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Thank you for your email of 8 November, addressed to the Chancellor of the Exchequer, regarding school and sixth form funding. Your letter was passed to this Department and I am replying as the Minister of State for School Standards.

The Government is determined to create a country that works for everyone. We are delivering on our promise to reform the unfair, opaque and outdated school and high needs funding systems, and introduce national funding formulae. This historic reform means that, for the first time, school and high needs funding will be distributed according to a formula based on the individual needs and characteristics of every school in the country. Resources will, therefore, be directed to where they are needed most, providing transparency and predictability for schools and local areas.

The introduction of the national funding formulae is supported by significant extra investment. The Government is investing an extra £1.3 billion in schools and high needs over the period 2018-19 and 2019-20, over and above the budget set at the Spending Review in 2015. Core funding for schools and high needs will rise from almost £41 billion in 2017-18 to £42.4 billion in 2018-19 and £43.5 billion in 2019-20. This will allow us to maintain school and high needs funding in real terms per pupil for the next two years.

The independent Institute for Fiscal Studies (IFS) is clear that with our new investment the schools budget will now be maintained in real terms per pupil from this year to 2019-20. This means that the budget for schools will increase to meet both the expected increase in pupil numbers, and inflationary pressures.

The schoolcuts campaign claims that schools' costs are rising faster than their income, and is extremely misleading. It is based on a flawed calculation that takes school budgets in 2015-16, and then calculates the cost pressures on school budgets over four years. However, the website is not clear that this is what it is doing, and it does not reflect that most of these pressures have already been absorbed by schools, at the same time as standards have continued to rise. Schoolcuts has quoted the IFS as saying that schools will face real terms cuts of 4.6 per cent between 2015 and 2019. The IFS is clear that this figure relates to previous years. In line with the Public Account Committee's recommendations, we will be publishing our own estimate of the cost pressures on schools in due course.

We have undertaken wide ranging consultations which have allowed us to hear from, and carefully consider, over 26,000 individual respondents and representative organisations. As a consequence of the proposals in our consultation, and supported by our significant additional investment, the national funding formula will:

- Increase the basic amount of funding that every pupil will attract.
- Recognise the challenges of the very lowest funded school, by introducing a minimum per pupil funding level. In 2019-20, all secondary schools will attract at least £4,800 per pupil, and all primary schools will attract at least £3,500 per pupil. In 2018-19, secondary schools will attract at least £4,600, and primary schools £3,300.
- Provide a cash increase in respect of every school and every local authority area from April 2018. Final decisions on local distribution will be taken by local authorities, but every school will attract at least 0.5 per cent more per pupil in 2018-19, and 1 per cent more in 2019-20, compared to its baseline.
- Provide significantly larger increases in respect of previously underfunded schools, of up to 3 per cent per pupil in 2018-19 and a further 3 per cent per pupil in 2019-20. The minimum per pupil funding level will not be subject to this gains cap, and so will deliver faster gains in respect of the very lowest funded schools.
- Protect the funding directed towards additional needs and distribute it more fairly, in line with the best available evidence.
- Provide a £110,000 lump sum for every school. For the smallest, most remote schools, a further £26 million will be distributed through dedicated sparsity funding.

We have published detailed data tables setting out the impact of the formula for each school and local authority in the country, which can be found at: tinyurl.com/Y8Gf39ee. Full details of the school and high needs national funding formulae are available at: tinyurl.com/Yatr93an.

To provide stability for schools through the transition to the national funding formula, local authorities will continue to set their own local formulae which will determine individual schools' budgets in their areas in 2018-19 and 2019-20, in consultation with local schools. The school level allocations we have published are notional allocations only – final school budgets will continue to be determined by local authorities. Schools will be notified of their budgets for 2018-19 ahead of the financial year.

We are committed to helping schools improve outcomes for pupils and promoting social mobility by getting the best value from all of their resources. We recognise that many schools have worked hard to manage the impact of cost pressures on their budgets. We will continue to increase the support offered to schools and school leaders so they can ensure every pound is spent achieving the best outcome for pupils.

We will also continue to support schools to use their resources efficiently, in order to achieve the best outcomes for all pupils. We already provide support, guidance and tools to help schools improve their financial health and efficiency, and we will continue to expand our offer. Further details can be found at: tinyurl.com/hutwG36. We recently launched a new online efficiency benchmarking service, to help schools analyse their own performance more effectively, which can be found at: tinyurl.com/Ybr5nPem.

With regard to funding for 16 to 19 education, we appreciate that many schools and further education (FE) providers are concerned about current budget pressures. It is vital that all young people have access to a high quality education, which creates opportunities and provides students with the knowledge they need to succeed. Schools and FE providers, including sixth form colleges and FE colleges, are crucial to achieving this goal.

We recognise that the base funding rate for 16-19 education providers has not changed for some time. However, evidence suggests that attainment at age 16 is the best predictor of success in post-16 education. We have made the decision, therefore, to prioritise pre-16 school funding. The Secretary of State continues to keep this under consideration.

Under the current funding arrangements, FE providers receive enough funding to deliver established study programmes including three A levels. Students on large study programmes, such as those containing four or five A levels, also receive supplementary funding through the large programme uplift. Extra funding was also announced in the autumn budget to support institutions to grow participation in level 3 mathematics, and to pilot extra support for post-16 basic mathematics. In addition, over £500 million of funding is available to provide extra support to disadvantaged students.

Ultimately, individual schools and colleges decide which A level courses to offer and, as part of that, they may wish to work together with other providers to combine resources and maximise their offers. The Department recognises that there are cases where providers, particularly smaller school sixth forms, do not offer some less popular subjects.

As you are aware, 16 to 19 funding is based on set rates per student. By setting funding rates per student in advance, schools and colleges know what funding they will get and are able to plan their finances accurately. As such, the projected budget is based on a forecast of student numbers, while the final spend depends on actual numbers.

In recent years, student numbers have been slightly lower than the estimates, resulting in underspends against the annual budget. In the same way that funding rates per student stay the same if there are fewer students than expected, we maintain rates at the same level even if there are more students than expected. Any underspend is then considered in the context of the Department's wider finances, and may be reallocated to other budget areas.

With best wishes.

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