



Department
for Education

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Mr Damian Eaton, CSS Manager
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Dear Mr Eaton

I am writing on behalf of the Secretary of State for Education to thank you for your letter of 22 January, regarding education funding.

It may be helpful if I explain that the introduction of the national funding formulae is supported by significant extra investment of £1.3bn across 2018-19 and 2019-20, over and above the budget announced at the 2015 spending review. 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 represents an increase of around 6% and it will allow us to maintain school and high needs funding in real terms per pupil for the next two years. This has been confirmed by the independent Institute for Fiscal Studies. The IFS has been quoted as saying that schools will face real terms cuts of 4.6% between 2015 and 2019. In fact, they are clear that this figure relates to pressures schools faced on their budgets between 2015 and 2017, as a result of increases to teachers' pay, employee pension contributions and inflation.

If the national funding formula (NFF) were implemented in full (based on 2017-18 data) schools in Stockport would gain 3.3% per pupil on average, compared to the national average gain of 3.5%. This is equivalent to £139 per pupil. Per pupil funding in Stockport would rise to £4,321, compared to the national average of £4,657.

The purpose of the NFF is not to give every school across the country exactly the same amount of funding per pupil. Funding differs because it is right that schools with lots of pupils with additional needs (deprivation, low prior attainment, English as an additional language, etc.) should get extra funding to help those pupils who are most likely to fall behind, and stay behind, their peers – and some areas have more of these pupils than others. In addition, schools in some more expensive areas like London have higher per pupil funding than schools in other parts of the country to reflect the higher costs they face. The NFF takes account of those circumstances, as well as the need to provide all schools with stability in their budgets, which responses to our consultation strongly emphasised. So each school's allocation is calculated by reference to the circumstances

of its pupils, with a funding floor to ensure no school loses because of the introduction of the NFF.

Pupils in Stockport have a lower level of additional needs than the national average. In particular, the proportion of pupils living in deprived areas (as measured by IDACI) is 11 percentage points less than the national average at primary and 9 percentage points less at secondary. This explains why per-pupil funding will be lower than the national average in Stockport under the NFF.

You also requested that the department publish a methodology to calculate the running costs of a school. There is no consensus on the operating cost of a school. Each school is unique and we believe it should be for heads and governors to decide their operating model. We have however, listened carefully to representations on how we can better support schools that attract the lowest levels of funding and have decided to do something to address this by introducing the minimum per pupil funding level.

Stockport will see a 1.9% increase in their high needs funding in 2018-19 compared to what they planned to spend in 2017-18, equating to £29.8m of funding for the borough. We also distributed a £119.6k strategic planning fund to Stockport Metropolitan Borough Council in 2016-17 to support them in reviewing their high needs provision, and have published a benchmarking tool online where local authorities can compare their high needs spending levels. This is available at:

<https://www.gov.uk/government/publications/high-needs-strategic-planning-fund>.

We do recognise that many schools have worked hard up to this point to manage the impact of cost pressures on their budgets. However, we know on the basis of benchmarking analysis that significant savings can be achieved by schools on their non-staff spend. We also know that marketplaces can be complex, leading to schools facing higher costs than they need to. The initiatives in our schools' buying strategy aim to reduce the complexity schools face when procuring goods and services. Through these initiatives we will improve access to better commercial deals and support, and help develop schools' commercial skills. We already have a number of national deals available for schools to save money in common areas, for example on average schools could save up to 10% by making use of the national energy deal; and over 40% by using the national deal on printers, photocopiers and scanners. We are committed to going significantly further and expanding these deals.

You also expressed concern about funding levels for early years. We are investing a record amount of around £6 billion every year by 2020 in childcare. This includes £1 billion a year to deliver 30 hours of free childcare and pay the higher funding rates that we introduced in April 2017.

In April 2017, we introduced an early years national funding formula that increased hourly funding rates for 80% of local authorities (with some local authorities gaining as much as 34%). Our new funding formula explicitly channels additional resources to local authorities who have higher incidences of children with additional needs particularly those on Free School Meals. We have deliberately frontloaded our funding increases to get additional funding to providers as quickly as possible, and our funding compares favourably to the average hourly cost of providing childcare for three and four year olds, which independent research published in January 2017 calculates to be £3.72.

Thank you for taking the time to write on this important issue and I hope the information I have provided is helpful.

Yours sincerely

A handwritten signature in black ink that reads "Michelle Boyes". The signature is written in a cursive, flowing style.

Michelle Boyes
Ministerial And Public Communications Division

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