

# APPG for London

A briefing produced by London Councils

## House of Commons, Wednesday 4 May

### Education funding in London

### Backbench business debate

#### The Motion for the 'Education Funding in London' debate is as follows:

'That this House notes the government's intention to implement a new funding formula for schools from April 2017; welcomes the Department for Education's commitment to hold a detailed consultation on this proposal; calls on the government to recognise the unique challenges schools in London face; and further calls on the government to ensure any changes to the funding model are both fair and proportionate to London's needs.'

#### Top three asks:

In response to the first stage of the government's consultation on the National Funding Formula (NFF), London Councils outlined a number of asks. Our top three asks are:

1. To address any inequalities in the current funding formula and to argue that funding should be levelled up, rather than down
2. Fairer funding through a NFF should not result in a reduction in funding for London's children
3. Local flexibility over funding and recognition of Schools Forums is vital to address and respond swiftly to local and emerging issues.

These three points are covered in greater detail below.

#### Background:

**London's transformation.** The London education system has been transformed over the past 20 years and London's children now consistently outperform their peers at Key Stage 2 and GCSE. London has the highest percentage of schools that are good or outstanding in the country. London Councils is concerned that reducing funding to London's schools will have a detrimental impact on this improvement success. Clearly levelling up the funding would require additional resource, but we believe that driving up standards across the country should be a government priority for investment.

**Government policy and consultation.** The government has committed to introducing a new National Funding Formula for schools in April 2017 that is more transparent and fair for all schools across England than the current system. It has concerns about the significant variability in per pupil funding levels across the country.

This variability is due, in part, to historic government funding levels and local authority investment, but also, in part, due to the way in which local authorities and schools forums allocate funding locally according to need. The Department for Education (DfE) launched the first part of its consultation into the implementation of the NFF on 7 March on both the schools block and high needs block of the Dedicated Schools Grant (DSG). The consultation closed on 17 April. The DfE intends to consult on a further paper, which will set out the detail of the factors that will determine school allocations, in due course.

**London's response** to the proposed NFF has so far included:

- The APPG for London held a meeting on school funding reform with speakers including a London Borough Director of Children's Services, a school Principal and a business representative from the London LEP on 2 March.
- Responses to the consultation have been submitted by London Councils and the GLA. These all share broad alignment of messages, particularly focusing on the importance of not reducing London's school funding allocation.
- A joint letter from Mayor Jules Pipe (London Councils' Chair) and Boris Johnson (Mayor of London) was submitted to Nicky Morgan on 21 March to make the case for ongoing investment in London's schools.
- A joint letter from Mayor Jules Pipe (London Councils' Chair) and Richard Leese (Leader of Manchester City Council and Chair of Core Cities), to the Chancellor of the Exchequer, was submitted on 18 April drawing his attention to the importance of good schools to the economic growth of our cities and calling for the Chancellor to make available sufficient funding to level up school allocations to ensure no local area sees a reduction in funding.

### **Implications of the introduction of the NFF for London's schools**

**DfE Consultation.** The Department for Education (DfE) has made clear, in its consultation on schools and high needs funding reform, that it intends to address the variability in funding levels by distributing more funding to areas and schools that are currently under-funded, while 'gradually reducing the funding of schools that have been generously funded to date'.

The consultation document makes assumptions about the efficiency savings that schools would be able to make in order to cope with reductions in funding resulting from the introduction of the NFF. However, schools across the country have already experienced considerable real terms cuts since 2010. According to the Institute for Fiscal Studies, school spending per pupil is likely to fall by around 8 per cent in real terms (based on a school specific measure of inflation) between 2014/15 and 2019/20. Given the London inflation rate is higher than the national average, the real terms reduction is likely to be keenly felt by London's schools.

**London Councils preliminary analysis** indicates the possible impact on London of a national funding formula for the schools block. The analysis is roughly based on, but does not replicate exactly, DfE's proposals in the consultation and DfE's methodology for distributing an extra £390 million of school funding in 15/16. Using this, London's schools could lose £245million under a new national funding formula, equivalent to 5,873 full-time teachers or 11,598 full-time teaching assistants. Inner London would be the hardest hit with a cut of 9.4 per cent, equivalent to £586 per pupil, compared to a 4.5 per cent cut across London. The Dedicated Schools Grant would need to increase by £521 million to completely protect all local authorities from a cash cut (1.7 per cent of the schools block). If a school-level formula is introduced, £521 million ensures that the total sum allocated to schools in a local authority does not fall, but the amount needed to provide protection for every single school is likely to be higher.

### **The three asks in greater detail**

#### **1. Addressing inequalities. Levelling up - not levelling down**

**Fair and transparent.** London Councils believes that any change to the way in which schools are funded should be fair and transparent, and that this means that no local authority area should experience a loss in schools funding as a result. We are therefore calling on the government to level up the funding across the country for both the schools and high needs blocks, rather than redistribute, to ensure that every school is given the tools to be able to match the country's best performing schools in London.

Risks of levelling down. Given the significant challenges facing London schools (outlined in more detail below), any reduction in funding could have a considerable impact on their ability to deliver high quality education. Therefore, *London Councils has been calling on government repeatedly to level up the funding allocations, so that no local authority in London experiences a reduction in funding.* Investing additional per pupil funding for areas of the country that receive less would guarantee that no child – in London and across the rest of the UK – is left behind. Levelling down risks the future of children’s education across the UK.

## 2. Fairer funding should not result in a reduction in funding for London’s children

**Modelling.** London Councils has undertaken some indicative modelling to understand the potential scale of reductions to budgets across the capital. It estimates that *London could lose £245 million under a NFF. To protect completely the Schools Block for all local authorities that would lose money under a NFF on the basis of this preliminary analysis, the government would need to increase the DSG by £521million (1.7 per cent of the existing Schools Block) per annum.* Insufficient data and information means preliminary analysis of a NFF applied either to the High Needs Block or Early Years Block cannot be undertaken at this stage.

Currently 29 London local authorities receive higher than the national average per pupil funding levels, *therefore London’s schools are at significant risk of losing funding under any redistributive model.* Until the DfE publish the allocation levels, it is difficult to ascertain full scale of the impact of the introduction of the NFF on London’s schools.

This additional funding to level up allocations would primarily benefit areas with current low levels of allocations (for example those in the F40 group) and would mean that they would receive more per pupil funding than under the proposed NFF model, as baseline allocations would be higher.

The Chancellor announced in the Budget an additional £500m to be made available over the Spending Review period to ease the transition to the NFF. London Councils has urged the government to use this funding to bring up allocations in areas that stand to gain under the NFF without impacting on school budgets in areas that stand to lose. This funding is welcome but it is not sufficient to protect the schools block to ensure no area loses funding. London Councils estimates that the government would need to find £521m per annum (1.7 per cent of the current schools block) to do this.

## 3. Retaining local flexibility

The DfE’s overall plan is to move to a school-level national formula rather than a flexible local system with funding distributed via a local authority will potentially negatively impact London’s schools. Removing local flexibilities used by schools’ forums to decide how to use funding (particularly the Dedicated Schools Grant) to meet local need could result in a less refined funding mechanism that cannot respond to specific localised challenges or quickly to meet changing demand.

## Importance of schools to UK economic growth

The economies of London and the Core Cities together deliver over half of the UK economy. Their labour markets rely on having the right mix of skills to attract and retain business. In addition, the level of public spending across our cities is directly related to levels of employment, which in turn are dependent on skills.

Schools are the first part of this skills and employment supply chain and therefore we are very concerned that reducing funding to schools will impact negatively on the growth and productivity of our local economies – and not least the ability of local people to participate in any growth that may nevertheless happen. It should be central to government’s thinking to avoid the creation of another cadre of unemployable young people indefinitely dependent on welfare. Rather, we want to do all we can to improve life chances whilst increasing the productivity of our places to deliver more to UK PLC.

The Core Cities comprise of; Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. Many of whom face a reduction of funding for their area

## London's unique challenges

The London education system experiences significant challenges. Not only does education cost more to deliver in London than elsewhere in the country - as well as higher staff costs and expensive school grounds. London also faces factors such as higher levels of deprivation, mobility, SEN, English as an additional language, sparsity and looked after children. London schools need to continue to ensure that improvements are delivered to reduce the achievement gap for disadvantaged pupils, stretch the most able and enable more pupils to reach their full potential.

**Population.** London needs at least £1.5 billion of Basic Need funding by 2020 to create the new places required, excluding land acquisition costs. During the course of the last parliament, London's pupil population increased significantly year on year at an average rate of 3 per cent, compared to the rest of England's growth rate of 1 per cent. London's primary pupil population is projected to increase by 73,000 between 2015/16 and 2019/20.

**Baby boom.** The baby boom of previous years has meant that school-age populations (5-19) within the capital grew by 107,000 from 2001-2011 – a growth rate of 8.2 per cent compared to an overall reduction nationally of 0.2 per cent. This pressure continues to grow, with forecasts showing that the pupil growth rate in London over the six years from 2012/13 is twice that of any other region, and by 2017/18 pupil numbers in London are expected to have increased by 18 per cent, or 194,000. Within this, some boroughs are forecasting growth of up to 36 per cent. Further challenges loom with the capital's population set to continue to increase, with an estimated 146,000 new school places required by the end of 2020. This also places a disproportionate pressure on the London education system to recruit sufficient additional staff.

**Mobility issue.** The proximity of London boroughs to each other alongside excellent transport links, result in higher levels of cross-border mobility than elsewhere in the country. More than 136,000 pupils educated in the capital are being taught at a school outside of the local authority they live in - 13 per cent of the total. This is double the proportion of pupils who cross council boundaries to attend school in England as a whole. The Department for Education plans for the NFF to be based on 11 factors. It has chosen to remove the mobility factor from the formula, which all London boroughs currently use. The DfE is proposing to pick up mobility in its growth formula but provides insufficient detail to model on how this will work. This could represent a significant challenge for London as, according to the National Pupil Database, non-standard admissions are consistently approximately 20 per cent higher in London than elsewhere in England. The associated costs of dealing with in year mobility are considerably high, particularly for first time entrants to the education system.

**Teacher retention.** London schools are already facing considerable issues with teacher recruitment and retention. In London, over 50 per cent of head teachers are aged over fifty and approaching retirement. As a result, governors report difficulties in attracting good head teachers in London. Re-advertising rates for head teacher posts are also higher in London than in other regions.

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*London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also members.*