to facilitate parity.

##### **f40 seeks a review of the way that Home to School Transport is funded and used.**

We recognise that Home to School Transport is not part of the Dedicated Schools Grant. However, it is an ongoing problem for rural authorities, particularly as more schools become academies. Costs are rising faster than funding leading to significant restrictions on school transport locally. Local authorities have lost strategic control but are required to provide services in accordance with the legislation but with declining funding. SEN Transport is also a growing problem with costs continuing to rise as a result of the growing SEN population and the challenge in finding available appropriate placements. The government needs to recognise the real impact of reducing school transport on pupil choices. Again, we would welcome legislative change and additional funding.

As chair of f40 I appreciate that this list of demands is lengthy and potentially expensive, but I firmly believe that substantial additional resources and a revised approach to their allocation is urgently needed. I recall our Party Manifesto promise in relation to school funding and I would be grateful to receive some indication from you of the timeline for the complete delivery on this commitment. I am also keenly aware of a statement made recently in an interview with the BBC's Nick Robinson where you suggested that a review of school funding would occur in the next Comprehensive Spending Review.

I trust that the above listed critically important matters will be fully addressed.

Yours Sincerely



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