

School funding

With permission, Mr Speaker, I would like to make a statement about the action we are taking today to deliver fair funding in English Schools.

The school funding system that we inherited is unfair.

Previous Governments knew the system was unfair – but failed to act.

For too long, the school funding system has been based on historical data that was out of date and no longer reflected pupils' needs.

This has resulted in a system that is opaque, overly complex, and is frankly unfair to pupils, parents and teachers.

Sometimes similar schools just miles apart can be funded at very different levels, just because they happen to be in different local authority areas.

In other cases, schools with many disadvantaged pupils can end up being funded at a level well below a nearby school in an affluent catchment.

For example:

- A school in Birmingham with only 3% of pupils receiving Free School Meals (FSM) gets higher funding per head than a school in Shropshire with over 30% of FSM eligible pupils.

This unfair and inefficient allocation of funding between pupils stops us from making sure that all children get the best possible teaching.

Many Honourable and Right Honourable Members have campaigned for fairness, and this Coalition Government has made clear that it will not only recognise this problem but act decisively to address it.

I pay tribute to many honourable members for their strong campaigning on this issue, including the Hon Members for North Devon, Cambridge, Worcester, Huntingdon, Gloucester, Loughborough, and Norwich South – who have all been particularly persistent advocates of a fairer system.

We have already made more progress than any recent government in moving towards a fair funding system.

We have made significant progress at a local level, where we inherited an unnecessarily complicated system. Our reforms for 2013-14 and 2014-15 mean that the system is now fairer, simpler and more transparent - with at least 80% of funding now allocated on the basis of the need of each pupil within a school.

These local reforms represent a significant step forwards.

But we now want to make funding fairer at a national level by addressing the distribution of funding between local authorities.

In the Spending Review last summer, the Government announced that it would consult on how to allocate schools funding in a fairer way than ever before.

Today I can confirm that, in 2015-16, we will take the first huge step towards delivering this fairer national funding.

This will be the first time in a decade that funding has been allocated to local areas on the basis of the actual characteristics of their pupils and schools, rather than simply on the basis of historic levels of spending.

Given the importance to schools of stability and certainty in these difficult economic times, we have decided not to set out a multi-year process of converging all local authorities towards a single funding formula.

We have concluded that the right time to do this would be when there are multi-year public spending plans, so we can give greater certainty to schools.

But the case for action is so strong that we intend to act immediately to deliver a substantial £350m boost to schools in the least fairly funded local authorities in the country. We will be able to achieve this without any local authority receiving a cut to its per pupil schools budget.

The extra money will be allocated in April 2015, for the 2015/16 financial year.

No local authority or school will lose from this proposal, but around 4 in 10 areas will gain.

We are able to deliver this significant boost by using money from within our protected schools budget and because of additional money from the Treasury. So, while this is only the start of the transition to fairer funding and eventually a national funding formula, it is the biggest step towards fairer schools funding in a decade.

Today, Mr. Speaker, the Secretary of State and I are publishing a "Consultation on Fairer Schools Funding in 2015".

Let me explain what our proposals in this document are.

Mr. Speaker, to allocate the additional funding fairly, I am proposing that for 2015-16, every local authority will attract a minimum funding level for every pupil and every school.

I propose to set a minimum funding level for:

- the basic amount that all pupils should attract
- for deprived pupils
- for pupils with English as an additional language
- for pupils with low levels of attainment on entering school; and
- for pupils who have been looked after, for example in foster care.

I also propose to set a minimum level of funding that all schools should attract, regardless of size, to help with fixed costs such as employing a head teacher. And I plan to set a minimum level of additional funding that schools in sparsely populated areas which are vital to serving rural communities should attract.

We will also, of course, apply higher funding to certain areas where teacher pay costs are higher.

Our consultation document sets out our proposals in full for all the minimum funding levels.

Where there is a gap between a local authority's budget and what it needs to meet our new minimum funding levels, the Department for Education will give the local authority additional funding to close that gap in 2015-16.

Where a local authority's budget already exceeds what it needs to meet our minimum funding levels, I will not make any change to the amount of per pupil funding that it receives from the DfE.

To confirm, no local authority and no school will receive less funding per pupil as a result of these proposals.

These proposals mean that local authorities that receive unfairly low amounts of funding such as Cambridgeshire will have a significant boost to their funding. Based on indicative figures, Cambridgeshire will see a long-awaited increase of around 7% to their schools' budget.

That will increase Cambridgeshire's per pupil funding rate from around £3,950 per pupil per year to £4,225 per pupil – an uplift in 2015-16 of fully £275 per pupil.

On current estimates, this equates to a boost of around £20M for schools in Cambridgeshire. I'm sure that this announcement will be welcomed by Cambridgeshire MPs and their constituents, who have campaigned for many years for fairer funding.

Cambridgeshire is just one of around 60 local authorities which, based on our current estimates, stand to gain from today's historic announcement of an extra £350million in funding for schools.

I can tell honourable members that, by percentage rise, the top 15 gainers are likely to be: Bromley, Cambridgeshire, Brent, Sutton, Northumberland, South Gloucestershire, Shropshire, Merton, Croydon, Bournemouth, Buckinghamshire, Cheshire West and Chester, Leicestershire, Warwickshire and Devon.

In addition, areas such as Norfolk would receive an extra £16m, Derbyshire £14m, and Surrey almost £25m.

Of course, many traditionally low funded rural authorities are on this list.

But Honourable Members will want to note that areas such as Blackpool, Brent, Bury and indeed Stoke on Trent would be gainers under these plans. So I hope that members on all sides of the House will welcome these plans.

I know that these plans will be welcomed in many schools across the country.

Schools have been generously funded by this Coalition Government at a time of austerity, with a £2.5bn Pupil Premium being added to a per pupil budget which is protected in cash terms.

But we do understand that schools – like all public sector organisations – face cost pressures from pay, energy price inflation, and from the necessary implementation of the proposals of the Hutton Report on paying for high quality public sector pensions.

These changes will ensure that the least well funded schools are now able not just to deal with such pressures, but to spend extra money to improve attainment in their schools.

The consultation document that we are publishing today sets out our proposals in detail. A copy of the consultation document will be placed in the House Library. I welcome input and feedback from schools, local authorities and the wider public. I look forward to considering their views before we announce final arrangements for school funding for 2015-16.

Mr Speaker, today's £350million increase in funding represents a huge step forwards towards fair funding in English schools. It will make a real difference on the ground. It delivers fairness without creating instability, uncertainty or cuts in better funded areas. We remain committed to further funding reform, once long term spending plans are available after the next Spending Review.

Mr. Speaker, I commend these proposals to the House.