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for Education

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Dear Colleague

When we issued *School funding reform: Next steps towards a fairer system* at the end of March I wrote to you asking for your help and support in the implementation of funding reform for 2013-14. Six months later I want to follow up with an update on some of the key reform issues.

I would like to thank everyone involved for the work that has been done under considerable pressure to complete revised formulae in time for their submission to EFA on 31 October. The large majority of authorities seem well placed to make their submission. In parallel many authorities have been making good progress with the reform of high needs funding, which we recognise has been challenging.

The simplification of local formulae is a major change to how schools budgets are calculated and the first substantive step towards a national funding formula. It is therefore an important part of the move to a fairer and more transparent system.

Some authorities have reported to us their concern about the change in budgets produced by the introduction of a simpler formula. Moving to a simpler and ultimately national formula is bound to produce shifts in distribution. The purpose of the reform is to ensure that school budgets are driven more by the pupils in the schools and their needs than by other factors. However, Ministers are acutely aware of the need to manage the rate of change so that schools are not subject to very large funding changes from year to year. The Minimum Funding Guarantee is provided for this purpose so no school will lose more than 1.5% per pupil from these changes in 2013-14 and 2014-15.

Given the concerns we have heard about the impact of reforms on some schools, there are two assurances I want to give to you.

The first is that we will be carrying out a careful review in early 2013 of the impact of simpler local formulae. We will work with local authorities to explore the effect of different factors, for example the lump sum and deprivation factors. This will enable us to advise Ministers on making any necessary adjustments to prevent unacceptable consequences for schools.

The second is to respond to concerns expressed in some reports that schools will be faced with the full impact of the funding reforms in 2015-16 because we have given

no figure for the Minimum Funding Guarantee beyond 2014-15. Although we cannot give an exact figure for the Minimum Funding Guarantee in future years until after the next spending review, we can reassure you that a Minimum Funding Guarantee will continue to operate, in order to offer protection against unmanageable falls in school budgets. This will help us to make steady progress towards the goal of a consistent national formula.

I hope this makes clear that we are very conscious of the need to continue the careful management of change beyond 2014-15. I hope too that when we come to review the formula factors in 2013 you will want to be actively engaged in the discussion.

We look forward to the receipt of the funding proforma from your authority and thank you in advance for working to meet a tight timetable. If you need more information or to discuss any of this could you please call Dugald Sandeman at the Education Funding Agency (020 7340 8266) or email him at [dugald.sandeman@education.gsi.gov.uk](mailto:dugald.sandeman@education.gsi.gov.uk).

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