

**National Funding Formula Consultation – Phase 2 – Joint response from the Sutton Trust and Education Endowment Foundation**

**Q.1 In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?**

The Sutton Trust and the Education Endowment Foundation (EEF) welcome the principle of using funding reform to support pupils “who are likely to face additional barriers in reaching their full potential.” We have long found that economic and educational inequalities hinder social mobility and decrease the chances of poor children achieving the same levels of academic success as their more advantaged peers. There is considerable evidence that an educational equity gap exists across all phases of the English educational system and that the effects of disadvantage are cumulative so that the gap tends to increase as children grow older. Social and financial disadvantages are likely to reduce the chances of young people’s attainment in Key Stage 4 at aged 16 and especially at Advanced level study at age 18.

We agree with the principle that the funding system should be fair, efficient, transparent, simple and predictable, acknowledging the historical imbalances of the school funding system and the resulting peculiarities of local formulae that result in uneven distribution. It is particularly important that schools can predict their core budgets, as education funding is only as effective as the degree to which it is spent successfully. Moreover, the capacity for forward planning is an important enabler of effective spending.

We have real concerns about cuts to individual school budgets through the new formula, and the impact that these cuts may have on pupils. Since the announcement of this second stage consultation, concerns have also been raised across the country by parents, teachers, and Members of Parliament about the reduction in funding their schools may face under the new formula. The National Audit Office has stated that schools face an 8% real-terms cut per pupil by 2019-2020, and a report out by the Child Poverty Action Group and the National Union of Teachers argued that schools where over 40% of pupils are eligible for free meals will be set to lose the most from the new formula.

Cuts to the schools’ budget will also coincide with cuts across the system, with the IFS recently stating that spending on public services has fallen by 10% since 2009/10, the longest period of cuts on record. It is against this backdrop that the new formula is being introduced and we are concerned that this will have an impact on the educational attainment of those from disadvantaged backgrounds as highlighted in the Sutton Trust’s [Background to Success](#) research.

The Trust and the EEF are also concerned that the funding formula as it stands will particularly have a negative impact on education in London, not least in schools in areas of significant disadvantage. London schools have seen real improvements since 2000, bringing many in inner London above the national average. It is important the redistribution of funding does not unduly reduce London schools’ funding. Given the success that London schools have seen in the past decade, it would be a mistake to punish their achievements by cutting back funding to such an extent that the high educational outcomes for disadvantaged pupils in the capital are put at risk.

Whilst we agree that there needs to be a rebalancing to help other parts of the country, we believe that the cuts to London should not be so drastic that they reverse the progress schools in the area have made.

**Q.2 Do you support our proposal to set the primary to secondary ratio in line with the current national average of 1:1.29, which means that pupils in the secondary phase are funded overall 29% higher than pupils in the primary phase?**

We support this ratio as we realise that primary and secondary schools have different resource requirements that may require some recognition from the new formula.

We welcome the Government's move towards maintaining stepped rates between primary and Key Stage 3 and 4. We had been concerned with some of the proposals set out in the first consultation paper which outlined that funding could be weighted differently between Key Stages 3 and 4. Sutton Trust research has shown that for disadvantaged pupils the transitional period from primary to secondary schools has long been an issue which can lead to dips at Key Stage 3. It was most recently highlighted in the Sutton Trust's [Missing Talent](#) report which found that every year there are high achievers at primary school, pupils scoring in the top 10% nationally in their Key Stage 2 (KS2) tests, yet five years later receive a set of GCSE results that place them outside the top 25% of pupils. This equates to over a third (36%) of bright but disadvantaged boys seriously underachieving at age 16. Clever but poor girls are slightly less likely to underperform, with just under a quarter (24%) getting disappointing GCSE results. These figures compare with 16% of boys and 9% of girls from better off homes who similarly fall behind by age 16.

This issue of pupils who do not reach their anticipated GCSE results is linked to a lack of school accountability at the end of Key Stage 3, since the abolition of national tests, as well as wider factors in the primary-secondary transition. These problems are at risk of being exacerbated should funding be allocated differently at Key Stage 3 as well.

Therefore, we welcome the decision not to weigh funding differently between Key Stage 3 and Key Stage 4.

**Q3. Do you support our proposal to maximise pupil led-funding, so that more funding is allocated to factors that relate directly to pupils and their characteristics?**

The education system should be geared towards understanding the individual needs of pupils so that they can achieve their full potential and get the best start in life. We welcome the focus on the individual needs of the pupil and the intention to support pupils "who are likely to face additional barriers in reaching their full potential".

Sutton Trust research has long found that economic and educational inequalities hinder social mobility and decrease the chances of less advantaged children achieving the same levels of academic success as their more advantaged peers. An educational equity gap exists across all phases of the English educational system and the effects of disadvantage are cumulative, so that the gap tends to increase as children grow older. Social and financial disadvantages are likely to adversely impact young people's attainment in Key Stage 4 at age 16 and especially at A-level study at age 18.

We welcome the move towards ensuring that funding is allocated directly to factors which relate to pupils and their characteristics. The question is whether those characteristics are balanced fairly and whether the formula is complex enough so that it can address the multifaceted barriers that pupils face in reaching their full potential, particularly disadvantaged pupils. Our response to Question 5 shows we believe that as it is currently proposed, the schools national funding formula meets neither of these thresholds.

**Q.4 Within the total pupil-led funding, do you support our proposal to increase the proportion allocated to the additional needs factors (deprivation, low prior attainment and English as an additional language)?**

We welcome English as an additional language (EAL) as a factor in the funding formula. However, EAL on its own is too crude an indicator to determine funding. A report from researchers at the University of Oxford for the Education Endowment Foundation analysing the educational achievement of pupils classified as EAL found that, on average, EAL pupils catch up with their peers by age 16, with 58.3% of EAL pupils achieving five A\*-C GCSEs including English and Maths compared to 60.9% of all other pupils.

It also finds no evidence that pupils whose first language is English suffer from attending a school with a high proportion of EAL pupils. Taken on its own, this would suggest that additional funding for EAL pupils may not be required. However, the EAL figure is an *overall* figure, which will include a bilingually fluent child from an affluent western European family as well as a refugee who may not speak English at all. The latter pupil will require far greater support than the former to catch-up with their peers yet the funding distribution for their English skills is the same.

The EEF analysis notes that matching EAL to ethnicity or geography does not accurately determine need, rather it suggests that schools should assess their pupils' English language proficiency to address their learning needs. This implies that EAL funding should be broken down into level of need – perhaps by matching funding to categories of English language proficiency on school entry. Given that the Government has chosen to include this in the overall formula, we believe that it should be distributed according to level of need.

With regards to low prior attainment, while we recognise that failing and underperforming schools need extra support to help them recover, it is also important that we do not build in an incentive into the formula for schools *not* to succeed over time. It is important we reward success as well as helping struggling schools improve. As Sutton Trust research constantly shows, bright children from low income homes have much lower education outcomes than their better-off peers who enter secondary education at a similar level. The fact that a pupil's chance of reaching their full potential is linked to their background shows us how important it is that all disadvantaged pupils, regardless of where they're currently achieving, have the support and advice they need to thrive.

**Q.5 Do you agree with the proposed weightings for each of the additional needs factors?**

Given the breakdown of the weighting outlined in the consultation document, The Sutton Trust and the Education Endowment Foundation are concerned that the proposed combination of Free School Meal (FSM) and IDACI does not sufficiently meet the high area needs costs identified in the Sutton

Trust's research with Oxford University, [Background to Success](#). The research showed that pupils who were from a disadvantaged background and who lived in a poorer neighbourhood are less likely to go on to study at A Level. This 'double disadvantage' means that pupils attending schools with large numbers of disadvantaged pupils or in neighbourhoods with high numbers of poor children or high unemployment areas are significantly less likely to go on advanced courses than the average for disadvantaged pupils.

Whilst there has been a historic trend to fund schools serving more disadvantaged pupils more favourably, we are concerned that historic patterns of more favourable funding for local authorities serving more disadvantaged communities are being reversed. The new funding formula is in danger of cutting funding in schools which need the extra support because of these cumulative factors.

The National Funding Formula weightings seem to advantage schools with low prior attainment ahead of schools with high deprivation. This rebalancing in favour of schools with low attainment in less disadvantaged areas potentially goes too far, and the respective weightings should better reflect the particularly challenging circumstances of deprivation at home and its effect on children's chances in school.

It is crucial that the Government, in creating a fair funding formula, does not assume that all pupil premium pupils have the same needs regardless of where they live, and that it recognises the case for extra funding for those facing 'double disadvantage' both through school and wider community budgets and recognise that it can compound the effects of family disadvantage. It will also be important that this is robustly modelled for deprived inner city schools.

**Q.6 Do you have any suggestions about potential indicators and data sources we could use to allocate mobility funding in 2019-20 and beyond?**

N/A

**Q.7 Do you agree with the proposed lump sum amount of £110,000 for all schools?**

N/A

**Q.8 Do you agree with the proposed amounts for sparsity funding of up to £25,000 for primary schools and up to £65,000 for secondary, middle and all-through schools?**

Yes – it is important that disadvantaged pupils in rural areas are properly supported and can access a full curriculum and good teaching. There may be a case to incentivise trusts and federations for small rural schools to pool resources not just for back office functions, but for leadership, teaching and curriculum breadth.

**Q.9 Do you agree that lagged pupil growth data would provide an effective basis for the growth factor for the long term?**

N/A

**Q.10 Do you agree with the principle of a funding floor that would protect schools from large overall reductions as a result of this formula? This would be in addition to the minimum funding guarantee.**

Whilst the Sutton Trust and the EEF welcome the transitional changes as the new national funding formula is implemented, we are concerned that even with the funding floor set where it is, this could lead to significant cuts for schools with significant numbers of poorer pupils.

The figures which are cited in the consultation are cash term figures. This means that they do not take into consideration costs such as rising salaries, prices and rises in the living wage and pensions which are all costs accrued by schools.

Some schools are already struggling with the funding cuts that they face. Polling carried out by the Sutton Trust and Education Endowment Foundation in 2016 noted that a small but significant number of schools were using their pupil premium funds, aimed at helping disadvantaged pupils, to offset budget cuts elsewhere. 6% of teachers said that this was their main priority for the school's pupil premium funding, in comparison to just 2% in 2015.

Even with a funding floor, we remain concerned that schools may find it difficult to meet their other costs, which are not taken into consideration by the limit set.

**Q.11 Do you support our proposal to see the floor at minus 3%, which will mean that no school will lose more than 3% of their current per-pupil funding level as a result of this formula?**

This is a significant real terms cut and could see substantial impacts on teaching and the curriculum. It will be important to keep its impact on individual schools under review as well as to do detailed modelling before introducing these changes.

**Q.12 Do you agree that for new or growing schools the funding floor should be applied to the per pupil funding they would have received if they were at full capacity?**

N/A

**Q.13 Do you support our proposal to continue the minimum funding guarantee at minus 1.5% per pupil? This will mean that schools are protected against reductions of more than 1.5% per pupil per year?**

We support an MFG, but this is a significant real terms cut in a year and could see significant impacts on teaching and the curriculum. It will be important to keep its impact on individual schools under review as well as to do detailed modelling before introducing these changes.

**Q.14 Are there further considerations we should be taking into account about the proposed schools national funding formula?**

We believe that the changes to the school funding formula present an opportunity to introduce incentives for schools to spend their funding more effectively for disadvantaged pupils. We would like to see the systematic introduction of rewards to schools that demonstrate good use of the pupil premium through the National Funding Formula, to incentivise schools to use evidence to inform school decision making and spending their funding as effectively as possible.

**Q.15 Are there further considerations we should be taking into account about the impact of the proposed schools national funding formula?**

As has been previously stated above, cuts to the schools' budget will coincide with cuts across the system. The Institute for Fiscal Studies recently warned that households will be almost 20% worse off by 2021. With weak earnings growth and changes to taxes and benefits, the IFS warned that there will be a rise in inequality by 2021-22. It stated that households with children could be £8,300 worse off and that the recent fall in inequality since the recession could be reversed.

This impact on earnings and household income may have further repercussions for the academic attainment of those students who are highly able but come from disadvantaged backgrounds. These wider repercussions of funding shortfalls across the system should be taken into account as the Government finalises the funding formula as they will have repercussions on the educational attainment of pupils from disadvantaged backgrounds, and from ordinary working families.

Recent National Audit Office (NAO) figures also show that schools are struggling under the current funding shortfalls. Their report found repairs to old school buildings which needed repairing would amount to £6.7 billion, and that much of the school estate was over 40 years old with 60% of buildings having been built before 1976.

The report highlights the significant strain that schools are already under with regards to funding. Reducing budgets available to schools further will have implications for schools on their ability to provide the best education for their pupils which will have negative consequences for pupils later on in their education and in life after school

We believe that these wider funding concerns should be taken into account as the Government looks to set the schools national funding formula. Both the wider pressures on the system, and the cuts which may result from the new formula, should be a key consideration for the Government as they look to finalise the funding formula for schools.

**Q.16 Do you agree that we should allocate 10% of funding through a deprivation factor in the central school services block?**

It is important that local authorities retain some of their maintained funding to ensure they can manage their remaining responsibilities for education, notably managing the allocation of school places – which will be crucial in a full academy system - school support services such as welfare and site management, as well as school transport.

**Q.17 Do you support our proposal to limit reductions on local authorities' central school services block funding to 2.5% per pupil in 2018-19 and in 2019-20?**

It will be important to measure carefully the impact on any services for disadvantaged and vulnerable children as there is a danger they could lose out significantly from these changes, but a limit on reductions is better than no limit.

**Q.18 Are there further considerations we should be taking into account about the proposed central school services block formula?**

N/A

**Q.19 Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into consideration?**

N/A