Dear Secretary of State

*Item 8a*

**Re: National Funding Formula Consultation**

We are writing on behalf of 178 ?? academies and schools across Northumberland. We recognize and applaud the Government’s commitment to tackling fairer funding when previous administrations have failed to do so. We also recognise that the ‘flat cash’ context makes it difficult to strike the right balance between winners and losers. However, the proposed national funding formula as it stands, alongside other significant financial pressures, means that many Northumberland schools will face a financial crisis if these recommendations are put into practice

Many of our schools already face significant deficits this year and beyond, with some running into six figure sums. This is as a consequence of substantial increases in National Insurance, pension and other employment costs over recent years while funding has remained stagnant. In fact, schools with sixth forms have seen funding reduce for this age group by over £1,000 per pupil in some cases. For schools with a large sixth form this has represented a reduction of approximately £400,000 per year since 2013.

More cost increases are on the way. In a recent report, the National Audit Office said schools face having to find savings of £3 billion by 2019-20, equating to an 8 per cent real-terms reduction in funding – the worst since the mid-1990s. In addition, the removal of the Education Services Grant (ESG) will have an impact on schools. Our academies will have costs which were supported by the ESG which will need to be funded from their General Annual Grant and local authority cuts are likely to lead to additional charges to maintained schools.

The situation in Northumberland is compounded because funding has historically been low compared to many other areas in the country. Currently it is 2% lower than the national average. Furthermore, as a result of considerable variation in funding within Northumberland itself, the lowest funded high schools are getting 20% less than the national average.

It was hoped that the national funding formula would address the unfairness. However, the proposals announced recently fall way short of this. In fact, the majority of Northumberland secondary and high schools face a reduction in funding under the proposals, in some cases up to £90,000. This will exacerbate an already difficult situation that is fast approaching crisis point.

One key concern arises from the decision to limit losses to 3%. As some schools currently benefit from a double-digit uplift, this means that there is less money to re-distribute. Inevitably, therefore, many underfunded schools are likely to be disappointed. We appreciate the need to avoid very large cuts over a short period – a better approach would be to extend losses of 1.5% per annum over a longer period than two years. This was recognised in IFS analysis in 2011.

The second major policy decision that impacts many schools is to shift £1.1b from core funding (i.e. the money required to run any school) to pupil-led factors. In Northumberland, for example, the indicative values show a cut in the lump sum for secondary schools of £60k and a cut in KS4 funding per pupil of £268. These are only partly off-set by an increase in KS3 funding of £82/pupil. 13-18 high schools have only one year group at KS3.

Many schools in Northumberland have a much lower than average number of pupils on roll due to their rural nature. Therefore a shift towards pupil led factors and away from school lump sums means that inevitably small schools will suffer. Although there is a small increase in the sparcity factor this will do very little to offset the financial crisis that face small rural schools. If the formula is introduced as currently stated it is difficult to see how small schools will survive and thiose that do will struggle to deliver a full curriculum offer. This problem is exascerbated in our Middle schools.

Pupil-led factors are mainly proxies for deprivation, such as eligibility for Free School Meals. There is a very strong correlation between those pupils who suffer from deprivation and Low Prior Attainment. Few would dispute that schools in more disadvantaged areas should receive additional funding. However, a key question is how much extra funding is required? Schools already receive Pupil Premium of £935 per disadvantaged pupil. In addition, it is proposed that, for each secondary pupil, schools would also receive £785 if Ever6 FSM, £290-810 for IDACI bands and £1550 if Low Prior Attainment. That is total extra funding per disadvantaged pupil of up to £4080. To put this in perspective, one Northumberland High School’s total funding per pupil was about £4605.

One of the principles set out for the NFF was that it should be predictable. The shift to more pupil-led funding is in direct opposition to this. We do not know until pupils enroll in September how many will be eligible for FSM, Ever6, Low Prior Attainment and so on. Numbers of these can vary considerably from year to year and are completely outside of our control. For example, the indicative Low Prior Attainment funding could fall considerably as improvements in local performance feed through but it is very difficult to estimate by how much, particularly if pupils come from outside catchment. This makes it impossible to budget accurately more than one year ahead. For small primary or first schools, the volatility of funding is particularly acute as a small number of disadvantaged pupils either way will result in swings of several percentage points.

In conclusion, we regard it as a matter of the utmost importance, in the interests of schools’ viability and the quality of children and young people’s education, that the proposed national formula is revised. Schools and academies such as ours in a relatively poorly funded authority have already been making cuts over a number of years and have reached the limit of where cuts can be made without significantly reducing standards and outcomes. Surely, a fairer funding system must start with the principle that all schools receive the minimum money required to provide a decent education for all our children?

Yours sincerely