

Rt. Hon. Justine Greening MP  
Secretary of State  
Department for Education  
Sanctuary Buildings  
Great Smith Street  
London SW1P 3BT

Contact: Caroline Dawes  
Direct line: 020 7934 9793  
Fax: 020 7934 9793  
Email: [Caroline.dawes@londoncouncils.gov.uk](mailto:Caroline.dawes@londoncouncils.gov.uk)  
Date: 17 March 2016

Cc: Nick Gibb, Minister of State for Education  
Enc: London Councils' response to the consultation on the National Funding Formula for Schools and High Needs

Dear Secretary of State,

### **Introduction of a National Funding Formula for schools and high needs**

I am writing regarding your consultation on the National Funding Formula (NFF) for schools and high needs. London Councils has just submitted our responses to the consultation (enclosed) and wanted to take this opportunity to share our key concerns with you.

London Councils recognises that the Department for Education has made a considerable shift in the way it plans to introduce the NFF since its last consultation. These changes will make a difference to how much funding is available to many London schools. In particular, we support the 3% cap on overall reductions facing every school and the additional £200m per annum announced.

### **Funding position for schools**

We still, however, have significant concerns about the impact that funding cuts will have on the 70% of London schools still facing reductions to their budgets as a result of the NFF. In addition to this impending threat schools have received a flat-cash funding settlement since 2010. Schools now face a number of additional unfunded costs, estimated by the NAO to be equivalent to an 8% reduction in school budgets by 2020. Across the country schools are already coping with constrained budgets. Combining these cost pressures with the predicted cuts arising from the introduction of the NFF, we estimate that collectively London's schools will lose £360 million in 2018/19.

We have serious concerns about the ability of London's schools to cope with such significant budgetary reductions without it impacting on their ability to deliver a high quality education.

Our analysis shows that it would take £335 million per annum of additional funding (just a 1% increase in the schools block budget) to protect all schools across the country from a funding cut arising from the introduction of the national funding formula. London Councils,

therefore, is calling on the government to find this additional funding to ensure that no school faces further budget cuts as a result of the introduction of the NFF.

We support the inclusion of a funding floor. However, we are concerned that without sustained investment to raise all schools up to their final formula allocations more quickly, many schools will be overtaken by a prolonged and unmanageable funding freeze into the next parliament.

### **High needs**

Pressures on high needs budgets are amongst the most acute of any local government service area in the capital. London Councils is disappointed that the scale and urgency of this financial challenge has not been recognised in the second round consultation.

Boroughs are already spending significantly more than the allocations provided by central government through the high needs block, which has failed to keep pace with rapid and unpredictable demand pressures in recent years. Reserves and general council funds are not a viable funding stream for high needs at a time of unprecedented financial cuts in local government, with core funding from central government to councils falling 63 per cent in real terms over the decade by 2019/20. As a result it is unlikely that councils will be able to help out schools, thereby leaving no option beyond significant cuts in special school budgets.

London Councils is concerned that insufficient funding from central government now causes serious risk to the welfare and educational outcomes of high needs pupils in the capital and elsewhere. We believe that a substantial injection of additional funding into the high needs block is required urgently to keep pace with the triple pressure of rapidly rising demand, rising prevalence rates and changing types of need.

Predicting SEND growth is very difficult for both local authorities and central government, but it is vital that the government recognises and funds according to accurate numbers of children with high needs as much as is possible. London Councils believes that the high needs block should have an automatic mechanism to ensure that funding increases as demand rises.

### **Accountability**

London Councils is concerned that having different distribution and accountability mechanisms for the schools and high needs blocks is inefficient and is likely to lead to confusion. We believe that the schools forum is the best mechanism through which to distribute all school revenue funding to schools as it allows for local flexibility to address any emerging issues swiftly and effectively.

### **Pupil growth**

Basing pupil growth on lagged figures is highly problematic for London. Given that the capital needs an additional 113,000 school places between 2015-2020, it is vital that schools have a funding mechanism that can direct money where it is needed quickly to cope with rising demand. We believe that the fairest way of funding additional unforecast demand would be through in-year contingency funding.

## **Apprenticeship levy**

London Councils does not support the difference in approach to the introduction of the apprenticeship levy between different types of schools. Whilst standalone academies are likely to be exempt, community and voluntary schools will be eligible for the levy because the local authority is classed as the employer. We believe that this variation cannot be justified and we call on the government to apply a consistent exemption to all schools with a pay bill under £3 million.

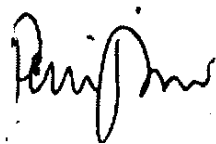
## **Education Services Grant**

Our analysis suggests that London boroughs face an effective £38.1m (46 per cent) cut in funding for central functions in 2017/18 as a result of savings to the Education Services Grant, assuming that schools forums approve the central retention of retained duties funding<sup>1</sup>. The significant funding gap for statutory functions that this leaves creates an acute risk to school standards and pupil welfare in the capital. Therefore London Councils is calling on the government to reinstate this funding.

The concerns raised above reflect the views of our member authorities as well as the groundswell of opinion that we have heard from parents as their local representatives. There is a growing campaign of parental and school opposition to funding reductions relating to the National Funding Formula and it is important that the government recognises this in its response to this consultation.

I would appreciate the opportunity to discuss these issues in person.

Yours sincerely,



Cllr Peter John  
**London Councils' Executive Member for Children and Young People**

---

<sup>1</sup> Factoring in the transitional ESG grant and the new school improvement grant – assumes the top-slicing of former retained duties funding is approved in all boroughs.