

Education Committee

Oral evidence: [School funding reform](#), HC 154

Tuesday 31 January 2017

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Members present: Neil Carmichael (Chair); Ian Austin; Michelle Donelan; Marion Fellows; Suella Fernandes; Lilian Greenwood; Catherine McKinnell; William Wragg.

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Witnesses

I: Natalie Perera, Executive Director, Education Policy Institute, and **Luke Sibieta**, Programme Director, Institute for Fiscal Studies.

II: Nick Gibb MP, Minister for School Standards, Department for Education, and **Tom Goldman**, Director, Education Funding, Department for Education.

Examination of witnesses

Witnesses: Natalie Perera and Luke Sibieta.

Q1 Chair: Good morning and welcome to our session on school funding. This has been in the papers, has been an overall area of public policy debate, and of course has been the subject of a debate in the House of Commons already. This is a long-awaited process. If you remember the f40 group, you would probably say that it first got started as an issue decades ago, but we now have a set of proposals on the table and we want to explore them in some detail.

What I would like to do is ask Natalie and Luke to say who they are and what they represent, and then we will start off with some questions. Natalie first.

Natalie Perera: I am Natalie Perera. I am the Executive Director and Head of Research at the Education Policy Institute.

Luke Sibieta: My name is Luke Sibieta. I am the Associate Director at the Institute for Fiscal Studies, where I lead the Education and Skills team.

Q2 Chair: The key thing about this session is that it covers a lot of detail. We need answers that are short and straight to the point, and that also applies to questions, because we are going to get through all 15 themes that we wish to pursue without interruption. Could you start by briefly setting out what your respective organisations have said about the overall financial position of schools and how the reformed funding system sits within that, Natalie?

Natalie Perera: We have, building in fact from the IFS forecast of the overall school pressure, set out our own analysis of the cost pressure for schools being between 7% and 8% by 2019-20. We have then extended that by a further year to an estimation of a cost pressure of 11%, but clearly that will depend on the 2020 Spending Review and settlement for schools, as well as teacher pay and public sector pay more widely.

In terms of the national funding formula, it is an issue which I have written about a few times and my organisation has agreed that the current distribution of funding to schools is out of date and inconsistent across the country. We haven't yet commented more publicly on the most recent set of proposals by the Department for Education, but we will do so in due course once we have done the detailed analysis.

Chair: Luke, do you concur?

Luke Sibieta: I very much concur with everything Natalie has said. The settlement for this Parliament is largely flat cash per pupil in terms of school funding. That equates to a real terms cut in spending per pupil of between 7% and 8%, depending on which measure of inflation you use. Having a national funding formula for schools would be a good thing in the long run. It provides more certainty to schools; it provides more



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consistency across areas of the country. Getting there has always been the hard thing, and it is clearly harder to get there at a time when you are making real terms cuts to school spending.

Q3 Chair: Natalie, you have been in the engine room of the Department for Education with specific interest in this matter, so can you tell us briefly why this matter is so complicated?

Natalie Perera: It is complicated for a number of reasons. There is the obvious political difficulty of moving money around the country, especially when that is within a fixed pot, moving money between different local authorities, different constituencies. But through a policy lens, it has been difficult because there isn't an agreed or evidence-based understanding of how much it costs to run a school. Indeed, there is arguably no such thing as an average school. That is the first thing, that we don't know, that Government does not really have a clear understanding of, let alone the additional cost of educating a deprived pupil or a pupil with other additional needs, so trying to redistribute money when there is no fixed-cost model adds to the political complexity as well.

Q4 Catherine McKinnell: The Government talks a lot about protecting school funding, and you have set out that there are some significant challenges ahead in terms of the real terms funding situation. Do you think that the funding commitment to protect school funding is realistic in the context of rising pupil numbers and external cost pressures, which we know are increasing?

Luke Sibieta: As I said, the commitment is to provide protection of flat cash for people. That means you cannot protect against the costs that schools face, so they will have to make real terms cuts if they want to deliver the same basket of goods to pupils in schools. It is clearly a very hard time for schools. Pupil numbers are rising by about 7% between 2015 and 2020. We have inflation and cost pressures on top of that and the Department cannot provide a settlement that can deliver both.

Q5 Catherine McKinnell: Do you think it is realistic to try to make those savings through efficiency measures?

Luke Sibieta: It is important to set the changes in this Parliament in the context of what has happened in the longer run. Over the period of the 2000s there were real terms increases of about 5% per year on average. The sort of cuts we are seeing over this Parliament of about 7% are relatively small compared against the large increases that schools received in the 2000s.

Q6 Catherine McKinnell: You are saying the cuts that we are seeing of 7% are relatively small compared with the increases of 5% that we have seen over previous years?

Luke Sibieta: The increase of 5% per year we saw on average during the 2000s, so it rolls back some of the increase, but nowhere near all of the increase.



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Q7 Catherine McKinnell: In terms of efficiency savings, have you managed to assess whether you think those are achievable in the context that has been set out?

Luke Sibieta: I do not have a view on whether they are achievable or not. It is certainly hard, particularly given the increases in employer pension contributions and increase in National Insurance that schools have to face, so it is certainly not easy. But schools would be differentially placed in terms of how they can manage those cuts.

Q8 Catherine McKinnell: From a policy perspective, what consequences do you think could flow from both the inability of schools to be able to meet the challenge and from schools being able to meet the challenge of cutting costs?

Natalie Perera: The first thing is that we are not seeing a consistent picture of how well schools are managing or otherwise. The current published data from the Department on school leaver balances give us a bit of a mixed picture, and that data can hide certain behavioural patterns by schools. For example, they might look like they have more money in their reserve but they may well be squirreling it away because they are worried about the longer forecast or they know that their pressure is building.

In terms of the kinds of things they are doing, for example, the NAHT did a survey recently that asked head teachers and school leaders about how they are currently making savings, as and when they need to. The kind of things they are doing is making savings on things like ICT, or teachers' continuous professional development, which in itself is extremely worrying, because England are already ranked 30 out of 36 jurisdictions in terms of how many days' access to CPD they get, and there are building cost pressures as well. The prevalence of young people's mental health conditions is putting a greater strain on teachers and, again, that is consistent with findings from my own organisation, which found that prevalence is increasing, but as regards access to specialist services, there is a real treatment gap that, according to the NAHT survey and some other survey and anecdotal data, it looks like schools are being required to fill.

Q9 Catherine McKinnell: Do you think there is sufficient information available or policy organisation, or indeed are the Government able to assess what impact the savings that they will be making will ultimately have on the issues that you describe: mental health, but also educational outcomes?

Natalie Perera: There is no published data at the moment. Everything so far is reliant on survey data. I understand that the Department is doing a review of the impact of the flat cash per pupil settlement on schools.

Q10 Lilian Greenwood: Can I ask a quick follow-up? First of all, what should schools be doing in order to make those savings? What are the



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opportunities that you can see for them to do it in a way that would not potentially impact on educational outcomes?

Natalie Perera: The Department has always been clear that savings should come primarily from back office functions, so where you have maybe a couple of schools in a federation or a MAT, making sure that you are saving on things like secretarial functions, which makes perfect sense because then you are not cutting frontline teaching and learning.

The extent to which schools still have scope to make savings that do not impact on frontline classroom teaching is I think probably getting smaller, and I don't know where we are on that.

Luke Sibieta: I would concur with that view. I think schools would be differentially placed to make efficiency savings depending on what they have done to date. If we look at how the increase in spending was used over the 2000s, we find that most of the increase in spending during the period 2000 to 2010 led to larger numbers of back office staff per pupil and large numbers of teaching assistants per pupil. That is most of what the increase in spending was spent on, so if you are rolling back some of that, you could roll back some of those resources. But whether you want to or not or whether you think that is good for educational outcomes is a very separate question.

Q11 **Lilian Greenwood:** Can I very quickly ask you whether there is any evidence of schools asking for additional parental contributions?

Natalie Perera: Only anecdotal, I think, nothing that is collected nationally.

Q12 **Lilian Greenwood:** I want to turn to the principles behind the new funding formula. The Government have set out seven principles for funding reform: fair, efficient, funding going straight to schools and so on. You know them. Do the proposals deliver on those principles?

Luke Sibieta: It is hard to say whether it delivers fairness or not, because I think fairness is very much in the eye of the beholder. A school that is losing out from these reforms may well have a different idea of whether they are fair, as opposed to a school that is gaining from them. Having said that, I think the basic principle of trying to minimise the extent of turbulence in the system—the numbers of large winners and large gainers—is a good one, because as Natalie said earlier, we don't have a good idea about what it costs to teach different types of pupils or how much we should be providing, so the idea of doing least harm possible seems very reasonable. I think it broadly achieves what it sets out to achieve. In terms of the overall criteria about whether it will end the postcode lottery in school funding and whether similar schools will be funded at similar levels, I think it goes partway to achieving that. The formula has an inbuilt aspect that says you can't get less than 97% of what you got in a baseline year, 2017. That goes some of the way to achieving the similarity across areas, but it doesn't go all of the way.



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Q13 **Lilian Greenwood:** Natalie, is there anything you want to add on that point?

Natalie Perera: I completely agree with Luke on all his points, but particularly about fairness being subjective, and about the point on the Department's principles relating to transparency and consistency. I think they are somewhat undermined by the 3% cash floor but also by the move potentially to a situation where local authority funded or maintained schools may have their budget allocated directly to them with the local authority potentially having a very, very tiny role in very exceptional circumstances. Academies that are in MATs may have more of their money top-sliced because the MAT has the ability to do so, so even then you might have similar schools—one a maintained school and one an academy—but they might still be getting different levels of funding because it will depend on how the MAT behaves.

Q14 **Lilian Greenwood:** You have already picked up the point about some of the principles using highly subjective terms like "fair", like "supporting opportunity" or "underpinning social mobility and social justice". Do you think it was wise to include those in the list of principles, given how subjective they are?

Natalie Perera: In terms of having a school system including a funding system that promotes social mobility, I agree that is right and my organisation would agree that was right, but yes, I suppose social mobility could mean different things to different people.

Luke Sibieta: I would agree with that. Making a claim that a school funding system can deliver social mobility is a little bit outside what the school funding system can do. Ensuring that the school funding system gives similar levels of funding to similar schools is a very reasonable aim. How much more funding you give to the more deprived schools versus less deprived schools is a very subjective thing.

Q15 **Chair:** Do you think—on your second to last point—that the Government have achieved their objective by having reasonable fairness across the piste? You are saying that if the objective was to give fairness in terms of school funding, a sort of baseline figure, do you think it has managed that?

Luke Sibieta: It has gone partway towards that, but not all of the way.

Chair: How do you define "partway"?

Luke Sibieta: The reason I say "partway" is because of the existence of this 97% funding floor. It means that no school can lose more than 3% of their funding as a result of this formula, but it means that you have this historical determination of funding, so in 2019 your funding will still be determined by what you got two years earlier. It will not be determined by an objective formula. It will be historic.

Q16 **Chair:** Is there a case for looking at that 3% in terms of schools that



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have historically been underfunded as compared to other schools, rather than just simply having an across-the-board system?

Luke Sibieta: They also have a cap on gains, so no school can gain more than close to 5.5% of funding as a result of this formula between 2017-18 and 2019-20. They are already imposing some kind of cap on schools that would have otherwise received a bigger increase and using that to help fund the cap at the bottom.

Q17 **Lilian Greenwood:** Can I come back to this issue around trying to deliver social justice or social mobility: is there any objective measure of the additional funding that you would need to try to counteract deprivation?

Natalie Perera: I don't think so. The Education Endowment Foundation is probably coming closest to evaluating and benchmarking interventions, where there is evidence that those interventions are helping disadvantaged young people, but there is no magic figure about, "This is how much it costs to educate a deprived young person", for example.

Luke Sibieta: I would very much agree with that and would add that rather than saying it costs X to close the achievement gap, I think it very much depends on exactly what you do with the money. You can get a huge amount of extra money and use it very, very badly and not close the achievement gap, particularly with regard to making use of teaching assistants, because that is a lot of what the deprivation funding has been used for to date. Teaching assistants can be used very, very well and they can be used very, very badly. Good examples would be delivering one-to-one tuition for pupils, which the Education Endowment Foundation has found to be very, very effective. Using them as part-time teachers or doing admin work for teachers often doesn't help pupils and sometimes it diverts attention away from the teachers.

Q18 **Lilian Greenwood:** Thank you for that. Streams of funding, such as the pupil premium, are going to sit outside the new arrangements—and are very close to the issues we are discussing—so do you think that is right or should the Government have aimed for a more comprehensive review?

Natalie Perera: I definitely think it makes sense for now because one of the benefits of the pupil premium is that since its conception it has been a clearly identifiable grant of money. It has been very clearly allocated, so a school knows how much it is getting for a deprived pupil and how much it will get in future to a degree.

While the core school funding block is being reformed, it does make sense to keep the pupil premium separate in terms of the clarity available to schools. It also allows the Department to target deprived pupils using different measures, like the IDACI measure that it is proposing, where it can look at neighbourhood deprivation that might not be picked up by the pupil premium measure. There are benefits of having the pupil premium outside of the dedicated schools grant at least for the transitional period.



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Luke Sibieta: I add to that by saying that if you wanted to make the pupil premium a part of the national funding formula, I think it would be a matter of minutes because of the way the funding formula is designed. You would increase one factor by the amount of the pupil premium and it would be very simple. But what the pupil premium achieves that the funding formula does not achieve is this accountability for how the money is spent. Schools provide information on how they spend their money and how they support pupils that are targeted by the pupil premium.

But I would almost make the reverse argument and say that perhaps we should be asking schools for that level of accountability for the £3 billion they will receive for deprivation through the national funding formula, or the £2.4 billion they will receive for pupils with lower prior attainment. I would almost extend the accountability to other aspects of the formula, rather than say the pupil premium should sit within this formula.

Q19 Lilian Greenwood: Is that because you don't think schools are spending it wisely, or do you think it would be useful from the point of view of sharing good practice?

Luke Sibieta: It is much more the latter. I think there will be schools that use it well and schools that don't use it well, and I would like the schools who are not using it so well to be more like the schools who are using it well.

Q20 Catherine McKinnell: I am from the north-east, so obviously I always have an interest in the historical disparity in funding between, for example, regions like the north-east and, if you like, London. Do you think the proposed funding formula does enough to address not just a fairer redistribution of funding around the country, but also to address historical difficulties inherently? The north-east has the highest level of unemployment and obviously that can be challenged right from childhood to higher education level. Do you think the principles and the reality do enough to address those challenges?

Luke Sibieta: The formula does a lot in both regards. Whether it does enough, I don't know. To start with the area cost aspect and London versus other deprived areas of the country, the formula has a new—not to get too technical—area of cost adjustment, which is better in line with the costs schools face. The old area of cost adjustment was relatively generous, shall we say, to inner London compared with the teacher salary scale. The formula now has a better area of cost adjustment that is more appropriate across the country, and there are wider measures of deprivation than have been used previously, which means that we are taking account of more differences in areas, which should lead to a more appropriate distribution of funding.

I would come back again to this issue of the 3% funding floor. If you look at inner London, almost all local authorities and schools would be very, very close to that funding floor, so they will be losing around 3% as a result of this formula. That means that other areas of the country cannot



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gain as much as you would expect them to if there had not been this funding floor.

- Q21 **Ian Austin:** Just to return to Lilian's point about the principles and in particular this point about social mobility and social justice, to what extent do you think the new funding formula will—well, let me start from a different place. In many parts of the country there is a wide variation in the quality of education delivered in nearby schools and the popular successful schools that get consistently high results are massively over-subscribed. To what extent do you think this new funding formula would enable schools to expand to meet that demand? It seems to me that it doesn't do that. Is that a missed opportunity? Could the new funding arrangements include a mechanism that allows schools to apply more easily for the funds needed to expand to meet the demand, thereby putting parents more in charge, giving parents and consumers more control over where their children are educated?

Natalie Perera: I think one of the aims of the reform that the Department has been quite clear about is that it is pupil led, so the more pupils a school has the more funding it receives. In terms of a school's—

- Q22 **Ian Austin:** Yes. Can I just say that the difficulty is that the funding follows the pupils and without the space to accommodate the pupils a school cannot attract the pupils, so a school doesn't access the funding. This is a conundrum I have discussed with Education Ministers over the years. They all say, "Yes, we should do something about this" but it seems to me that these new arrangements don't do anything about that at all.

Natalie Perera: They do not, because they are purely about school revenue funding and not capital funding.

- Q23 **Ian Austin:** Yes, I understand that, but is this an opportunity that has been missed, which is the point I am trying to get to?

Natalie Perera: I don't know. They are treated so very differently, school revenue and school capital funding. There may then be a case for the school capital funding process to reflect parental demand, but I think that is largely why the preschool programme is in place. I think that is what the Department would argue.

Chair: That is a good interesting answer. Luke, do you have a comment on that?

Luke Sibietta: As far as I have understood it, Governments for at least the last 10 years have been encouraging good schools to expand to take on more pupils to meet parental demand and fulfil the pupil-led funding idea. As far as I have understood it, the major barrier to that has been twofold: first, schools have not always wanted to expand because they like teaching the number of pupils they have and they don't want to have a much larger school; secondly, planning restrictions mean that some



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schools—particularly in the London area, where demand has been increasing quite a lot—cannot always expand.

- Q24 **Chair:** Can I return to the deprivation plus pupil premium bit? The first point: is there not a form of double accounting here, and would it not be neater and in the long run more effective if pupil premium was incorporated—though not completely absorbed by—the deprivation element, Luke?

Luke Sibieta: I would agree with that. I do not see much value in having one factor with different values and different formulas. It just doesn't make much sense to me as a very neat economist, but I do like the principles of the extra accountability that comes with pupil premium. As I said, I would apply that more widely.

- Q25 **Chair:** Exactly, so your answer still stands. In fact, it would be reinforced by the fact that you would see more focus on value for money in the deprivation expenditure?

Luke Sibieta: Yes, definitely.

Chair: Natalie, do you agree?

Natalie Perera: I agree that if you could do it in a way that retains the accountability of the pupil premium, then it may in the long term be simpler.

- Q26 **William Wragg:** Good morning. I want to talk about the proposals in the draft formula, because of course the stage 2 consultation is currently underway. I want to also ask about the factors contained within that and ask you which of them present the greatest challenge to deliver.

Natalie Perera: There are some factors where the Department has said, "Right, this is how we will measure those factors" and there are still lots of unknowns. An example of that is the low prior attainment factor, where because we have had for primary schools quite radically reformed primary and Key Stage 2 assessments, that means for those going into secondary it is hard to then ascertain what level of attainment they have. If they have not met the existing primary standards, is there a spectrum within which they haven't met them? Have they missed them by a long mark or just about missed them? There is a quite a wide spectrum you are dealing with.

- Q27 **William Wragg:** Would you say just on that that is a particular issue for secondary funding, or is it not for those coming in and getting a baseline assessment?

Natalie Perera: That is for secondary funding. For primary it is arguably more complicated, because at the moment it relies on the Early Years Foundation Stage profile. The Government has said the Early Years Foundation Stage profile will continue for, I think, another two years while it undertakes a review of primary assessment, including baseline testing. First, the future of the current assessment is unknown, so at



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some point the Department will have to review that. Secondly, because you are talking about within school assessment, it does create perverse incentives to a school, because if it is doing an assessment on a child and that child scores a low mark, the school gets more money, so I think there are challenges there.

William Wragg: Luke, on the same question.

Luke Sibieta: I would agree with everything that Natalie said. Particularly on the Early Years Foundation Stage, there are clear perverse incentives and you don't want to have too much money attached to factors that the school has some control over. To that I would also add the definition of English as an additional language. There are objective criteria for defining that, but you can imagine schools being quite pushy and there being fuzzy lines and schools being, as I said, quite pushy over who gets counted and who doesn't.

The most challenging aspect for some specific sets of schools will be the level of sparsity funding. As far as I understand it, the proposals are relatively generous to small schools, but I imagine they will be differentially so across the country.

Q28 **William Wragg:** It is interesting when you pick up the subjectivity perhaps of low prior attainment and EAL as well. You mentioned sparsity as well. Surely that would be an objective measure in terms of the dispersal of pupils in an area?

Luke Sibieta: It is certainly an objective criterion, and what I mean is that small schools will be very different in terms of their size and numbers of teachers. While on average it is probably a relatively generous feature of the formula, different schools might find it more difficult rather than less difficult to cope with.

Q29 **William Wragg:** One of the consequences of the first stage of the consultation was the reintroduction of a mobility factor for those in-year pupil movements. In your opinion, was it the right decision to reintroduce that, Natalie?

Natalie Perera: The fact that the Department listened to the concerns it heard in response to the first stage of the consultation suggests that there is quite a volume of concern about the removal of the mobility factor in the first instance. I think the challenge now for the Department is to create a mobility factor that can be addressed in a national funding formula. As it now proposes to use historic local authority spending to determine mobility funding, that would be the main challenge for the Department.

Luke Sibieta: I would completely agree with what Natalie said.

Q30 **Chair:** You mentioned, Luke, the issue about the sparsity funding. Do you think the Government has the definition of a small school correct?



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Luke Sibieta: I do not know that it is effectively defining a small school, in the sense that it is targeting funding in areas that have relatively sparse populations and providing more to areas with sparser populations and less sparse populations. Judging by the fact that the proposals look relatively generous to small schools, they have clearly identified small schools and prevented them losing out substantially from these reforms. Whether that is a good thing or a bad thing depends on your view on the fairness of providing high levels of funding to small schools and people will reasonably differ.

Q31 **Chair:** If the Government's objective is to encourage small schools to work more efficiently and effectively together, would there be merit in reflecting that ambition in the funding formula system, and how would you do it if there was?

Luke Sibieta: Certainly. Perhaps eight, nine, 10 months ago, when we were talking about the full academisation of schools, there was talk of strong incentives for small schools to become part of multiple-academy trusts, and if this formula had cut funding for small schools on average, then there would have been a very strong incentive for schools to join a multiple-academy trust. There isn't a clear financial incentive from this formula.

Chair: Natalie, do you have any comments on that line of questioning?

Natalie Perera: No, I agree with everything that Luke has said. The two ways that the Department can incentivise small schools to become more efficient, through collaboration or joining a MAT, for example, are through the lump sum and through the sparsity factor. The lump sum—for primary schools at least—is, I think, set at £110,000, and probably about two-thirds of local authorities currently set their lump sum higher, so primary schools might see a bit less money as a result of that, but as Luke said, if they are in a sparsely-populated area, they will see money coming through that route as well.

One of the areas that is more subjective is that the sparsity factor uses what it determines is a reasonable average travel distance to the next nearest school. For some parents a reasonable travel distance would not be more than a few streets. For others it might be a few miles, so I think that is another area of subjectivity.

Q32 **Michelle Donelan:** Good morning. We have already talked about the funding formula having floors and ceilings applied to it in both spectrums. Do you think that a minimum funding guarantee is necessary and what do you feel the consequences of that would be?

Luke Sibieta: That is an excellent question. There are effectively two funding floors. There is a funding floor built into the formula, which says you cannot get less than 97% of what you got in 2017-18 and there is a minimum funding guarantee of 1.5% per year—1.5 times 1.5 for two years is very close to 3%, so in my view you don't need both. If anything, the 97% funding floor is providing less certainty to schools in



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terms of what will happen after 2020, because you could have delivered a floor of 3% with just applying the minimum funding guarantee. At the moment we don't know what is going to happen after 2020. Will the funding floor be applied in perpetuity? Will schools on the funding floor keep seeing cuts after 2020? We do not know at the moment, so I wouldn't have had that floor.

Michelle Donelan: Do you agree with that, Natalie?

Natalie Perera: I agree that it is difficult to see the need for both the minimum funding guarantee and the funding floor, given that they protect at very similar levels.

Q33 **Michelle Donelan:** If there was no floor at all, what do you think would happen?

Natalie Perera: I think part of the purpose of the floor and part of the purpose that is being built into the formula is that they enable the Department to say that no school will lose more than 3% as a result of this formula. But then in 2020 there is a whole new Spending Review period and schools, whether they gain or lose now, won't know what their budgets will be post-2020 anyway, because that is all subject to the Spending Review. What the floor does at the moment, it doesn't give schools yet the ability to see what they would get if that floor were removed. The data that we have had from the Department does not allow us to see that.

Q34 **Michelle Donelan:** In other words, you are not sure what would happen if the floor was moved, so then—

Natalie Perera: We would not necessarily know that either anyway, because it is all subject to a different Spending Review.

Q35 **Michelle Donelan:** Luke, did you just say that you potentially don't need it?

Luke Sibietta: Yes.

Michelle Donelan: How do you know you do not need it if you don't know what would happen if you need it?

Luke Sibietta: In terms of the level of funding a school would receive in 2018-19, removing the floor would have almost zero impact on what a school would receive in that year. What the funding floor is doing is saying to schools, "You won't lose more than this amount" but you would not have lost any more than that through the minimum funding guarantee anyway. What it is also doing is preventing schools from receiving a signal on what they might receive in the long run. Obviously what they receive in the long run will be determined by the level of the Spending Review for 2020 and beyond, but providing schools with some sort of signal so that two years, five years, 10 years after the next Spending Review you will be transitioning towards this level, would be a useful signal to schools in terms of deciding how to plan their long-term



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resources. It would not affect the level of funding in 2018 and 2019, but it would provide a signal.

Q36 **Michelle Donelan:** So you would remove it?

Luke Sibieta: Yes, I would.

Q37 **Michelle Donelan:** Natalie, you said that you would be more cautious then. You implied that, but you said—

Natalie Perera: No, sorry if I implied that.

Q38 **Michelle Donelan:** But you did say that you weren't sure about the full impact it would have—

Natalie Perera: While the 3% floor is in place, as Luke said, you cannot see what the long-term trajectory is for schools that would otherwise lose under the formula. Given that the 3% floor has no additional value on top of the 1.5% MFG, then I agree with Luke that there is probably no point in having it over the next two years.

Q39 **Michelle Donelan:** Do you think it overcomplicates things then in the messaging to schools potentially and to parents and to teachers?

Luke Sibieta: Yes.

Natalie Perera: Yes.

Q40 **Chair:** Apart from increasing the size of the cake, what do you think would be the easiest way to lift up the baseline funding in the system, Luke?

Luke Sibieta: In terms of what is the way of providing, say, a higher level of basic level of funding per pupil?

Chair: Yes.

Luke Sibieta: One way would be getting rid of this funding floor, but again, you still have this minimum funding guarantee in operation for two years, so it wouldn't have any real effect. Rather than saying, "How can you have a higher level of basic funding per pupil?" I think maybe we should be talking about what level of service or what level of responsibilities schools should be delivering. Over the 2000s, part of the increase in funding and part of the extra staff were about delivering a wider set of services, sometimes not purely education but wider social wellbeing, which was a very good thing.

If you are giving schools less money, maybe you should be asking them to deliver fewer responsibilities as well, but at the moment we will probably be asking schools to be delivering more. I take the example of the obligations on apprenticeships. Any school with more than 250 members of staff or that is part of a multiple-academy trust with 250 staff will have to deliver 3.3% of their staff as apprentices every year, so that is an additional responsibility for schools to be facing at a time when



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they are having to make funding cuts. That might be an extra responsibility too far.

Chair: Natalie, any thoughts?

Natalie Perera: No, I completely agree with Luke. Without making the cake bigger or without requiring those who are set to lose funding to lose more and to lose more at a faster rate than is currently planned, then it is difficult to see how you could give schools more money per pupil than under the current arrangements. I also agree with Luke that then the question is how you encourage them to take more value from the money they have. That is about the responsibilities that schools have.

Another important thing to remember is that we don't consider this pot of money in isolation. There is also the education services grant that is being withdrawn. That will have an impact on maintained schools in terms of the services in kind that they get and on academies in terms of cash amounts.

Q41 **Marion Fellows:** I think we have already touched a little on this, but I was going to ask, what effect will the withdrawal of the education services grant have on maintained schools?

Natalie Perera: I think there have been some attempts to cost this. I do not have the figures to hand, but it will be more about the services in kind for maintained schools, in terms of what they get from local authorities, so if local authorities are not getting the funding to fulfil those duties then that will have a knock-on effect on schools.

Q42 **Marion Fellows:** Going back to things like the welfare stuff, the HR stuff?

Natalie Perera: Yes, it will be things like education, welfare support and HR functions. For some time now the biggest pot of the education services grant, and funding streams that came before it, was used for school improvement and intervention. Increasingly, as the academies model has been introduced and expanded, that role of local authorities has dissipated in any case.

Q43 **Chair:** Natalie, you are on record as expressing concern at the Government's original timetable for introducing a new system and you were proved right, so well done. What circumstances do you think could have existed to have brought about an outcome earlier?

Natalie Perera: Had the Government or the Department pressed straight ahead with the formula as it is in this current consultation last year, when they issued the first consultation, that debate might have been had earlier, but I think the reality is that the political situation that happened in late spring/early summer last year meant that the Department was in a difficult place to make some really difficult big decisions. In my view, they took the more sensible decision of just pausing and reviewing the arrangements.



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Q44 **Chair:** So Brexit strikes again then?

Natalie Perera: Possibly.

Luke Sibieta: In reality, if they had been announcing this formula in July last year, it would have still have been too late, so I think basically they started a little bit too late for 2017-18.

Q45 **Suella Fernandes:** On reforming the funding formula, the distribution of funding among schools will be a significant achievement for the Government. Just speaking for Hampshire, Hampshire is currently the third lowest funded authority in the country and there will be a rectification of the historical problem under the new formula. Looking ahead, what do you think will be the priorities for policymakers following the implementation?

Luke Sibieta: It is hard to foresee what their priorities will be. I would hope their priority would be trying to move more of these schools that will be on the funding floor on to the full formula and working out how to do that in as orderly and least turbulent a manner as possible. Do you want to have them fixed in cash terms for the next five years? Do you want to have a minimum funding guarantee at 1%, 2% over the next five years? Moving more of those schools on to the formula in an orderly and appropriate manner should, I think, be the priority for the funding reform in this area.

Natalie Perera: Yes, I agree with that. I think there will be two challenges largely to do with the transitional arrangements, getting the right balance between moving people upwards on to the formula and protecting those who are set to lose under the formula and then, as we talked about earlier, some of the trickier formula factors, like low prior attainment, like ability, and like making sure the sparsity factor does what the Department intends it to do.

Q46 **Chair:** Notwithstanding the fact that obviously we are in a consultation period and there is political pressure obviously being exerted on the Government to deal with the fact, for example, that some f40 areas seemingly are worse off with the new system rather than better off, and that has to be put right—and I am sure the Government will be explaining how it is going to do that in a moment—do you think that the nature of this new set of proposals in general terms will be easier to fine-tune in future years than the previous system, Luke?

Luke Sibieta: Yes, definitely. If this system is put in place it will be in a world in which policymakers can debate what the appropriate level of a particular factor is and tweak it, depending on what is working, what is not, what they think is appropriate and what is not. We can see on a piece of paper what the levels of the factors for different types of people are and we can argue about whether that is the right level or not. Being able to have that debate is I think a significant level of progress.

Q47 **Chair:** You think it is sufficiently transparent enough for operators within



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the system, but not close to Whitehall, to see and understand where it is going and how it operates?

Luke Sibieta: Yes, with the exception of this funding floor, which is transparent but does not tell you about where you are going in five or 10 years' time, which I think would be a significant aid.

Natalie Perera: I completely agree with Luke. The other point about the funding floor is that it means you might have a school in Gloucestershire, for example, and a school in Newham that are exactly the same. It is potentially unlikely, but if you did, because the school in Tower Hamlets is protected by the 3% floor, then they will not be funded the same even though in theory they could be exactly the same, so you don't quite get that transparency or consistency.

Chair: Speaking from the perspective of Gloucestershire, where my constituency is, I will be watching that one.

Q48 **Lilian Greenwood:** We moved on very quickly from the withdrawal of the education services grant and I almost felt the implication was that this £600 million of education services grant can be withdrawn and it will have no impact, as if local authorities aren't doing anything around schools' improvement. I wonder what you think the impact will be or if you think it will be negligible.

Natalie Perera: I don't think it will be negligible but I don't think we have a strong understanding of what the full impact will be yet. Again, I think the Department is potentially doing a review into this.

On the point I was making about school improvement, that has historically been one of the biggest parts of the local authority role in this area, and because that role has become smaller there is an argument that the funding that they get to fulfil that role ought to be reduced in line. Whether that is happening and whether it is in line I think we still do not know yet.

Q49 **Lilian Greenwood:** It was envisaged that local authorities would not have a role because all schools would become academies, but now that is not the case surely there will be an impact if that funding is withdrawn and they are not all academies?

Natalie Perera: Yes, agreed.

Luke Sibieta: We are in a slightly odd situation where we have a funding formula that is almost designed to be suited to a system where all schools are academies and they are clearly not at the moment. I am not sure whether that is an aim anymore and how fast we will move to it, but the point about the education services grant is, as Natalie said earlier, about the loss of the in-kind services for schools. In some local authorities they might be really, really good and schools will be quite upset about losing that service. In other areas they won't be so good and



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schools won't mind so much. I think it depends on how good the local authority is, effectively.

- Q50 **Chair:** One last question: do you think that the Department has the right kind of equipment, first of all, to take an overview of this funding system as it continues, and does it also have the capacity to zone in on areas and particular schools that might be vulnerable or perhaps not operating effectively enough, Natalie?

Natalie Perera: That is an incredibly important question, because if there is going to be a hard national funding formula from 2019-20, it does essentially require the Department to set budgets for 20,000-odd mainstream schools from Whitehall. There will always be those exceptional circumstances-type schools. There will be schools that the Department has identified that have PFI contracts, split-site requirements, so short of the Department holding all that data centrally and having some way of updating it or auditing it, it might be that they have to have a little pot retained for local authority discretion.

Chair: Luke, what are your thoughts on that?

Luke Sibieta: I would agree with that. The Department is very well-placed to understand the likely change in funding that different schools in different areas will face and can identify cases where schools are likely to get cuts of 10%, 12%, if that ever happened. I don't know whether it has the capacity to then act on that information and how it would act on that information, because through creating a national funding formula it is in effect becoming the local authority for all schools and taking responsibility for the financial viability of all schools. With great power comes great responsibility, but it is quite a hard thing to do.

- Q51 **Chair:** Would you envisage Regional Schools Commissioners taking a role in this?

Luke Sibieta: Rather than having the Department take on the entire role, it might be desirable to have some level of local responsibility rather than a Whitehall Department doing everything.

Natalie Perera: I think that is an option.

Chair: Does anyone have any further questions? Lilian.

- Q52 **Lilian Greenwood:** Just very, very quickly: once the implementation has gone in through a school through to age 16, do you think there is a need to do something or to address the issue of post-16?

Luke Sibieta: Yes. If we look at the funding levels pre-16, they then drop off post-16. I don't think it makes a huge amount of sense to have very different levels of funding for post-16 versus pre-16 funding. Schools with sixth forms have probably been able to cope to date by cross-subsidising from pre-16 budgets to post-16 budgets. Purely post-16 providers have not had that option and it has become hard for all types of providers during this Parliament, given they have already had a cash



terms freeze over the last Parliament and they are doing one again this Parliament.

Q53 **Lilian Greenwood:** Are the Government going to have to address this issue, do you think, or just that they should?

Luke Sibieta: It is the most challenging area of education at the moment in terms of funding levels.

Chair: I want to thank you both for answering our questions. I will be writing to at least Luke for further clarification on a few of the points that you made—

Luke Sibieta: Sure.

Chair: And possibly to Natalie as well, but thank you both very much indeed.

Examination of witnesses

Witnesses: Nick Gibb MP and Tom Goldman

Q54 **Chair:** Good morning, Nick and Tom. You are both regulars here so I don't think you need to explain where you are from: Nick is Minister of Schools and Tom is the senior lieutenant in the Department. Welcome to you both and thank you very much for coming today.

Reforming the school funding system is quite a big task, but, Nick, how does it fit in with your other policy objectives within the Department?

Nick Gibb: It is about fairness. We want to make sure that we are promoting social mobility, which is one of the key objectives of the Department, so the principles behind the details of the formula are to ensure that we address sufficient funding to things such as disadvantage, low prior attainment, or children with English as an additional language. That is all about closing the attainment gap between those from poor and wealthier backgrounds and ensuring that every child can meet their full potential. That is the objective of all our reforms in the education system.

Q55 **Chair:** Do you think that you are on the way to achieving those objectives with reforming the funding as it currently stands or do you think it needs some modification?

Nick Gibb: We are consulting until 22 March. It is a long consultation period. It is a genuine consultation period. As you indicated in the first session, this is a very complicated area of reform. Governments have assiduously avoided grasping this nettle for over a decade. We have not avoided grasping this nettle because we think there are too many anachronistic and historic unfairnesses in the current funding system and we wanted to deal with those. But when you are putting together such a complicated area of policy change, we had first-phase consultations last



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year about the principles and they were widely accepted, and now we are consulting on the detailed weightings of all those different factors and, because of all its complexity, we do want to see how this maps out on to 23,000 schools, so we have been very open with the data. We have applied the factors and their weightings to each of the 23,000 schools on the basis of 2016-17 figures so that every Member of Parliament, every head teacher and the public policymakers can see the effect of the formula on individual schools and on individual local authority areas. We will listen very carefully to the responses to that consultation.

Q56 Chair: Given the direct link between the funding system you are introducing and the policy objectives that you have, do you think that the accountability mechanism that the Department has of and for schools is sufficient in terms of its range and capacity and resources?

Nick Gibb: I do. The principle behind education policy is as set out in the OECD, which is school autonomy, professional autonomy, combined with very strong accountability, and there is very strong accountability. We have performance tables that are published on a school-by-school basis, Key Stage 2 national curriculum assessments. We have the same with GCSE at age 16 and the English Baccalaureate combination of GCSEs that schools enter—that is, on the attainment of those pupils in achieving those GCSEs in those subjects—and we have Ofsted as well. There is a huge level of accountability for schools, so I think we do have the right mechanism.

Q57 Chair: What about the operation of the funding system itself and the performance of schools' budgeting strategies?

Nick Gibb: We also do publish more financial data about schools than we have ever published in the past, so people can see how much schools are spending and they can then compare those with the results the school is achieving.

Q58 William Wragg: Good morning, gentlemen. First, a question for Mr Goldman regarding the scale of the task you and your team have been undertaking. Could you tell us what you and your team have been doing in devising this system formally?

Tom Goldman: Certainly. I should say I have a very strong team back at the Department for Education, and since 2015 we have been working on the construction of this formula. That has meant gathering all the evidence we can, in particular looking at what local authorities do, because we benefit from the fact that there are 150 local discussions that have already been had about how to fund schools. We are gathering what the views are as to what it costs to run a school, though, as both Luke and Natalie were saying, the evidence on that is quite disparate and quite difficult to draw together. There is evidence internationally and from past attempts to look at this area. We have drawn all that together to come up with proposals. We have obviously discussed it with Ministers to ensure we are following the policy direction of the Government and to come up



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with a formula, then just as importantly, a lot of time and a lot of effort has gone on modelling the impacts of that and making sure that we can see what change that would mean for each school, each area and particular groups of schools, so we can judge.

Q59 William Wragg: What has been the most challenging aspect?

Tom Goldman: The most challenging aspect of this for ourselves has been that the wide range of evidence does not lead to any simple conclusions. There are many forms of evidence that we can look at here, but it does not say, "The obvious answer is to do exactly this amount of money for this kind of pupil or this kind of school".

Q60 William Wragg: This touches on what the previous panel was saying in terms of the factors chosen to be part of the funding formula. They mentioned English as an additional language and low prior attainment as perhaps subjective measures. In choosing what made up the formula, were those two considerations in your mind, objectivity and subjectivity?

Tom Goldman: One of our principles has been to try to ensure that any data we use is sufficiently robust that it stands up to use in a funding formula. On the low prior attainment point, we do have national tests at Key Stage 3 and a national system for the Early Years Foundation Stage profile. I agree that English as an additional language is one of the less robust. It is not based on that national testing regime. In considering particularly English as an additional language, it is also worth thinking about how much money it moves around the system. Obviously a factor that does not move a very large sum of money does not need to be quite so robust.

Q61 William Wragg: No. A few members of the Committee asked questions relating to the pupil premium and the desirability or not of incorporating it within the formula. How easy would it be to incorporate it in some way within the formula, particularly given the existing deprivation aspect?

Tom Goldman: In a purely technical sense, it would be quite simple to incorporate the pupil premium within the national funding formula. It would be more difficult to take the deprivation spending that is within the national funding formula and incorporate it into the pupil premium because the NFF uses more deprivation factors. In a purely practical sense it would, as Luke said, be very simple to move the pupil premium money within the NFF, but there are wider considerations.

Q62 William Wragg: What are the wider considerations? Perhaps to the Minister.

Nick Gibb: In determining the deprivation factor, we started from the current situation of 150 different local authority decisions. Also, the deprivation funding in the formula is intended to fund the whole school, whereas the pupil premium is intended to provide more funding for particular pupils in a school to ensure that they are getting the extra tuition or the wider experiences that more advantaged pupils have.



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- Q63 **William Wragg:** Can you not understand though the observation made by some schools that there is a double weighting towards deprivation, therefore, and in terms of overall funding, some schools that do not have so many pupils entitled to the pupil premium feel disadvantaged with the weighting it has for deprivation within the formula and then with the addition of the pupil premium in terms of funding?

Nick Gibb: It is the same position as before the introduction of the formula. We know that the pupil premium exists. We know what level it is at. It has been protected across the Spending Review period. With that knowledge, we decided on the level of deprivation in the national funding formula. Nothing has really changed. The overall levels are roughly the same as before.

- Q64 **William Wragg:** Can you understand the perspective of some schools? There is the formula, with its weighting towards deprivation, quite rightly, but then, with the addition of the pupil premium, some schools feel disadvantaged in terms of their funding settlement.

Nick Gibb: There is evidence that it is more costly to deal with some of the issues that arise from disadvantage, and we, as a Government, are determined that every pupil in this country will have the best experience at school and that every child, regardless of background or ability, will fulfil their potential. That is our objective. Therefore, if that objective requires targeted funding for those pupils, then that is why we have targeted—

- Q65 **William Wragg:** To put it a slightly different way then, do you receive representations from those schools that I have mentioned that feel disadvantaged by the double accounting? Do you ever hear from those schools that they feel disadvantaged because there is both a weighting in the deprivation for the formula and there is also the pupil premium?

Nick Gibb: When we consulted on the principles, there was widespread support for those principles. I think if you were to ask members of the public, "Where do you think funding should be targeted?" most people would think that it is right to target significant sums of money to tackle deprivation and significant sums of money to tackle low prior attainment. That is what our education system should do. It is what it did do. It is what it does do now. The way we have constructed the formula does not deviate from the position before the introduction of the national funding formula.

We took the aggregate of 150 local authority formulae and we applied that to the national funding formula, with one exception to that, in that we took account of the fact that in some areas of the country, such as Tower Hamlets, the element of deprivation is in the age-weighted pupil unit as well as there being a small additional amount in Tower Hamlets for deprivation. The area has significant deprivation; it is quite widespread in Tower Hamlets and other similar areas.

- Q66 **Lilian Greenwood:** Can I just ask very briefly about the way that you



approach the task? Do you think you have done enough to engage with head teachers, particularly around the deliverability of the new formula?

Nick Gibb: How do you mean the deliverability?

Lillian Greenwood: Do you think you have done enough to engage with head teachers about how this can be delivered in the wider context of the schools' funding?

Nick Gibb: We have consulted very widely. This is a two-stage consultation. We consulted on the principles—we had a lot of responses from schools and head teachers, as well as members of the public—and we are consulting now on the second phase. We are now listening to representations. I am meeting groups of head teachers and groups of Members of Parliament to discuss the consequences of the formula on particular schools around the country. We are absolutely engaging with the teaching profession and head teachers on the consequences of this formula and how it impacts on every school in the country.

Q67 **Catherine McKinnell:** Minister, in the debate on school funding that we had here in the House last Wednesday, you confirmed that pressures averaging 3.1% per pupil in 2016-17 are what schools have been facing. Are you comfortable with how those cost pressures are being dealt with?

Nick Gibb: The overall level of spending on schools with high needs is at record levels—£40 billion—and it will increase over the period of the Spending Review as pupil numbers increase, so it will reach over £42 billion by 2019-20. We do understand there are pressures.

Catherine McKinnell: Which is why I am focused on cost pressures in my question.

Nick Gibb: Yes, of course there are cost pressures: 3.1% in 2016-17, as you say, and then about 1.5% or 1.6% the year after, and then another 1.5% or 1.6% in the year after that. It is not 8% in one year. That is the point I was making in the debate. It is not.

Q68 **Catherine McKinnell:** Yes, but the question is are you comfortable with how those cost pressures are being dealt with by schools?

Nick Gibb: Yes. It has been a challenge and we are providing advice and support to schools about how to manage a budget in the most efficient way, and how to keep their funding efficiently managed. We are also engaging in developing a national buying strategy for things like electricity, energy and IT to try to deliver savings in the non-staff spending that schools incur. We have protected school funding, core school funding, in real terms across the Spending Review period, and that is at a time when we are dealing with an historic budget deficit. We have to deal with that budget deficit and across Whitehall Departments are making huge savings. Schools have been largely protected from that.

The reason why it is important to tackle the deficit is that that is how you maintain a strong economy with the highest levels of employment, and



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what we want to ensure is that young people have those opportunities for employment when they leave school or leave education.

- Q69 **Catherine McKinnell:** Yes, but if we could just focus on the cost pressures that schools are facing, while you say you are protecting budgets, the reality for head teachers up and down the country is that they are having to deal with rising cost pressures and, in real terms, a reducing budget. I have spoken to a number of head teachers about how they are managing in their schools. One struck me particularly because she got quite emotional about the budget and she said very honestly that she has sleepless nights about how to keep the things that she knows matter to her pupils. They have had to take very difficult decisions in a very deprived part of Newcastle to cut the school counsellor, to lose their family support services and look at some of the extracurricular activities that they provide for the children that they know enhance the educational experience for their pupils.

The situation is real for a number of schools, which is why I asked whether you are satisfied with the way the cost pressures are being dealt with. Do you have any concerns and are you monitoring the meeting of cost pressures and the reduction of these extra services—which may seem superfluous, but I know head teachers value them—in terms of not just pupil wellbeing but educational outcomes as well?

Nick Gibb: Of course we listen to head teachers and we listen to the concerns that are being expressed. One of the reasons why it is so important to introduce a national funding formula at this time, when it could be argued this is not the right time to introduce a national funding formula—although I would argue that it is precisely the right time—and when the schools are facing those cost pressures, is to ensure that the money that we do have is distributed fairly and according to need.

- Q70 **Catherine McKinnell:** We have heard consistently through our inquiry as a Committee that the recruitment and retention of experienced, talented and motivated teachers is absolutely key to driving up standards. I have already heard about some head teachers, for example, who are retiring early because they feel that is the best way to protect their school's budget, but one of the efficiency savings that has been mentioned is bringing in younger teachers to save on payroll. How are the Government going to ensure that we have the best and most talented teachers and that we retain talented teachers? Is that still a priority for the Government?

Nick Gibb: It is. In terms of recruitment, we are spending £1.3 billion over this Parliament in bursaries to attract the most able graduates into the teaching profession. In terms of retention, we are tackling workload problems that were identified in the workload challenge, particularly things like marking, data analysis and preparation time. We have three very good reports produced by leading practitioners with a series of recommendations for how we can tackle those workload issues and we have accepted those recommendations.



- Q71 **Catherine McKinnell:** What were those recommendations? One of the pieces of evidence that we have received as a Committee is that the way to meet some of these cost pressures is to increase contact time, to ensure that teachers are teaching across subjects and not necessarily only in their specialised areas, to reduce teacher assistants, and as I said, to reduce counselling and extra support services, all of which would relieve pressure on teachers and their workloads. What are those recommendations and how are schools going to meet them? How are the Government going to ensure schools can implement them, given the funding situation going forward?

Nick Gibb: There are 15,000 more teachers today than there were in 2010 in our schools—

Catherine McKinnell: There are also more pupils.

Nick Gibb: That is also true. We have created over 500,000 to 600,000 more school places since 2010 to cope with the increasing pupil birth rate and the increasing pupil numbers. What we have said is that we want schools to use the advice that the Department is providing about how to manage staff budgets, and how to ensure that the combination of staff accurately reflects the curriculum that they are delivering. There are huge amounts of advice about planning on a three to five-year timescale about the right combination of staff to deliver the curriculum and to deliver those other pastoral care services that schools do and need to provide to their pupils.

We do accept that there are cost pressures on schools of 3.1% in 2016-17 and 1.5% in the next few years per annum. Every part of Whitehall is having to deal with significantly higher cost pressures and funding reductions than the school sector is facing. We have protected core school funding in real terms because we value what the schools do and the importance to this Government of having a well-funded and properly funded education system.

- Q72 **Catherine McKinnell:** Just one final question for you, Minister. What do you think poses the greatest challenge to educational outcomes, inefficiency or underfunding?

Nick Gibb: You say underfunding, but we are spending more today on core school funding and high needs than in our history. We are spending £40 billion and that figure is set to rise over the next three years, as pupil numbers rise, to £42 billion. We have protected core school funding in real terms at a time when across Whitehall we have had to make those significant savings in order to tackle the historic deficit.

We do want to ensure that teachers' workload is managed and that is why we have produced those three reports. We want to see their workload reduced. We have reformed the curriculum. A huge number of changes have come in in the last few years as a consequence of the Government's desire and drive to raise academic standards. That is all



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about ensuring that pupils who go through our education system are equipped for life in a modern economy, for life in modern Britain and so they can compete in what is an increasingly global jobs market. I think we are delivering that. We are seeing 1.8 million more children now in schools rated good or outstanding than in 2010. We are seeing more six year-olds on their way to becoming fluent readers this year than in 2010. We are seeing—

Catherine McKinnell: There are more pupils—

Nick Gibb: No, in percentage terms—

Catherine McKinnell: Right.

Nick Gibb: The percentage who are achieving well in a phonics check at age six was 81% last year, compared with 58% in 2012. We have reformed the primary curriculum. We are improving the way maths is taught in primary schools. These are very important reforms and we do accept that all those reforms and the reforms to the GCSE curriculum are imposing a workload on teachers. That is why we are having a period of stability in terms of further changes to the curriculum, but these are very important reforms and they are leading to higher academic standards in our schools and they are leading to improvements in behaviour of pupils in our schools. Again, that is another factor in terms of teacher retention: ensuring we have good behaviour in our schools.

Q73 **Ian Austin:** One way of addressing this challenge of improving educational outcomes for individual pupils would be to enable more pupils to attend consistently good schools, which in many areas are oversubscribed. Pupils cannot get into them and have to go elsewhere. Do you not think that this review has missed an opportunity to look at ways of enabling good schools to expand more easily to meet parental demand, to increase competition in the system, and to put parents more in charge? I would have thought that would be in line with the principles. I am thinking, for example, even for the free schools, which this Government did. Almost two years ago, when I talked to your predecessors about this review, I was told that this review would find ways of enabling that to happen, but it does not seem to me to have done that.

Nick Gibb: Schools will receive more money as and if their pupil numbers increase. That is—

Q74 **Ian Austin:** The difficulty is that they cannot. Because it does not look at capital funding and because it does not allow schools to borrow to meet increased demand, they cannot increase the number of pupils, can they? It is a bit chicken and egg.

Nick Gibb: There is capital funding available for expansion. One of the first things we did in 2010-11 was reform the admissions code to allow schools to increase their PAN—their pupil admissions number—in a far more streamlined and easier way than before. We have seen schools over



the last few years using that freedom to expand their pupil admission numbers. They tend to be good schools that are doing that.

- Q75 Lilian Greenwood:** Could you come back to this issue about the challenge to educational outcomes? We heard this morning that due to rising rolls and unavoidable cost pressures in schools, they are facing a 7% to 8% real terms cut in their per-pupil funding, and we know that a high proportion of secondaries, in particular, are already running deficits. The National Audit Office warned that there has not been enough work done by the Department to guide schools on how they can make these efficiency savings and that there was a risk to educational outcomes. How are you going to change that situation and deal with the criticism the National Audit Office made of the Department?

Nick Gibb: First of all, what the National Audit Office also said is that only 5.3% of maintained schools and 3.9% of academies reported accumulated deficits in the latest figures they had, which were for 2014-15. For maintained schools—that is local authority-run schools—that had fallen from 7% in 2010, so for the proportion of maintained local authority schools the deficit had reduced over that period.

The National Audit Office also said that it is reasonable to look to schools to make efficiencies. It goes on to say that based on variations in spending across schools with similar levels of challenge and achieving similar outcomes, the necessary savings are achievable without affecting educational outcomes in those schools. There is scope for ensuring that more schools are achieving the level of efficiency of the most efficient.

- Q76 Lilian Greenwood:** They also said the Department had not done enough to guide schools on how they could meet those efficiency savings. What are you doing to address their criticisms?

Nick Gibb: There is already advice and guidance that we provide to schools and we are bringing more advice and guidance to bear as well. We are introducing national buying schemes so that schools can take advantage of bulk buying of energy and IT systems, so they can deliver efficiencies. Our objective is to deliver efficiencies of £1 billion on non-staff spending in schools through such schemes and more efficient procurement.

- Q77 Lilian Greenwood:** Thank you. Turning to a slightly different area, one of the choices that Government face is in the relative balance between core or baseline funding and then specific targeted support for additional needs. What is your current thinking on the relative weighting of the basic per-pupil funding compared to additional needs or school-led funding within the formula?

Nick Gibb: The starting point, as Tom said, is to take the aggregate of the 150 local formulae around the country. If you like, it is wisdom of the crowds, and we use that as a starting point.



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If you look at the consultation document, you will see on page 11 that it looks at the current local authority position, and page 15 compares it with the position under the formula, so it goes from 76% as the basic unit of funding currently, and we go to 72%. That difference is made up of the issue I mentioned earlier, in that there are some authorities with high levels of deprivation spread right across their area that incorporate their deprivation funding in that basic unit of funding. We took that into account, we calculated what we thought their deprivation really was in those areas and then we aggregated it. You come to roughly the figure that we have come up with of 72%. The rest has gone into deprivation separately.

Q78 Lilian Greenwood: Are you satisfied that that relative weighting delivers the fairest outcome?

Nick Gibb: I think so. We are consulting on these issues. That is the point of this phase of the calculation. We have taken some judgments. The judgments do not differ that much from the aggregate of all the local formulae. There are some changes, such as low prior attainment, and we have spread the deprivation through the IDACI bands slightly differently in order to ensure that there is funding going to those pupils from families that are just about managing. You will see on page 15 that the IDACI band funding goes from about £575 in the most deprived areas to £200 per pupil in the IDACI band F, and that will incorporate about 44% of the pupil population.

I think we have made the right judgments, but we might not be right. Therefore we are consulting and we will listen to what people are saying about this funding, but I do think it is important to have a large proportion of the funding, whereas 9.3% of the national funding formula is allocated on the basis of deprivation.

Q79 Chair: The f40 group is obviously the group that is very keen to see a new funding system because most of their members are languishing in the bottom 40 or so of funding. They would probably say that because you have aggregated the local government funding as you have just described, that has effectively reinforced their position. If you look at the projections that have been made public, that seems to be so. Do you think there is room for manoeuvre within that system for those areas, or do you think you need to be more forensic in finding out how to improve their lot?

Nick Gibb: If you take the f40 local authorities as a whole, they will see a net gain of £210 million more funding for schools in those areas, and that is on top of the additional £390 million that we introduced in 2015-16 that went to the 69 lowest-funded local authorities. The 10 lowest-funded local authorities in 2016-17 will, as a group, again see a net average gain of about 3.6%. Again, we are consulting on these issues.

I want to make this mathematical point, that when you are introducing a national funding formula and you are having one set of principles and one



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set of weightings, when you are moving from 150 different formulae and you are applying that new formula to this year's figures, to 2016-17, it is axiomatic that there will be winners and losers in that system. We have been transparent. We have published that on a school-by-school basis, again on this year's figures. It does not take into account what effect the school's individual budget will have with increasing pupil numbers or the different pupil characteristics that may exist in 2018 or 2019. On the basis of that, 54% of schools gain under the new national funding formula.

As I say, in any new formula, however you calculate the weightings, you will see winners and losers in the system if you apply that funding formula to this year's funding.

Q80 Chair: Do you think there are enough levers to fine-tune this system once it has got going in 2019-2020 and beyond 2020?

Nick Gibb: There are a number of factors, as we have discussed, and each factor is a lever, and within each lever there are multiple cogs, as we have seen: in the deprivation with the five IDACI areas; plus free school meals; plus what is called Ever 6, those children who have ever qualified for free school meals at any time in six years; English as an additional language; a sparsity factor; a lump sum factor, to deal with small schools. There are multiple ranges of factors that can be consulted on in future to reflect a fairer system if that is the consensus of views in the future. I think we do have the right combination here, but of course we are consulting on it and each of those factors can be changed according to the response to the consultation document.

Q81 Chair: Tom, how do you think the Department will be getting ready to keep a bird's-eye view on the implementation of the system and be able to swoop in, as appropriate, where schools are either failing or not quite managing to sort out their budgets properly?

Tom Goldman: There are two things I want to say on this. First, compared to the system we have today it is beyond doubt that this will be a system in which we can be more reactive, in which we can fine-tune things. The current system is very far from anything that allows us to do any form of fine-tuning, so we are certainly gaining levers by moving to a national funding formula.

It will be really important once this consultation has concluded and we have made the broad decisions on the NFF that we continue to discuss with partners. We have in fact monthly meetings with a range of stakeholders specifically to discuss school funding and I am entirely confident that they will concentrate on what further changes are needed to the formula. There are a number of areas where we have already said that there will be further work needed before the hard formula comes in for April 2019, and beyond that, people will raise issues with us. They will point out particular difficulties that appear to be happening in parts of the country with particular kinds of schools. This is a system that will allow us



then to work out whether those are real and, if so, what is causing them and to do something about it in a way that we cannot at the moment.

- Q82 Suella Fernandes:** In terms of implementation, you have proposed a soft implementation for 2018-19 and a hard implementation for 2019-20. In relation to historical spend factors, it seems that they will be having an effect beyond that point. Would you agree with that analysis and, if so, how long do you think historical spend will be a feature of the formula?

Nick Gibb: The key thing to say is that the new national funding formula is based on current data and the current system is based on old data, anachronistic data that is essentially not accurate. For example, in London, the proportion of free school meals has gone from 27% 10 years ago to 18% today. The first point to bear in mind is that this is accurate, current data.

In terms of historic spend, we want to make sure, because of the complexity, that we will consult on how that will be calculated going forward, but for the purposes of the formula now, it is based on historic spend. I am going to bring in Tom at this point because it does now get quite complicated.

Tom Goldman: There are two areas where there is historic spend within the schools formula being used. One is the funding floor, which has been obviously discussed quite a bit already. The other is a number of the more precise factors within the formula, and in all cases we think that that is something that is fine for the soft funding formula year because local authorities will make a local decision, but we will have to make changes on those for the introduction of the hard formula in 2020. That is exactly the sort of further changes that will not have enormous redistributive effects. It will not greatly impact on the total budget a school is getting, but we will need to do it to make sure that the formula is fully ready to be a hard formula in 2019-20, and we have a couple of years to do that in.

In some cases, the conclusion may be that a factor is best left with the local authority, particularly if it relates closely to the local authority's duty to ensure sufficiency of places, so we will be considering whether there are aspects of the formula at the edges that should be soft. This is an ongoing programme of work once the big picture on the formula has been determined through this consultation.

Nick Gibb: Things like PFI, rates and other exceptions, split sites and so on. As Tom says, this is only a small proportion of the overall formula, about 1.8%, about £569 million.

- Q83 Suella Fernandes:** In terms of the formula floor that has been introduced whereby no school will face an overall reduction of more than 3% per pupil, can you just explain the rationale for that? How many schools do you anticipate—I appreciate we are only in the consultation phase—may be affected by it? Yes, those are the two points.



Nick Gibb: It is important for stability to ensure that no school loses more than 1.5% a year, and we are saying 3% in total. That is important. Also, 73% of all schools will reach their full gain, because we are expediting gains of 3% in 2018-19 and 2.5% on top of that in 2019-20, and that represents about 73% of schools. Of the 9,000 schools that will lose, 5,000 are benefiting from the 3% funding floor, so about 5,500 schools.

Q84 Suella Fernandes: In terms of the per-pupil minimum funding guarantee, again the same question applies. Does the same rationale apply to providing that guarantee as to the floor, and would a national formula be easier to introduce with a positive rather than a negative per-pupil floor?

Nick Gibb: What do you mean by positive per-pupil floor? Do you mean an absolute cash figure?

Suella Fernandes: Yes.

Nick Gibb: That is something that I have had representations on and we will listen to that, as we do to all representations. I think the 1.5% minimum funding guarantee is something that is known about already. It is already in the system. I think it is the right approach for stability, as I have said, in a school. The big decision we did take was to have a 3% floor overall, which comes in at a cost of about £280 million, but we felt that cost was important to incur so we could prevent schools from losing significant sums of money in one year.

Q85 Chair: Nick, one principle in business management or accounts is to look for variance from the norm. In this context, of course there are some schools, some authorities, that have exhibited sharp variance from the norm and that applies to the 3% floor issue. That is why there are quite a few former or actual f40 members who are thinking, "Crikey, this hasn't done us much good". Do you think there is any scope for bottom-slicing or top-slicing and being more, let us say, lenient about the 3% floor?

Nick Gibb: To be frank, the biggest factor in terms of why there are 54% of schools gaining and other schools not gaining or losing is simply the move to a national funding formula. What the weightings are is almost the secondary factor in terms of there being winners and losers. If you believe in a national funding formula, then we are going to have roughly this level of gainers and losers, and they will be roughly, though not precisely, the schools that we have already identified, because it is moving to current data that is key, and it is moving to one set of principles rather than 150 different formulae that is the other factor. Simply moving to one system will deliver most of the losers and gainers that we are seeing in this system, although it would be slightly different if you had different weightings, but in my judgment not significantly different.

That is a key factor: do you or do you not want a national funding formula? My view and the view of the Government is that it is absolutely



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right that we have a Government that has grasped this nettle, that is getting rid of an unfair system that has atrophied over those 10 years, that is based on an accumulation of different funding streams, different times over that period, to deal with different issues, and now we are creating one fair system. The principles we consulted on last year received widespread support. The weightings that we have decided upon for this consultation are not that dissimilar from the aggregation of all the different formulae across the country. Taking the wisdom of the crowd seems to me to be a good starting point on which the formula should be based. We have just tweaked it slightly so that children who are falling behind get the funding to those schools that we think is needed.

I do not think there is some great silver bullet that will make everybody happy and make every school gain because it is simply mathematically not possible when you are applying a formula to this year's funding figures.

Q86 Chair: I agree with that. I completely understand that final point, but it is the exceptions rather than the rules that we should be looking at, and that is really what I am inviting you to do in terms of the 3% floor.

Nick Gibb: As I say, the 3% floor will not yield vast sums that will be able to deal with the issues. What I am interested in is whether there is a de minimis level for a school, for example, that simply gets the age-weighted pupil unit and has few other factors to bring that additional needs funding up. Is there a de minimis factor below which a school cannot function? I have had representations on that and I will look at that and consider that, as we are all the representations that have been received.

Q87 Marion Fellows: Good morning, Minister. You propose to allow MATs to retain the power to redistribute funding between their schools. You also recognise that there are some dangers in that flexibility. Do you think you should be going further than keeping this under review?

Nick Gibb: Multi-academy trusts I think are the future: 60% of secondary schools are now academies; one in five primary schools are now academies. They are forming into multi-academy trusts, and we have been publishing now, for the second year, performance tables of multi-academy trusts so we can see how one performs against another, and that will become increasingly visible to the public. The reputation of multi-academy trusts is developing. We see a hierarchy developing of multi-academy trusts that are delivering very high academic standards and others that are doing less well. I think they will learn from one another, not just in terms of how to distribute funding within a multi-academy trust, but also the best approaches to pedagogy and the curriculum that are delivering the highest academic standards. Multi-academy trusts are a good thing and this is a better way of holding schools to account.

Q88 Marion Fellows: Under what circumstances would you be content for



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MATs to allocate funds between their schools? You seem to have suggested there under any circumstances. Leaving that to one side, what is the rationale for trusting MATs more than trusting local authorities?

Nick Gibb: Of course we did trust local authorities. They had a lot of discretion to allocate formulae subject to some national principles, so there was flexibility within each set of factors that local authorities, through the Schools Forum, could apply.

We are moving away from that to a national funding formula because that is what people want. We want to get away from a postcode lottery and we want to have a fairer system based on current data. The truth is though that MATs do not make particular use of that freedom, and where they do use that freedom it is to counter what they perceive to be inequalities between the ways schools have been funded in the past. We will keep it under review to see how and to what extent multi-academy trusts are using this freedom.

Q89 **Marion Fellows:** You are not allowing local authorities any more direct influence on the funding going straight to schools, but what do you know and what does the Department know about the extent of redistribution between schools and MATs? You have just said that you did not think there was a lot of it, but how do you know that?

Nick Gibb: The Education Funding Agency of course keeps a very close watch on the funding of multi-academy trusts and academies. You are almost talking about a problem that does not exist. What I am saying is we will monitor the position. They do have this freedom. It is not hugely used. Where it is used, it seems to be being used to iron out perceived inequalities in the way the schools within a MAT have been funded.

If we see that there are problems arising from the way MATs use this freedom, then of course we will review the position and take action, but at the moment we do not see that there are any perceived issues, other than reviewing the position that we need to take action at the moment.

Q90 **Marion Fellows:** What kind of action would you propose if it were necessary?

Nick Gibb: These are very difficult questions to answer because you are asking me to anticipate a problem that does not yet exist and then to come up with a policy solution to that problem. There is this freedom. I understand the risks that you are highlighting and discussing, but at the moment, given the limited use of these freedoms in multi-academy trusts, the right approach to Government is to monitor the position through the Education Funding Agency to see how these freedoms are used going forward. If we perceive that that is becoming a problem, we will then propose some policy answers to those problems.

Q91 **Michelle Donelan:** We have already spoken today about keeping the pupil premium as a separate pot and whether that is the most efficient and effective way of doing things. In addition, funding for looked-after



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children and care-leavers is going to be rolled into pupil premium from effect for 2018-19. How will the Department manage the relationship between the system funding formula through the national formula and the pupil-based formula?

Tom Goldman: We will take the £25 million that is currently spent by local authorities on looked-after children through their own factors within their local formulae, and we will boost the payments through the pupil premium plus for looked-after children to reimburse that money, so there will be no reduction in the funding. Indeed, there will be a small increase in the total spending on looked-after children from the current situation to the new situation. There will be an increase in total funding and that will all be under the accountability system for the pupil premium plus as currently exists. We think that will make this total expenditure directed to looked-after children much more visible, rather than the current system, where particularly the money in local formulae is quite invisible and we think therefore probably not getting the leverage it should do.

Q92 **Michelle Donelan:** The whole reason behind it, the rationale, is about accountability and transparency. Is that your fundamental reason then for keeping pupil premium completely separate, would you say, Minister?

Nick Gibb: As I mentioned earlier, there is a slightly different way that the pupil premium is meant to be spent. There is increased accountability for it. They are required by the 2012 School Information Regulations to publish on their website details of how this money is spent, specifically on improving the educational outcomes of pupils that are eligible for the pupil premium, whereas the deprivation element in the national funding formula is to fund the school as a whole, and it simply recognises the increased challenges that schools with a higher proportion of children from disadvantaged backgrounds give to the school.

Q93 **Michelle Donelan:** One final question. If we are saying that that is a very transparent mechanism, very accountable and it delivers better, will there be a review of the pupil premium to look at things like children that are young carers in schools and are equally disadvantaged? Will there be a review of the pupil premium following the national funding formula, if it is being kept very separate?

Nick Gibb: We always keep these things under review and we listen to representations such as the one you have just made when we consider the pupil premium going forward. What we have said is we are protecting the size of the pupil premium for the rest of the Spending Review.

Tom Goldman: One of the very earliest things we were talking about is that consideration on, say, young carers, whether we hold reliable data that we can use for funding purposes. Are those children sufficiently well-defined that we can reliably fund through them? That is just something we need to take into account.

Q94 **Catherine McKinnell:** I just have one final question that you may not be able to give as much detail on, but it would be helpful to understand



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whether the Government and the Minister intend also to focus on the funding needs of post-16 education, as has been raised as a matter of concern particularly by the IFS today.

Nick Gibb: Yes. Again, we totally understand the pressures faced post-16. We took a view in 2010 that we wanted to protect the five-to-16 school funding because all the evidence is that attainment in that period determines the life chances of pupils after the age of 16, and that is why a very conscious policy decision was taken that that is where the protection would focus, which has meant that there has been less protection for post-16. Having said that, we took a decision last year that the cash figure, £400,000 per pupil, would be protected for the remainder of the Spending Review period, reflecting the cost pressures that have already been absorbed by that sector. You are right to raise this issue and these issues are kept under review.

Chair: I want to thank you both very much for coming along today. We have had a very fruitful session. We will be commenting on this in due course, but as you say, Nick, there is a long way to go in this consultation period and we will be getting more and more information as we go along. You have laid some interesting thoughts out on the foundations of this system and we are grateful for that, and to you too, Tom. Thank you.

Before we close, I am just going to let the world know that tomorrow we will be starting our inquiry on fostering at 9.30 am, and another highlight to watch out for is the preappointment hearing for the Office of Students, and that will be on Tuesday, 21 February. All of us know that we meet regularly on a Wednesday and often on a Tuesday. That is how it is. Thank you very much.