

PARLIAMENTARY DEBATES

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OFFICIAL REPORT

Ninth Delegated Legislation Committee

SCHOOL AND EARLY YEARS FINANCE
(ENGLAND) REGULATIONS 2018

Wednesday 21 March 2018

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The Committee consisted of the following Members:

Chair: ALBERT OWEN

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| † Chalk, Alex (<i>Cheltenham</i>) (Con) | † Knight, Sir Greg (<i>East Yorkshire</i>) (Con) |
| † Champion, Sarah (<i>Rotherham</i>) (Lab) | † Milling, Amanda (<i>Cannock Chase</i>) (Con) |
| Coffey, Ann (<i>Stockport</i>) (Lab) | † Platt, Jo (<i>Leigh</i>) (Lab/Co-op) |
| † Fletcher, Colleen (<i>Coventry North East</i>) (Lab) | † Shah, Naz (<i>Bradford West</i>) (Lab) |
| † Gibb, Nick (<i>Minister for School Standards</i>) | † Vickers, Martin (<i>Cleethorpes</i>) (Con) |
| † Graham, Luke (<i>Ochil and South Perthshire</i>) (Con) | † West, Catherine (<i>Hornsey and Wood Green</i>) (Lab) |
| † Hall, Luke (<i>Thornbury and Yate</i>) (Con) | † Whately, Helen (<i>Faversham and Mid Kent</i>) (Con) |
| † Hoare, Simon (<i>North Dorset</i>) (Con) | Joseph Watt, <i>Committee Clerk</i> |
| † Jones, Susan Elan (<i>Clwyd South</i>) (Lab) | † attended the Committee |
| † Kane, Mike (<i>Wythenshawe and Sale East</i>) (Lab) | |

Ninth Delegated Legislation Committee

Wednesday 21 March 2018

[ALBERT OWEN *in the Chair*]

School and Early Years Finance (England) Regulations 2018

8.55 am

Mike Kane (Wythenshawe and Sale East) (Lab): I beg to move,

That the Committee has considered the School and Early Years Finance (England) Regulations 2018 (S.I. 2018, No. 10).

It is a pleasure to serve under your chairmanship this morning, Mr Owen. I can feel the palpable energy in the room, among Members and officials alike, from being in the House this early for a Statutory Instrument Committee.

The context for the debate is the Conservative manifesto statement:

“Under a future Conservative government, the amount of money following your child into school will be protected. There will be a real terms increase in the schools budget in the next Parliament.”

That pledge was repeated, and the previous Prime Minister was clear about what it meant:

“I can tell you, with a Conservative Government the amount of money following your child into school will not be cut.”

But the Government are not keeping that promise to the British people. Under the present Government, schools face the first real-terms cuts to their budgets in nearly 20 years, despite the Secretary of State’s having inadvertently claimed the opposite in the House last week.

The National Audit Office has said that under the current spending settlement there will be “an 8 per cent cut in pupil funding”

between 2015 and 2020. The same conclusion was reached by the Institute for Fiscal Studies. That means that every school in every region and town will lose money because of the Government’s failure to protect funding in schools. The so-called fair funding formula—there we are at last—is simply a redistribution of a sum of money that is already inadequate to support schools and provide children with the excellent education that they are entitled to.

The National Audit Office has also said that the Department for Education expects schools to find a total of £3 billion savings in the course of the Parliament, yet it has failed to communicate to them how to achieve it. Of course I support the principle that all schools should receive fair funding, and there are progressor elements in some of the regulations before the Committee, but the answer is not to take money from schools and redistribute it when budgets are being cut across the country.

Catherine West (Hornsey and Wood Green) (Lab): Does my hon. Friend agree that some schools now tell parents that they have to close at 1 o’clock? They give various reasons, but we all know that they do not have

the money to pay teachers in the afternoon. Does he agree that although that may not be unlawful, specifically, it takes vital study time away from young people?

Mike Kane: I could not agree more. Schools are having to make heinous decisions. In the Minister’s county, West Sussex, some are already threatening a four-day week because of the budget cuts.

Helen Whately (Faversham and Mid Kent) (Con): Does the hon. Gentleman welcome the real-terms funding increase that schools across the country are getting between now and 2020?

Mike Kane: The hon. Lady was recently quoted in *KentOnline* boasting about a 0.5% real-terms increase in school funding, but when inflation in education is running at 3% or 4% that will be a massive cut for schools in her area.

Helen Whately: It is a real-terms increase.

The Chair: Order.

Mike Kane: The solution is to invest, to help every child receive an excellent education. The Government’s stated aim in revising the schools funding formula is fairness. There should be fairness in the formula, and there are good things in it, such as the emphasis on high need, a deprivation index—albeit using a crude measure—and a focus on prior attainment. Why would the Opposition not welcome those things? However, there is nothing fair about a proposal under which funding will be cut from high-performing schools in deprived areas.

A fair approach would take the best-performing areas in the country and apply the lessons from those schools everywhere. It would look objectively at the level of funding required to deliver in the best-performing schools, particularly in areas of high deprivation, and use that as the basis for a formula to be applied across the whole country. Unfortunately, though, the Government are not listening to the voices of schools, teachers or parents. Evidence from the general election suggests that 750,000 people switched their votes to Labour because of the impact of school funding cuts on their local communities.

We only have to look at the impact already being played out. Under this Government more than half a million infant schoolchildren are in super-sized classes, and new research by leading education unions shows that class sizes are rising in the majority of secondary schools in England as a result of the Government’s underfunding of education. There is a particular problem in secondary schools because of the shortfall in funding of £500 million a year for 11 to 16-year-olds between 2015-16 and 2019-20, plus the deep cuts to sixth-form funding of more than 17% per pupil since 2010.

Catherine West: My hon. Friend is being generous with his time. Subjects such as music are now offered at A-level only in one school in a large area. Is it therefore any surprise that under 44.1% of the Royal Academy of Music’s intake come from state schools?

Mike Kane: I am grateful to my hon. Friend. I am a product of the Manchester music service, and the music education that I received as a child is nowhere near what

we now provide in our schools. We now have secondary schools in Yorkshire charging parents for music GCSEs. My final point on class sizes is that 62% of secondary schools in England have increased the size of their classes.

Sarah Champion (Rotherham) (Lab): As my hon. Friend brought up Yorkshire, it would be remiss of me not to intervene. He also talked about 16-to-18 colleges, and another hit for them is that they are charged VAT. Thomas Rotherham College, a great college that gave a broad curriculum, had to cut its curriculum size right down, and giving a holistic education has become so unviable that it has been forced to become an academy. That makes one wonder if there is a grand plan at play.

Mike Kane: I could not agree more. The curriculum is being narrowed for a whole series of reasons, but the main one is severe funding cuts in our schools.

I have talked about class sizes, and the second huge impact is teacher numbers. Staff numbers in secondary schools fell by 15,000 between 2014-15 and 2016-17 despite their having 4,500 more pupils to teach. There is a huge recruitment and retention crisis. *The Times Educational Supplement* says that we will be short of 43,000 secondary school teachers in the next few years. The figures are being masked by the greater supply in primary schools. That equates to an average loss of 5.5 staff members in each school since 2015. In practical terms that means 2.4 fewer classroom teachers, 1.6 fewer teaching assistants and 1.5 fewer support staff in every school.

Cuts to frontline teaching posts are happening at a time when pupil-to-teacher ratios are rising, which means bigger classes and less individual attention for children. Research published only last week by the Education Policy Institute shows how many schools have been struggling financially and are now in deficit.

Jo Platt (Leigh) (Lab/Co-op): Does my hon. Friend agree that cuts to other public services and mental health services in particular are putting undue pressure on our schools, given their teacher resource capacity?

Mike Kane: I am grateful to my hon. Friend for that extraordinarily valid point. We know from our postbags that a rising number of parents cannot get special educational needs and disability provision for their children because schools are having to cut that and less specialist services back at local authority level. Local authorities have been cut—they have lost around 30% to 40% of their budgets—which has had a direct impact on the services that schools can buy in.

The number of local authority maintained secondary schools in deficit has nearly trebled, which means that more than a quarter of all such schools are now in deficit. In 2016-17, the proportion of primary schools in deficit increased significantly, to 7.1%. The average primary school deficit also notably increased, from £72,000 in 2010-11 to £107,000 in 2016-17.

Perhaps the most worrying finding was that a large proportion of local authority maintained schools are now spending more than their income, and 40% of those secondaries have had balances in decline for at least two years in a row. Similar figures are found for

local authority maintained primaries; in 2016-17 more than 60% were spending more than their income. A quarter had had a falling balance for two years or more.

The Education Policy Institute report points to the inevitable outcome of the growing budget pressures. Staff account for the majority of spending by schools, at around two thirds. It is therefore likely that schools will find it difficult to achieve the scale of savings necessary without cutting back on staff. What is the Government response? Only last week we found that the new Education Secretary had been forced into an embarrassing U-turn after he claimed wrongly that school spending is going up. That is the message they would like to put out. The constant delay of the fair funding formula led to constant Conservative press releases about fixing funding in our schools, but that has been far from the case.

Naz Shah (Bradford West) (Lab): Does my hon. Friend agree with me that in places such as Bradford West, where we have an excellent cluster of maintained nurseries, we are still not sure where the funding is coming from? If it is coming, will it be to meet the existing deficit—from special needs, early years and so on—or will it be new money?

Mike Kane: The biggest impact we can have as civil society and government on the social mobility and educational attainment of our young people is in the early years, but our Sure Start centres have been decimated over the past few years, with no guarantee—absolutely none—of what their future will be. My hon. Friend makes a very valid point.

The Secretary of State originally said:

“We know that real-terms funding per pupil is increasing across the system, and with the national funding formula, each school will see at least a small cash increase.”—[*Official Report*, 29 January 2018; Vol. 635, c. 536.]

Last week, however, he had to respond to the House on that. What had Sir David Norgrove, head of the UK Statistics Authority, pointed out? He had said that funding was being frozen in real terms until 2020, not increased. The Secretary of State therefore had to write to correct the record.

I have a few questions for the Minister. One of the major issues is whether he will confirm that the regulations allow for a 1.5% cut in funding per pupil in cash terms. Our evidence suggests that they do, so that is a fair funding formula that allows for a 1.5% cut in funding in cash terms. Will he confirm that the Government will not increase overall pupil funding? As the Institute for Fiscal Studies has said, the additional £1.3 billion announced after the election last year keeps funding basically flat in real terms over the next two-year period. Will he confirm that? Will he also confirm that funding has fallen in real terms since 2015? For example, the National Audit Office reports an accumulated £2.7 billion cut from school budgets since 2015, despite the regulations before us.

The national funding formula consultation has been delayed and delayed, and pushed back and pushed back after the election. Looking at the regulations, the formula has been a colossal waste of time, effort and money, and has come with that delay. The Government have come to a conclusion that only tinkers with the edges of the funding crisis in our schools. For now, I will leave it there.

9.9 am

Sarah Champion: It is a real pleasure to serve under your chairmanship once again, Mr Owen.

I want to put some real figures into our debate. We keep hearing about “real terms” funding and savings, so let us put some real figures in there. Rotherham has 88 primary schools and 14 secondary schools, and there have been real cuts to their funding in the past couple of years. In 2015-16, income was £4,150 per primary school child and £5,876 per secondary school child. However, by 2017-18, funding had dropped to £3,954 for that same primary school child and to £5,587 per secondary school pupil. Looking forward to 2019-20, under this funding formula, schools will receive £3,965 per primary school child and £5,518 per secondary school child. Collectively, the primary schools in Rotherham are losing £4,404,897, and the secondary schools are losing just over £5 million. The hon. Member for Faversham and Mid Kent said there had been a real-terms increase. I am sorry, but funding has fallen in real terms since 2015.

Naz Shah: Does my hon. Friend agree that those cuts are landing in places with the most deprivation, such as her constituency and mine?

Sarah Champion: My hon. Friend is absolutely right. We were hoping for a funding formula that recognised the different pressures in different areas. A blanket funding formula does not recognise the real issues we have in the north of England in particular.

The IFS states that overall, school funding will have fallen by 4.6% in real terms between 2015 and 2019. We do not know the real impact of the next round of cuts, but perhaps the Committee can make an informed assessment by looking at what happened in the previous two years. Between 2014-15 and 2016-17, class sizes rose by 54% in primary schools and by 50% in secondary schools. In the same period, the ratio of pupils to teachers rose by 61% in primary schools and by 71% in secondary schools. The ratio of pupils to teaching assistants rose by 58% in primary schools and by 79% in secondary schools.

Catherine West: Does my hon. Friend agree that that is having a big effect on morale in schools? Did she know that a position to learn to be a teacher in a primary school in my constituency that once attracted 150 applicants now attracts 10?

Sarah Champion: I did not know that, but it pains me to hear it. When I was going through school and university, people aspired to become a teacher. Teaching was a secure career in which people felt they were giving something back to their community. Now, it is seen as something to try to escape from, and we do not attract the best people to be teachers. That is such a shame. The impact on future generations is immeasurable.

Why has there been such a dramatic rise in the ratio of pupils to staff? It is not rocket science. To try to bridge the gap between their costs and the income they get under this Government, schools have had to lose staff. In the same period—2014-15 to 2016-17—staff cuts in primary schools increased by 44%, and cuts to secondary teaching staff in Rotherham rose by a staggering 93%.

Using that as my evidence, I guess that class sizes in Rotherham will increase again for the next two years under this Government. Schools will be forced to cut more staff, so the pupil to staff ratio will increase. There is no evidence—if anyone can show me some, I would welcome that—that bigger classes lead to a better education. I have not discovered evidence of that anywhere in the world. To be honest, all the evidence points to bigger classes leading to worse education.

Are children in Rotherham worth a good education? Is it a surprise that we have some of the highest rates of exclusion and youth unemployment when there is not enough money to pay for an adequate number of teaching staff? I am afraid that things will only get worse under the regulations. The minimum funding guarantee in the local formula is currently set at minus 1.5%. That is a guarantee that no school can lose more than 1.5% of its per pupil funding year on year as a consequence of changes to the local funding formula. Paragraph 8.4 of the explanatory memorandum states:

“The new level of flexibility around the MFG set out in these Regulations will allow local authorities to set the MFG at any value between -1.5% and +0.5%, allowing them to replicate this element of the national funding formula at a local level if they choose.”

The second stage of the consultation underlined the importance of stability in funding levels for schools. As a result, the national funding formula will allocate a cash grant of at least 0.5% per pupil for every school. This new MFG flexibility will enable local authorities to pass those gains on to schools, but here is the but—as of yesterday the CPI inflation rate dropped, woohoo, to 2.7%. Even if the local authorities had the cash to apply the maximum funding of plus 0.5%, schools would still be losing 2.2% in real terms. Perhaps that is why paragraph 10.3 of the explanatory memorandum says:

“An Impact Assessment has not been prepared for this instrument.”

One wonders why.

The Minister for School Standards (Nick Gibb): Because it does not affect the private sector.

Sarah Champion: I appreciate the clarification from the Minister.

I would now like to ask him a couple of specific questions, if he can answer them. Let me quote part 3, chapter 1, regulation 13(3):

“The date for ascertaining pupil numbers is 5th October 2017.”

I will give an example of why that is likely to present problems in my constituency. In an area of Rotherham called Eastwood, we have quite a large Roma population and I have spoken to a number of my primary schools to discover what happens. Children tend to be signed up for the autumn term and start in September but then go missing, reappearing later in the year. I am concerned that class sizes might have increased after 5 October but the funding might not follow that.

In addition, because we have a lot of cheap privately rented accommodation, a lot of asylum seekers are sent to Rotherham. They come throughout the year, so what happens to pupil funding if, again, they arrive after 5 October? I am not sure whether the Minister has some

money ring-fenced for when classes ebb and flow but his response would be most helpful, because I know it is an issue for my schools.

Regulation 18(3), in the same chapter, states:

“For the purposes of this regulation, a child is disabled if he or she is paid or entitled to disability living allowance by virtue of section 71 of the Social Security Contributions and Benefits Act 1992.”

My hon. Friend the Member for Wythenshawe and Sale East mentioned special educational needs and how late children are now getting statements. In my constituency it is getting increasingly hard to get statements because of access to the services that can do the assessment. A child might enter a school without a statement but after a couple of years get a diagnosis, for example, of autism. Would the additional money follow through with that child, once the diagnosis is in place?

My final point concerns chapter 2, regulation 27, which discusses how funding will be clawed back from maintained schools if a child is excluded. Does that provision also apply to academies?

9.19 am

Nick Gibb: It is a pleasure to serve under your chairmanship, Mr Owen. I am pleased to be able to discuss the school and early years finance regulations at a time when local authorities are about to receive their first grant payments calculated by the national funding formula—an historic and necessary reform.

The regulations set out how local authorities should distribute between local schools the £33.7 billion of funding that they collectively receive through the schools block of the dedicated schools grant. Before I turn to the regulations, it is important to place them in the context of the historic change that the Government have made to the broader funding system. The introduction of the national funding formula means that, for the first time, this £33.7 billion of funding will be distributed between local authorities based on the individual needs and characteristics of every school in the country.

The Government are determined to create an education system that offers opportunity to everyone at every stage of their lives. That is the key to raising standards for all and improving social mobility. We are making significant progress: more schools than ever before are rated good or outstanding, the attainment gap is beginning to close and we have launched 12 opportunity areas to drive improvement in parts of the country that we know can do better. However, those achievements have been made against the backdrop of the old, unfair funding system, which we have reformed. Under the old system, schools across the country with similar pupil characteristics have received markedly different levels of funding for no good reason.

Catherine West: Will the Minister explain whether more schools being rated as good or outstanding, which is happening in many of our constituencies, is linked to a higher rate of exclusions?

Nick Gibb: We have launched an exclusions review, conducted by our former colleague, Ed Timpson. He will look at precisely those issues. We actually raised the bar for Ofsted’s judgments on schools. Despite our raising the bar for academic standards, we are still seeing more schools rated as good or outstanding.

In the hon. Lady’s constituency of Hornsey and Wood Green, schools would attract 0.9% more funding if the national funding formula were implemented in full, based on the 2017-18 data. Under the national funding formula, schools in Hornsey and Wood Green will be funded at £5,671 per pupil, compared with the national average of £4,655 per pupil.

Catherine West: In that case, will he direct two schools that insist on closing at 1 pm on a Friday, which parents have raised with me as an issue, to open their gates until 3 pm?

Nick Gibb: As she will know from the figures I just cited, schools in her constituency are being funded at significantly higher than the national average.

Catherine West: That does not answer the question, Minister.

Nick Gibb: I am coming to the hon. Lady’s question. Given that schools in Hornsey and Wood Green are being funded at significantly more than the national average, and given that the vast majority of schools are not doing the things she talks about, there is no reason for schools in her constituency to take that action.

Across the country, schools with similar pupil characteristics have received markedly different levels of funding. That is why our promise to reform this unfair, opaque and outdated school and high needs funding system and introduce a national funding formula has been so important, and I am particularly pleased that this Government were able to deliver on that.

This reform represents the biggest improvement in the school funding system for more than a decade. From April 2018, the introduction of the national funding formula will put the funding system firmly on track to deliver resources on a consistent and transparent basis, based on the individual circumstances of every school in the country. Following extensive consultation, in which we carefully considered more than 25,000 individual responses to our proposals, last September we were able to publish full details of the school and high needs national funding formulae and the impact they will have on every local authority.

Those proposals were underpinned by an additional £1.3 billion for schools and high needs across 2018-19 and 2019-20, over and above the funding confirmed at the 2015 spending review. School funding is at a record high because of the choices we have made to prioritise school funding, even as we faced difficult decisions elsewhere to restore our country’s finances.

Naz Shah: I visited the launch of the Bradford for Teaching initiative, trying to get teachers in. The truth is that when I talk to teachers, and those amazing people who want to teach, I hear that the funding formula does not allow the schools to get the best teachers in. It is not just about the children; the impact on the level of teaching in places such as Bradford West really needs to be looked at. These solutions are just not good enough.

Nick Gibb: There are two points. First, we have only been able to deliver these high levels of spending on schools, rising from £41 billion this year to £42.4 billion next year and £43.5 billion the year after, because the way in which we have managed the economy means we

[Nick Gibb]

can afford to do so. A Labour Government, particularly a Labour Government under the current leadership—any future Government led by the party opposite—would bankrupt our economy and there would be no chance of any of these increases in funding coming into our public services. We have to have a strong economy first of all. Secondly, responding to the hon. Lady's point, schools in Bradford West, as she should know, would attract 1.3% more funding if the national funding formula were implemented in full, based on the 2017-18 data. That is equivalent to £1.4 million more funding for those schools.

Helen Whately: Having campaigned for the fairer funding formula on behalf of my Kent constituency, I welcome the formula. For many years, similar schools with similar pupils in other areas were getting significantly more money than schools in my area.

Mike Kane: It is 0.5%.

Helen Whately: It gives children in my constituency a fairer chance of getting the good education they need, coupled with rising funding. It is truly welcome.

Nick Gibb: The hon. Member for Wythenshawe and Sale East said from a sedentary position that it is 0.5%. Schools in Faversham and Mid Kent would attract 6.4% more funding if the national funding formula were implemented in full based on the 2017-18 data. That is equivalent to £2.7 million, so I understand why my hon. Friend the Member for Faversham and Mid Kent made her intervention.

The new funding formula will be fairer. The additional funds mean, as I have said, that spending will rise from £41 billion this year to £43.5 billion by 2019-20. As the independent Institute for Fiscal Studies has confirmed, that will allow us to maintain schools and high-need funding in real terms per pupil for the next two years. I hope that answers the comments made by the hon. Member for Wythenshawe and Sale East. As the IFS also pointed out, by 2020 real-terms funding per pupil will be 70% higher than it was in 1990, and 50% higher than it was in 2000.

Sarah Champion: When the Minister was talking about the increases over the next two years, I did a quick bit of maths. The increase seems almost to keep up with inflation, but there does not seem to be any additional money on top of that. Does the Minister agree?

Nick Gibb: I will come to the cost pressures that schools have faced in the last two years, particularly the increase in the employers' contribution to teachers' pensions—we regard teachers' pensions as very important—and the higher level of the employers' national insurance contribution. Again, the higher employers' national insurance contribution is about raising more tax revenue to help close the historic deficit we inherited. Achieving the reduction of that deficit to 2% of national income, from 10% when we came into office, has enabled us to maintain a strong economy. We acknowledge that there have been cost pressures on schools in that period.

Those cost pressures have now been absorbed and schools will see real-terms increases across the board in their funding, taken as a whole.

Catherine West: The Minister is extremely generous in giving way to me a second time. Will he comment on the increase to NHS staff today? Will we hear a further announcement in a few months' time that there may be more money for teachers, given that there tends to be a knock-on effect when one public sector group gets a pay increase? Not that any arguments were won last June, I hasten to add.

Nick Gibb: The hon. Lady raises an important point. We have given evidence to the School Teachers Review Body; the Secretary of State gave oral evidence a week ago. We will receive its recommendations, I think, in May and we will respond to them then. It is important that these issues are dealt with by independent pay review bodies.

With the additional £1.3 billion that we were able to identify last summer, we have been able to ensure that all schools and all areas will attract some additional funding over the next two years while providing for up to 6% gains per pupil for the most underfunded schools. That significant extra spending in our schools demonstrates our commitment to ensuring that each child receives a world-class education. The hon. Member for Wythenshawe and Sale East cited our manifesto; we have gone further than our manifesto commitment that no school should lose funding as a result of the national funding formula. Now, every school in every area will attract at least 0.5% more per pupil in 2018-19 than it received in 2017-18, and 1% more in 2019-20.

We also heard throughout our consultation on the formula that we could do more through our formula to support those schools that attract the lowest levels of per pupil funding. We listened to those concerns, and our formula rightly will direct significant increases towards those schools. In 2019-20, the formula will provide minimum per pupil funding of £4,800 in respect of every secondary school, and £3,500 in respect of primaries. In 2018-19, as a step towards those levels, secondary schools will attract at least £4,600, and primary schools £3,300. These new minimum levels recognise the challenges of the very lowest funded schools.

There was considerable debate during the consultation on the funding formula about how much funding it was appropriate to direct towards schools with higher numbers of pupils likely to need additional support—I welcome the hon. Gentleman's support for that element of the national funding formula—as a result of a disadvantaged background, low prior attainment, or because they speak English as an additional language. In our final formula, we have been able to protect this funding—£5.9 billion in 2018-19—while improving its targeting. Alongside that, we will continue to deliver the pupil premium—some £2.5 billion a year—to provide additional support to schools to narrow the attainment gaps and to promote social mobility. As I mentioned earlier, we have closed the attainment gap by 10% in both primary and secondary schools since 2011.

The dedicated schools grant provides local authorities with funding for their high needs provision and for early years. We are absolutely committed to supporting children

who face the greatest barriers to their education. That is why we have also reformed the funding for children and young people with high needs, by introducing a high needs national funding formula. That will distribute funding for children and young people with high needs more fairly, based on accepted indicators of need in each area.

The additional spending that we have announced means that every local authority will see a minimum increase in high needs funding of 0.5% in 2018-19, and 1% in 2019-20. Underfunded local authorities will receive gains of up to 3% per head a year for the next two years. Overall, local authorities will receive £6 billion to support those with high needs in 2018-19. We are also determined to support as many families as possible with access to high-quality, affordable childcare. That is why in 2019-20 we will spend a further £6 billion on childcare support—a record amount of support. This record spending includes £1 billion a year, delivering 30 hours of free childcare for the working parents of 3 and 4 year-olds and funding the increase in rates that we introduced in April 2017.

Sarah Champion: I welcome the fact that the Minister talks about childcare, as that is one of the quickest and most effective ways to bridge the gender pay gap and to get women back into work. The National Audit Office says that Sure Start funding, which is very close to my heart, has been cut by £763 million since 2010. How does that fit into the Minister's attempt to support all children?

Nick Gibb: We have to marshal our resources. A lot of the statistics cited on Sure Start are to do with buildings and not the provision of services in those buildings. Schools in Rotherham would attract 4.5% more funding if the national funding formula were implemented in full, based on the 2017-18 data, coming to £2.9 million. Under the national funding formula, schools in Rotherham will be funded at £4,982 per pupil, compared with the national average of £4,655.

Jo Platt: Does the Minister agree that losing investment in early intervention and prevention is having a huge knock-on effect on school readiness for children, and therefore on attainment? Should the NAO figures on the closure of Sure Start centres not be taken seriously, and should we look again at investing in early intervention and prevention?

Nick Gibb: We take those issues seriously and the hon. Lady raises an important point. However, the attainment gap between those from disadvantaged backgrounds and their more fortunate peers in primary schools has closed by 10%, and there has been a huge increase in children's ability to read. We are moving from joint 10th place to joint eighth place in the international reading surveys of nine-year-olds, and there has been a huge increase in the proportion of six-year-olds who pass the phonics check—in 2012, 58% passed, but 81% passed in 2017.

Jo Platt: Look at the social mobility figures. Why are a record number of people unable to get on when they leave if attainment is good in our schools?

Nick Gibb: We have some of the lowest levels of young people not in education, employment or training—lower, certainly, than under the previous Labour

Government. We have very low levels of youth unemployment compared with other countries in the European Union, and we have the lowest level of unemployment in this country for 42 years. That is the consequence of proper stewardship of our public finances and our economy. That is how we provide opportunities and social mobility, ensuring that more people have the opportunity to earn a pay packet, and pay their rent, mortgage and bills. I will give way to the hon. Member for Rotherham.

Sarah Champion: The Minister is incredibly kind and intuitive, and I thank him for giving way without my asking—[*Laughter.*] He could see that I was willing him to do that; he is a good man. I would love him to come to Rotherham. I am grateful for the £20 uplift per primary school child that comes on top of the cuts we have sustained for the past eight years, but £20 will buy us a book and a couple of pots of paint; it will not deal with the decades of deprivation faced by my constituents. I understand that the Minister is genuinely trying to come up with a fair funding formula, but life is not fair. In Rotherham we have had so many knocks and lost so much industry that a small increase is not enough to get us to the standard of a school in Surrey, for example. I urge the Minister to reconsider.

Nick Gibb: I would be delighted to go to Rotherham again. I was the candidate there in 1994 in a by-election. I thoroughly enjoyed my stay, and I was delighted narrowly to beat Screaming Lord Sutch. The hon. Lady raises an important point, and the £2.9 million extra funding is equivalent to about £214 per pupil in Rotherham. I would be delighted to come and see some schools in Rotherham soon.

Naz Shah: Given that the Minister is in the mood to travel to Yorkshire, perhaps he could come to West Yorkshire and visit my constituency of Bradford West. We have had this discussion previously, but the real-term cuts to SEN, and the immense pressures on local authorities to deliver on education have had a real impact in my community. I would appreciate the Minister coming a few miles up the road to West Yorkshire so that I can introduce him to headteachers of schools in my constituency.

Nick Gibb: I would be delighted. The hon. Lady and I have discussed education in her area, and I know how passionate she is about improving academic standards in schools in her constituency. I would, of course, be delighted to visit some schools in her constituency with her in the very near future.

Under these regulations, the national funding formula will allocate the schools, high needs and central school services blocks of the dedicated schools grant fairly to local authorities. The school and early years financial regulations govern how local authorities can distribute that funding between schools and early years providers, and they apply for the coming financial year. Regulations that have recently been made will replace those for 2017-18.

In 2018-19 and 2019-20, local authorities will continue to set their own local funding formulae for schools, which will determine individual schools' budgets in their areas. Those formulae are set following consultation with local schools. It remains the Government's clear

[Nick Gibb]

intention to move, in time, to a system in which each school's individual budget is set directly by the national funding formula without local variation. That will ultimately ensure that similar schools will receive similar funding, regardless of where they are situated.

However, by continuing to allow a small but important element of flexibility for local authorities over the next couple of years, the regulations will be able to help to smooth the transition to the national funding formula at a local level. They set the rules within which local authorities must operate as they set their local formulae. The changes we have made to the regulations for 2018-19, compared with 2017-18, enable local authorities to mirror the national funding formula for schools in their local formulae. Unless we make these regulatory changes, they would not be allowed to do that. Many local councils have decided that they should replicate the national funding formula in their local formulae. We support that decision, which is a strong vote of confidence in the principles behind our national funding formula.

The regulations need to be made each year, and for the most part, the 2018 regulations simply ensure that the rules set in the 2017 regulations will continue in place. The changes we have made are intended to enable local authorities to mirror the national funding formula.

The changes on school funding are, first, the introduction of an optional minimum per-pupil funding level—the £4,600 I mentioned—which local authorities can now use as a factor in their local funding formulae to ensure that every school receives a minimum amount of funding for each pupil. Unless we pass the regulations, local authorities would not have the discretion to do that.

I do not understand why the Opposition prayed against the regulations. The hon. Member for Wythenshawe and Sale East raised the -1.5% minimum funding guarantee. That is the current position. Currently, if a local authority wants a minimum funding guarantee to smooth the effect of any changes to the local formula, to ensure that no school can lose more than -1.5% per pupil when a local formula changes, it can introduce that minimum funding guarantee. We have changed that in the regulations to give local authorities more flexibility, so that, instead of the option of -1.5%, they can now also vary the amount, up to +0.5%, which is the minimum funding guarantee in the national funding formula.

By praying against the regulations, the hon. Gentleman is entrenching in the rules for the local funding formula a minimum funding guarantee of -1.5% and preventing local authorities from having a +0.5% minimum funding guarantee, which we have introduced into the national funding formula. Secondly, the regulations on indicators of deprivation have also changed. Local authorities can choose to use a combination of the free school meals, Ever 6 free school meals and income deprivation affecting children index—IDACI—formulae. Thirdly, there are also some technical changes regarding looked-after children and the scaling factor used to set funding for pupils with low prior attainment.

The hon. Member for Rotherham also raised issues about significant growth in pupil numbers in constituencies. She cited regulation 13, which is designed to tackle precisely the problem she refers to. Regulation 13(4) states:

“Where (a) there is or may be an increase to the published admission number at the school; or (b) the school is subject to a prescribed alteration that may lead to an increase in the number

of pupils at the school, the authority may, instead of ascertaining pupil numbers on 5th October 2017, include an estimate of pupil numbers.”

That will help schools to ensure that they have the proper funding as a consequence of a growth in their numbers.

The change to the high needs regulations removes an adjustment that was previously made to schools' five to 16-year-old pupil numbers to reflect the number of places that the local authority has reserved for children with special educational needs. From 2018-19, five to 16 year-old pupils in such places will attract funding to their school through the local formula on the same basis as all other pupils at the school. Local authorities will have additional funding of £6,000 for each place from the high needs budget.

We introduced a new early years funding formula in April 2017; therefore, the regulations for 2018-19 are largely unchanged from 2017-18. The changes we have made in these regulations implement previously announced policy or are amendments intended to bring greater clarity to existing policies. For example, when we introduced our new funding formula, we announced that from 1 April this year, local authorities must pass on 95% of the national funding formula funding allocation to providers. That is up from 93% in the previous year, and it is an important change in these regulations.

How funding is used in practice is just as important as its fair distribution. We are committed to helping schools to improve pupil outcomes and promote social mobility by getting the best value from all their resources. School efficiency must start with, and be led by, schools and school leaders, but the Department provides practical support, deals and tools that will help all schools improve their efficiency. We will continue our commitment to securing national deals that procure better value goods and services in areas that all schools purchase. Schools can already save an average of 10% on their energy bills and around 40% on printers, photocopiers and scanners. Those deals have already saved schools over £46 million.

Across school spending as a whole, we are improving the transparency and usability of data, so that parents and governors can more easily see how funding is being spent and understand not just educational standards, but financial effectiveness. We will continue to expand our package of support for schools so they can ensure every pound is achieving the best outcome for pupils.

The hon. Member for Wythenshawe and Sale East raised the question of teacher numbers. We have record numbers of teachers in our schools: we have 457,000, up 15,500 since 2010. Last year we achieved 89% of our secondary target for graduate recruitment and 100% of our primary target. Returners are rising, from 13,000 in 2011 to 14,200 in 2016. We have tax-free bursaries of up to £26,000 for priority subjects. People often talk about retention; 70% of teachers are still in teaching after five years and 60% are still in teaching after 10 years, but the important point is that that figure has remained broadly constant for the last 20 years.

Class sizes have not shifted very much: they are about 27.1 in primary and 20.5 in secondary schools, on average.

Mike Kane: Will the Minister confirm that there are more teachers because there are more pupils, that one third of teachers have left teaching since they trained

since 2011 and that education authorities have not filled one third of vacancies for teacher training courses next year?

Nick Gibb: There were a number of points there. First, the pupil numbers have increased; we have created 735,000 new school places since 2010, and one of the first things we did in 2010 was double the amount of capital spending on creating new school places. The previous Government had cut school places, particularly in primary schools, where 200,000 places were cut during that period despite knowledge of the increased birth rate.

The hon. Gentleman's figure of 33% leaving teacher training who joined in 2011 is the 30% figure I was referring to; there are 70% still in teaching after five years. That is broadly the same figure that it has been for the last 20 years. People change their minds after starting a profession, and that figure has not changed significantly over the past 30 years.

I forget what the final issue was that the hon. Gentleman raised, but he also mentioned the report by the Education Policy Institute, which I think came out last week. We do not recognise the findings of that report, because the latest figures show that schools hold surpluses of more than £4 billion against a cumulative deficit of less than £300 million. We trust schools to manage their own budgets, and only a small percentage are operating a cumulative deficit. We are providing support to help those schools get the most out of spending.

I thank the Opposition again for securing this debate. For this Government, providing a high-quality education for every child is a top priority. The additional funding we have announced, together with the introduction of a national funding formula, will provide schools with the resources they need to deliver that. The school and early years finance regulations represent a vital piece in the funding jigsaw, making it possible for local authorities to make funding fairer at a local as well as a national level. By doing so, we can continue to drive school standards ever higher.

9.49 am

Mike Kane: So there we have it—that is the silver bullet, and a way to get the Government out of the political hole that the previous Government got into over getting fair funding for schools; we are left with a variance of 1.5% down or 0.5% up. The hon. Member for Cheltenham is in the room, and I hope that he had a good weekend, by the way—it seems to be a great festival. However, he has been quoted by *Gloucestershire Live* as saying that the national funding formula needed “major surgery”. What we are considering is not even a minor intervention.

The Minister said that the manifesto commitment was that no schools would lose money. That was the commitment—not that no schools would lose money because of the national funding formula. Manifesto commitments are not something that can be made up as you go along. It is incredible that there can be a funding formula with so much variance, so that schools can still receive a cut because of it.

The Minister was good with his facts, and in replying to my hon. Friend the Member for Hornsey and Wood Green he talked about schools in her constituency. Perhaps I may point out the £82,000 cut affecting

St. Catherine's Catholic Primary School in his constituency, and the reduction in pupil funding of £355 per pupil. Schools in West Sussex are threatening a four-day week. That, in the Minister's back yard, is incredible.

Nick Gibb: The hon. Gentleman is wrong about his facts. I tend to know the schools in my own constituency quite well, and every school in my constituency will receive an increase in funding according to the national funding formula. Many of the schools there are receiving significant increases—way above the 0.5% that some schools are receiving.

Mike Kane: Again, that is a sophist argument that some schools will receive an increase, but not in terms of the general level of cuts since 2015; and it is nothing in comparison with what the Minister rightly pointed out about budget pressure and inflation. All the schools in his constituency will be taking a cut over the next few years.

Catherine West: A similar problem has been mentioned to the one in my constituency, where schools are cutting the school day, and I hope that the matter will be raised again, to prevent a domino effect that might lead to a four or four-and-a-half-day week. That would have a huge impact on productivity in the economy, as much as anything.

Mike Kane: My hon. Friend is a passionate advocate on behalf of schools in her constituency. The way she stands up for them will be on the record.

There is only one party represented here today that has had a reprimand about dodgy stats on schools: the Secretary of State received one from the UK Statistics Authority last week. The Opposition will not take lectures on statistics at the moment. The funding formula has been a colossal waste of time and effort and has not got to where the Minister wanted. I can see from the reactions of some Conservative Back Benchers that the same situation will continue. Schools in their constituencies will be under enormous pressures, and what has been done has not ended the situation.

The Minister talked about having to rescue the economy. The Government have led us to a nearly £2 trillion deficit in the economy. *[Interruption.]*

The Chair: Order.

Mike Kane: The reason the Opposition will vote against the regulations is that Labour was extraordinarily clear, with a fully costed manifesto at the general election. *[HON. MEMBERS: “To increase the debt.”]* There is a lot of tutting from Conservative Members, but the only numbers in the Conservative manifesto were the page numbers. We had a well costed manifesto. At the general election, our policy on school funding was to reverse the cuts. That is what we said in June.

The Chair: Order. We have had a great opportunity for wide-ranging debate. The hon. Gentleman is now concluding it. If hon. Members want to carry on, they can do so in the Tea Room.

Mike Kane: Thank you, Mr Owen.

That would have led to an increase in real terms, which would have left per pupil funding at a record high and cost about £4.8 billion in the final year of this

[Mike Kane]

Parliament. That is what Labour committed to: investment in schools and our pupils, compared with disinvestment and cuts from the Government Benches.

Question put.

The Committee divided: Ayes 9, Noes 7.

Division No. 1]

Chalk, Alex
Gibb, rh Nick
Graham, Luke
Hall, Luke
Hoare, Simon

AYES

Knight, rh Sir Greg
Milling, Amanda
Vickers, Martin
Whately, Helen

NOES

Champion, Sarah
Fletcher, Colleen
Jones, Susan Elan
Kane, Mike

Platt, Jo
Shah, Naz
West, Catherine

Question accordingly agreed to.

Resolved,

That the Committee has considered the School and Early Years Finance (England) Regulations 2018.

9.56 am

Committee rose.