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Sam Gyimah MP

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Helen Whately MP
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Your ref: HW/AE

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Dear Helen

Thank you for your letter of 15 April, addressed to the Secretary of State, about the national funding formula. I am replying as the minister responsible for this policy area.

Thank you for sharing your thoughts on our proposals for a national funding formula. In the Spending Review, the core schools budget was protected in real terms for the duration of this Parliament. This means that money available for our schools will increase as pupil numbers rise.

As you say in your letter, under the current funding system, two pupils with similar characteristics can attract different amounts of funding simply because of where they live. It is clearly unfair that, in 2015-16, a secondary pupil attracted over £2,200 in Birmingham and only £36 in Darlington. A national funding formula will enable every school to continue to drive up educational standards, and every pupil to achieve the best of their potential, whatever their background and wherever they live.

As you know, we are consulting on a national funding formula in two stages. We are currently reviewing all responses to the first consultation, which closed on 17 April. Later this year, we will publish our second consultation, which will explore the details of the formula and the formula's likely impact on schools and local authorities. It might be helpful, however, in the meantime if I respond to each of the points you raise on behalf of secondary schools in your constituency.

We are thinking carefully about the pace at which schools will move onto the formula. We propose to set a national minimum funding guarantee, which will limit the extent to which a school can lose funding from one year to the next. We want to see the schools that are due to gain funding, and who need it most, benefit from fairer funding as soon as possible. That is why, at the Budget, we announced that we will provide around an extra half a billion pounds over the

Spending Review period to speed up this historic reform.

Our first consultation proposed that we will include an area cost adjustment and asked for respondents' views on the methodology that we use. The area cost adjustment will increase the budgets of all areas where costs are high. We are now reviewing all responses and will confirm our position on an area cost adjustment in the second consultation.

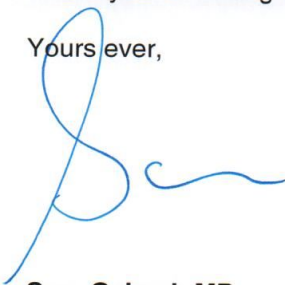
We asked respondents if they agreed with the inclusion of a deprivation factor, as well as which measures we should use to identify eligible pupils. As we outlined in the consultation, pupils eligible for free school meals tend to have lower attainment than their peers who are not eligible for free school meals. We proposed to use the Ever 6 measure (pupils eligible for free school meals at any point during the last six years) so that pupils will not move in and out of eligibility each time their parents' employment status changes. Your point about the frequency at which IDACI (Income Deprivation Affecting Children's Index) is updated is an important one. We are thinking carefully about the data sources used in a national funding formula so that they align with a funding system that is fair, pupil-led and predictable.

With regard to lagged funding, whilst we recognise that in-year population increases can be difficult for schools, the current lagged funding system is preferable to basing funding on unreliable estimates of pupil numbers. Funding for schools is calculated on the basis of pupil numbers from the previous year. This enables local authorities to set school budgets before the year starts, which helps schools with their financial planning. Under current arrangements, local authorities, with the approval of their schools forum, can hold some of their schools block funding centrally for a growth fund, to support growing schools in-year.

Lastly, you mentioned the national funding formula for high needs. The first stage consultation for the high needs funding formula was published alongside the schools document, and can be found at: <http://tinyurl.com/goasus!>. The second stage of consultation for the schools and high needs formulae will set out the precise details of the formulae and the impacts they will have on schools and local authorities.

Thank you for writing on this important matter.

Yours ever,



Sam Gyimah MP