

School Funding – reply from the Secretary of State

I have received the following reply from the Secretary of State for Education in response to my intervention on his speech on 25 April and my subsequent private meeting with him in June:

Dear John

Following our meeting, I wanted to respond in writing with further information on the areas we discussed.

You raised some questions about how the minimum per pupil funding levels operate. The national funding formula (NFF) will provide a minimum funding level of £3,500 per pupil for primary schools and £4,800 for secondary schools, by 2019-20. As we transition to these levels, the formula provides £3,300 for primary schools and £4,600 to secondary schools in 2018-19. Of the 45 schools in Wokingham, 10 will attract more funding through the minimum per pupil funding levels by 2019-20.

However, whilst the NFF provides minimum per pupil funding levels, local authorities continue to be responsible for distributing school funding through a formula set locally, in consultation with their Schools Forum, in 2018-19 and 2019-20. Wokingham Borough Council has not included a minimum per pupil funding level in its 2018-19 local formula, so some schools in the area may not receive this level of per pupil funding. The council has set a minimum funding guarantee (MFG) of 0.5%, so no school in the local authority will have received less than a 0.5% per pupil increase in 2018-19.

Many local councils have chosen to replicate the NFF locally, and we support and encourage this. However, we recognise that some authorities may wish to move to the NFF gradually over more than one year. There are also some circumstances where a more tailored local formula is more appropriate as we transition to the NFF – for instance, where local changes in characteristics mean that a greater proportion of pupils than anticipated have additional needs, and it is therefore not affordable to use the funding values in the NFF. We believe some local flexibility should be retained whilst we bring in this historic reform, and it is up to Wokingham council to set the local formula that they think works best for their area. Wokingham council have used this flexibility to increase the basic per pupil funding factors in their formula and the primary low prior attainment factor, instead of implementing the minimum per pupil funding levels. Wokingham were required to consult their schools on the formula they set for 2018-19 and will be required to do so again for 2019-20.

We are currently considering what the system should look like beyond 2019-20, and we will provide details on this in due course. With regards to the transitional protections within the formula, these are as much a core part of the formula as any other formula factor. This includes the funding

floor, which prevents a reduction in the per pupil funding that schools attract through the NFF. You will understand that any spending plans beyond 2019-20 are subject to the next Spending Review, so I am not able to make commitments beyond that point.

We understand that it is difficult for schools to manage fluctuating pupil numbers. There are several ways that we help schools to cope with this:

- The lagged funding system gives schools certainty over their budgets, as they know in advance how many pupils they will be funded for. It also means that when pupil numbers fall, schools have time to respond before this starts to affect their budgets.
- The NFF provides a lump sum of £110,000 to every school. This is a contribution to the costs that do not vary with pupil numbers, and to give schools (especially small schools) certainty that they will attract a fixed amount each year in addition to their pupil-led funding.
- Local authorities are able to create a fund to support schools with temporary falling rolls, where they are judged good or outstanding by Ofsted. This funding can be used where local planning data show that the surplus places will be needed again within the next three financial years. We are considering improvements to falling rolls funding for 2019-20 and beyond.

You also asked more broadly about our approach to place planning and parental choices. Basic need funding is the money we give local authorities each year to help them fulfil their duty to make sure there are enough school places for children in their local area. This funding for school places is based on local authorities' own data on school capacity and pupil forecasts. Local authorities can use their basic need funding to work with any school in their area and have the flexibility to make the best decisions for their local area.

As a matter of good practice, all local authorities should maintain a small surplus of places locally so that they are to respond quickly to in-year applications. We fund local authorities to provide a least a 2 per cent operating margin of places, to help support parental choice, churn in the pupil population, and the general manageability of the system. We also expect local areas to avoid carrying excessive levels of surplus capacity. As part of fulfilling their duty to provide sufficient places, we expect local authorities to manage the local school estate efficiently and reduce or find alternative uses for high levels of surplus, in order to avoid detriment to schools' education offer or financial position.

When funding new free schools, we undertake a rigorous assessment of local factors to ensure that they provide choice, innovation and higher standards for parents. We take into account of existing capacity in the system, balancing the benefits of new places with the costs of surplus capacity and the impact on existing schools and local areas. Of the mainstream free schools approved since 2014, 86% have been in areas where there was a need for more school places.

We have recently launched the wave 13 application round, targeting areas with the lowest educational performance to put free schools in the places most in

need of good new schools. In all cases, we will expect applications to show a demonstrable basic need for a high proportion of the additional school places that the free school will create.

Thank you again for raising these issues with me.

Yours ever

Damian Hinds
Secretary of State for Education