

Chair of the Education Panel



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Rt Hon Justine Greening MP
Secretary of State for Education

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(sent via email to ministers@education.gsi.gov.uk /
SchoolsNationalFundingFormula.CONSULTATION@education.gov.uk)

Dear Secretary of State

Response to National Funding Formula consultation

I am writing to you on behalf of the London Assembly Education Panel, to set out our response to the Department for Education (DfE's) second stage consultation on the National Funding Formula.

This response takes into account evidence gathered during our extensive work programme examining the strategic challenges facing London's schools, including a special session of our panel on 9 February. At this meeting, we heard from experts representing the National Head Teachers Association (NHTA), the Association of Teachers and Lecturers (ATL) and London Councils about the likely effects of the Government's proposed National Funding Formula (NFF), and the wider funding context facing London's schools.

The London picture

The transformation in London's schools is something that the entire country should view with pride. In 2006, London was the worst performing region at both secondary and primary level. Now, the capital has the best GCSE results in the country, with 60 per cent of pupils achieving five A* to C grades, compared with a national average of 53 per cent. London remains the highest performing region at Key Stage 4, with 59 per cent of pupils meeting or exceeding the new standard in reading, writing and mathematics in 2016. Overall, pupils in London remain more likely to attend a 'good' or 'outstanding' school than pupils anywhere else in the country: 92 per cent of London's schools are rated as good or outstanding by Ofsted, the highest of any region and an increase from 88 per cent in August 2015.¹

In addition, the movement of teachers to other regions after training in London has helped to spread best practice to other parts of the country. London's success is also national success.

¹ Data on performance of London's school system taken from the [London Annual Education Report 2017](#)

This transformation has been driven by a number of factors. The London Challenge, launched in 2003 to drive increases in pupil attainment in London's schools by raising the quality of leadership and teaching, played a key role. This programme of partnerships, peer-assisted learning and evidence-based best practice was seen as a vital component in raising the quality of teaching standards and establishing a series of local and regional improvement networks. But there were other factors too: London was at the forefront of the initiative to convert struggling schools into Academies; and Teach First helped to change the identity of London's teachers, with increased numbers of high-performing graduates encouraged to enter the profession.

Funding levels also increased and this gave flexibility to schools to hire better quality teachers, and allow school leaders, teachers and pupils to engage in the type of local and sub-regional improvement programmes which led to better networking and, eventually, helped drive pupil attainment. Schools at every level expanded their curricula, enriching young people's worldview and helping them discover new skills and attributes.

However, we must not be complacent about these successes. There are still large numbers of sixteen year olds that do not achieve a grade C or above in English and Mathematics: in 2015 nearly a third of students in London missed this threshold in English with a slightly smaller proportion missing it in Mathematics.

While the pan-London picture is one of success, some local areas and specific parts of our communities continue to struggle. The DfE's latest assessments reveal that over 40 per cent of the city's children are leaving primary school not fully ready for secondary school. Pupil attainment varies across local authorities, with a lower proportion of pupils in some boroughs, such as Lewisham, Camden and Waltham Forest, able to achieve at least five good GCSEs than in England as a whole.

According to the Mayor's latest education report, the disadvantage gap in London is evident across all ethnic groups at both Key Stage 2 and Key Stage 4. At both of these stages, white disadvantaged pupils are the lowest performing group followed by pupils from black and mixed disadvantaged backgrounds. The most persistently disadvantaged children in London are over 10 months behind non-disadvantaged children by age 11.

London's job market relies on high-skilled labour. Roughly 50 per cent of skill shortage vacancies in London are in high-skilled jobs which require a higher level qualification.² However data shows that many students are not ready for post-16 opportunities in further education; just under a quarter of students beginning level 3 qualifications after GCSE dropped out of their sixth form before the age of 18.³ London is also the poorest performing region for apprenticeships, with success rates lower than any other part of England for both level 2 and level 3 qualifications.⁴ Without a skilled workforce employers will struggle to boost productivity levels to the detriment of economic growth and living standards.

There are also ongoing questions about how young Londoners compare with global competitors. This is an increasingly important metric in light of the challenges and opportunities posed by leaving the European Union, as the UK looks to re-position itself in the global

² [Skills Devolution for London: A proposal to Government](#)

³ [London Annual Education report 2017](#)

⁴ [London Annual Education Report 2017](#), pg 48

economy. A recent study by University College London (UCL) found that London secondary school pupils are behind their peers in many East Asian, European, Australian and North American cities and regions by the equivalent of about half a year of schooling.

While we recognise the need for greater transparency and accountability in how schools are funded, introducing a new National Funding Formula that strips money out of London will endanger the success of our schools, weaken the drive to boost productivity and undermine the Government's objective to ensure that every child has the best start possible in life.

1. Fairness and stability in school funding

One of the more pernicious arguments in favour of the NFF, and the large-scale reallocation of funding from the capital to other parts of the country that it entails, is that London's schools have been too generously funded over the last decade. The subtext of this message is that this 'generous' funding came at the expense of other struggling school regions, particularly those in rural or coastal areas. This view pits schools against each other, rather than fostering a sense of shared ownership of our children's future.

London's success in transforming its schools was as a result of sustained investment in buildings, staff and resources, from both national and local government. To say that London's schools were generously funded is inaccurate; our schools were adequately funded, considering the degree of work needed to improve our system at every level. London now faces being essentially punished for this success, with 70 per cent of our schools suffering a funding loss under the proposed NFF.

Partnerships, networking, peer-support, evidence based learning and a strong regional identity will all be at risk. Schools are increasingly put in a position of making hard choices between basic exam preparation and the value-added elements which help diversify and improve general education and skills, for both pupils and schools. These elements are dependent on resources, both staff time and financial, that were built up during the last decade of funding. The cuts proposed under the NFF, when added to the wider funding pressures facing schools, threaten exactly the type of activity which has been central to London's transformation.

As London representatives, we are already hearing about schools making difficult decisions about how to manage increased demand with less funding. Some local areas have begun to increase class sizes, meaning that children will get less attention from teachers, who experience more punishing workloads. We have also heard that schools have begun asking parents for voluntary financial contributions to help maintain expanded curricula. This will inevitably increase the inequality in our school system as schools in disadvantaged areas will be less able to call on the financial resources of parents.

Nor should we view this issue simplistically as London versus the rest of the country. Other urban centres such as Liverpool, Manchester and Blackpool also face similar cuts. In a system without sufficient funding for all regions, the NFF can only ever penalise some areas while attempting the understandable goal of raising attainment in others.

Over the past decade, London's schools have undergone intense change, the value of which is demonstrated both by its hugely improved performance, and the reputation it has gained

amongst education experts internationally. Undermining this success by reducing the funding available to London schools is both unfair and creates instability for the system as a whole. It is also entirely short-term in its outlook: just because London's schools are generally performing well now, does not guarantee that they will continue to do so in the future without sufficient resources.

2. Pupil-led funding

We support the Government's broad aims of bringing greater transparency and certainty in school funding. Since the Panel was established, we have heard repeatedly from teachers and sector leaders about the need for clarity about future budgets, particularly in a system like London which has experienced rapid growth in pupil numbers, and is expected to continue to do so in the future. According to the latest data from the GLA, an additional 60,000 primary places and 105,000 secondary places are needed by 2020. This continues to be a daunting task for all stakeholders to manage.⁵

We welcome the weighting given to deprivation within the formula: schools in London have a higher proportion of pupils from disadvantaged backgrounds than the English average. However, that weighting is not enough to adequately compensate schools in areas of high deprivation from losing resource, because of changes to other elements of the formula. It remains unclear as to why schools in deprived areas of London are set to lose roughly the same amount of money as schools in wealthy parts of the same sub-region.

We also welcome the Government's reinstatement of a mobility factor, following the first stage consultation in March 2016. This is a vital element for London's schools, which experience high levels of in-year mobility in its student population.

However, we echo the views heard from key stakeholders that the formula does not give the appropriate weighting to this factor. London's schools experience up to 60,000 'non-standard' moves each year, a figure likely to grow in future as London's school-age population expands. According to an analysis by London Councils, it costs London's schools as much as £35 million a year to manage this level of in-year disruption.⁶ The level of mobility is significantly higher than in other regions of England,⁷ is disruptive and requires additional resource to ensure those children are integrated quickly into the classroom. The formula needs to better account for this cost in its final weighting.

It is also essential that the NFF properly recognise the increased costs of operation in London. On almost any metric you care to name, London's cost of living is the highest in the country. This means that schools are forced to offer teaching positions at higher grades than in other regions, in order to attract and retain staff. While London's vibrancy and diversity is attractive for younger teachers, its high cost of living becomes a barrier to retaining them in the capital. Rates of teacher vacancies and teacher turnover in inner London and outer London are higher than the national average, for both secondary and primary schools. Teacher leaving rates have

⁵ [London Annual Education Report 2017](#), pg 6

⁶ [Pupil mobility: what does it cost London? London Councils 2016](#)

⁷ [Pupil mobility: what does it cost London? London Councils 2016](#)

also increased since 2010, with a particularly worrying trend in primary school teachers leaving the profession.⁸

These trends will require long-term strategic action to change, and there is a risk that the situation will get worse before it gets better. The profile of teachers in London is increasingly hollowed out, with higher proportions of younger and older teachers than in other parts of the country. That missing middle tier of experienced teachers means that many younger teachers are taking on roles and workloads without the proper guidance and support, which in the long-term, will increase teacher burn-out and exacerbate the current situation. Longer term, it also puts at risk London's hard-won reputation for excellent and innovative leadership.

An adequate area cost adjustment, which gives schools the appropriate funds to manage their workforce, is desperately needed. We have heard from stakeholders, including school leaders, unions, councils and academy heads, that the proposed area cost adjustment for London is inadequate, and does not properly compensate London's schools for the specific challenges they face in recruiting and retaining their staff.

As an attempt to make funding more pupil-led and transparent the National Funding Formula has several elements that we support. However, the formula needs to change in two areas to prevent London being grossly disadvantaged. By increasing the weighting of both the mobility factor and the area cost adjustment, the DfE can ensure that London's schools are properly compensated for their higher running costs and ease the pressure that the formula will put on schools budgets.

3. Protecting school budgets

We believe that no London school should lose out under the NFF. Introducing these cuts at a time of rising demand for quality and places across the education system will undermine the Government's objectives to support all children to be the best they can.

However, if the DfE insists on its current proposals moving forward, adequate transition funding to guarantee a funding floor to mitigate loss is vital.

We also call on the DfE to provide much more clarity about what its intentions are after the end of the transition period in 2019. The £400 million transition fund, which has been set aside to ensure that schools do not lose more than three per cent of their current allocation, is not guaranteed beyond the first two years of the NFF. We have heard during our February meeting that the true cost of the NFF to schools will only be revealed once the additional support of the transition fund is removed. This means that some schools, after suffering cuts of 1.5 per cent for two years running, will potentially face an additional, larger cut in 2019-20, which cannot be justified.

We welcome the DfE's decision to create a funding floor that ensures some protection for school budgets. However, without clarity about the DfE's intentions beyond the two year transition period, it is impossible for schools to properly plan in the long term, which creates more uncertainty and instability in our education system.

⁸ [London Annual Education Report 2017](#), pg 61

4. Wider funding context

The funding cuts from moving to a NFF come on top of a wide range of existing cost pressures on school budgets. The IFS found that, due to the increased costs of National Insurance and pension contributions, mainstream schools across England will be required to make £3 billion of savings by 2019-20. This amounts to eight per cent of the current Dedicated Schools Grant. Furthermore, schools over a certain size will also have to pay the Apprenticeship levy, despite this model of training provision being unsuitable for boosting the quality of teaching and learning in a school.

The NAO's report from December 2016, was bleaker still. It accepted the IFS's figures, and revealed that over 60 per cent of secondary academies and 59 per cent of secondary maintained schools spent more than their income in 2014-15.

What is most worrying is there does not appear to be a coordinated plan for how schools should manage this funding reduction. To respond to these financial pressures the DfE said that it expects over half the savings to come from efficiencies around procurement. This is despite the fact that up to 80 per cent of a school's expenditure is staff costs and most procurement contracts are relatively small. The NAO rightly points out, as was echoed to our Panel, that the DfE has no basis for this claim, and has yet to provide schools with guidance about how these savings can be achieved. The previous Parliament also saw expectations raised that schools would create similar savings in procurement, only to see them fail to materialise. As the National Association of Head Teachers told us, school leaders have already been squeezing this area for efficiencies for the last five years. It is unrealistic to expect much more.

We are also concerned that, without evidence based guidance, many schools will make poor decisions about how these budget cuts should be carried out. Local authorities, facing their own funding pressures, simply cannot provide the level of detailed support to individual schools in their region that they once did. At the same time, the Government has also decided to cut £600 million out of the Education Services Grant which will reduce significantly the support available to academies and free schools, at a time when the Government is planning to expand their numbers.

Conclusion

We welcome the DfE's move to a more transparent and pupil-led NFF. This will allow the public to better compare how local schools are funded in comparison to other areas in their locality or region.

However, the current proposals appear to be designed to excessively penalise London's schools. Decisions made about inadequate weighting of mobility, or an area cost adjustment which does not account for the true cost of operation for London's schools will inevitably lead reductions in funding.

We are also not convinced that there is a sense of joined up thinking about how the various decisions around national insurance, pensions, the apprenticeship levy and the proposed NFF will affect schools, particularly in urban areas with high levels of deprivation. We need to

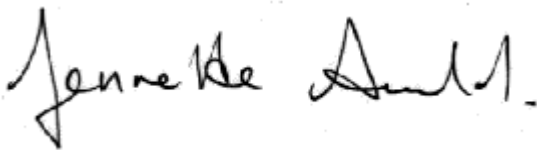
ensure that schools have adequate funding to deal with the various pressures which they face, and to continue the long-term goal of improving quality and attainment.

In light of these concerns, we ask the DfE to:

- Increase the transition pot for 2018-19 and 2019-20 to ensure that no school sees a reduction in funding as a result of the National Funding Formula
- Increase the weighting given to the mobility factor, and additional area cost adjustment, to better reflect the realities of the cost of operations in London's schools
- Provide early notice on what it intends for school funding after the two year transition fund, so that schools can begin the financial planning necessary to absorb any further changes by the Government
- Publish evidence-based guidance on how schools can manage the fall in per-pupil funding up to 2020, including specifics on how the DfE estimates the savings in procurement can be achieved

London faces a challenging future – its vibrancy, diversity and economic success is important to the country as a whole. A world-class education system is essential to supporting the country's productivity and economic success. It is also a key driver of social mobility and integration. The current funding pressures facing our schools, of which the National Funding Formula is one element, put at risk the Government's objectives to support all children to be the best that they can be.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jennette Arnold'.

Jennette Arnold OBE AM
Chair of the Education Panel