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Rt Hon Justine Greening MP
Secretary of State

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Rt Hon Sir Nicholas Soames MP
By email: barker@parliament.uk

17th March 2017

Dear Sir Nicholas,

Thank you for your email of 10 March, enclosing correspondence on behalf of headteachers in West Sussex, East Sussex, Essex and Cornwall, about school funding and proposals for a new national funding formula.

I am grateful for your continued, active engagement on this important issue, and to the headteachers who have contributed their expertise and views. As you know, we are currently consulting on our detailed proposals for a fairer funding formula for schools. This is a historic and complex reform, and we are listening carefully to all the representations we receive through the consultation process – we want to ensure that our final formula proposals are right.

On the national funding formula, our proposals are designed to make sure that schools are funded on a consistent and fair basis right across the country. The majority of schools would see their funding increase, and over 3,000 would gain more than 5 per cent. Overall funding for schools in West Sussex would increase by 3.5 per cent (£14.6 million), for East Sussex by 2.5 per cent (£6.5 million), for Essex by 2.6 per cent (£20.3 million) and for Cornwall by 1.7 per cent (£4.8 million). In all these areas, funding would increase for the majority of schools.

As you set out in your letter, the formula we are proposing takes as its starting point the collective decisions local authorities have made in distributing funding to schools. This was a deliberate choice, reflecting the fact that these local formulae represent carefully considered decisions made over a number of years by local authorities and their schools forums. It is, however, only a starting point. The formula includes a number of proposals to vary from the current distribution of funding where we believe that doing so is supported by the evidence available, and would better support our ambition to deliver fairness and support opportunity for all.

The basic entitlement for every pupil would remain by far the largest factor in our formula, accounting for just under three-quarters of the total schools block – over £23 billion. This is slightly lower than the proportion explicitly spent by authorities in current local formulae, to reflect the fact that some basic per pupil funding currently supports pupils from disadvantaged backgrounds.

Many local authorities in highly deprived areas have chosen to set high basic per pupil funding, and relatively low deprivation funding, because all of their pupils typically have a high proportion of disadvantaged pupils. Unless we take account of this, by increasing the amount explicitly allocated to additional needs, we are not reflecting the real pattern of spend across the country.

Within the increased additional needs block the proposals spread the available funding more broadly, to reach more pupils and on a fair and consistent basis across the country. The proposals would change the balance between the additional needs factors to reflect the latest data and the best available evidence. In particular, the proposals would:

- Include a greater weighting towards areas with high concentrations of just managing families, who do not necessarily qualify for free school meals (FSM). Using a significant area-level deprivation factor (based on the Income Deprivation Affecting Children Index (IDACI)) will help to ensure that we are supporting more children whose background may create a barrier to their education.
- Increase substantially the weighting of the low prior attainment factor. We know that attainment data is one of the strongest indicators of how children are likely to do later, and we want to target funding to schools to help all pupils catch up.

We are clear that the formula should direct extra resources to schools educating children who are likely to need additional support. Children from ordinary working families face entrenched barriers to their success, and it is right that their schools receive extra resources to support them to do as well as their peers. Through the consultation we are keen to hear views on the balance we are proposing between the funding all pupils would attract, and the extra funding for those with additional needs.

We want schools to see the benefits of fairer funding as soon as possible, and the real terms protection of the core schools budget will allow those schools set to gain to do so quickly. We are able to allocate an extra £200 million in 2018-19 and in 2019-20 – above flat cash per pupil – to increase funding to schools who would gain under our proposals, while we protect those whose funding would reduce. Schools will gain by up to 3 per cent in 2018-19 and a further 2.5 per cent in 2019-20. This does not mean that schools will only gain by 5.5 per cent in total: where schools are due to see further gains under the formula, these will come in future years. We are not, however, in a position to set out the rate of gains beyond 2019-20, which will be subject to spending decisions made in the next Spending Review.

On overall schools funding, I do understand that, as in other areas, schools in West Sussex, East Sussex, Essex and Cornwall are concerned about the impact of cost pressures on per pupil funding. As in other public services, these pressures will include salary increases, the introduction of the National Living Wage, increases to employers' National Insurance and pension contributions, and general inflation. These are part of contributing to deficit reduction. I should be clear, however, that those pressures are estimated at 8 per cent over the period 2015-16 to 2019-20 *as a whole*. The pressures still to come in the years ahead are lower, at an estimated 1.5 per cent to 1.6 per cent a year.

On efficiency, we know that there is huge variation between successful schools in how they spend their budgets, even between schools that are low-funded. My department's benchmarking sites can help schools compare themselves with schools in similar circumstances, and contact schools that are spending less on particular areas to investigate why and how they do it. We have recently published a schools' buying strategy to help schools save over £1 billion a year on non-pay costs by 2020, including through regional buying hubs and new National Deals on areas including energy and utilities. Our collection of support on efficiency is available at: www.gov.uk/government/collections/schools-financial-health-and-efficiency.

As headteachers in West Sussex have discussed with the Minister of State for Schools and with my officials, there will be no emergency funding available in 2017-18. Local authorities' allocations for the Dedicated Schools Grant for 2017-18 were confirmed in December, and schools' budgets are currently being finalised.

On the other funding streams referred to in the letter, the funding for academy conversion has been returned to the Treasury as it no longer required for this specific purpose and is not part of the protected budget. The remaining £116 million from the £500 million allocated at Budget 2016 is being distributed through the national funding formula. It forms part of the additional investment to increase the rate at which schools gain under the formula.

On capital investment, we are committed to creating more good school places so that all children have access to an excellent education. This includes places in new free schools, including consulting on new selective schools. The free schools programme is responsive to the need for alternatives to low quality local provision as well as local demographic demand for new provision. As part of this, it is important to note that 83 per cent of approved mainstream free schools since 2014 have been approved in areas where there was a demographic need for more school places. Free schools are also more likely to be rated outstanding by Ofsted when compared to all state schools.

I am grateful for the representations schools in West Sussex, East Sussex, Essex and Cornwall have made on the design of the national funding formula, and shall consider them carefully. Our consultation closes on 22 March and we hope that headteachers as well as parents and others in the school sector, will take the time to contribute their views at: <https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula2>.

If you would like to discuss this in person, I would be more than happy to meet you.

Thank you for writing on this important matter.

*Best wishes,
Justine*

RT HON JUSTINE GREENING MP