

School, early years and 14-16 funding arrangements 2008-11 Summary of decisions announced on 25 June 2007

Overview

Jim Knight, Minister for Schools and 14-19 Learners, has announced to Parliament the government's decisions on the school, early years and 14-16 funding arrangements for 2008-11 following consultation.

These decisions provide the broad framework for the funding arrangements for 2008-11, the period of the 2007 Comprehensive Spending Review settlement. They cover:

- the distribution of the **Dedicated Schools Grant (DSG)** to local authorities.
- refinements to the way local authorities fund schools, ready for the introduction of **three year school budgets** from April 2008.
- development of the funding arrangements for early years education to support the extension to 15 hours and increased flexibility of the **free entitlement to early years education** and care from 2010.
- funding arrangements to support the introduction of the entitlement to **diplomas at key stage 4**.

The government will announce in the autumn the national school funding totals for 2008-11, individual local authorities' funding allocations for the three years, and the level of the Minimum Funding Guarantee for schools. Local authorities will notify schools of their budget shares for the three years in spring 2008.

Key decisions

Note: A full guide to the decisions for local authorities and Schools Forums will be published in July.

The Dedicated Schools Grant (DSG)

- The DSG will be distributed to local authorities in 2008-11 by the **Spend Plus** method used in 2006-08 rather than a single formula, to guarantee stability in the system for the next three years.
- But the long-term aim is to move back to a single, transparent formula. The government will launch a major **formula review** in July which will develop a single formula which will be available for use in the DSG distribution from 2011-12.

- The government will use new tax credit data in the distribution of any additional **funding for deprivation** across the CSR period to local authorities. This will better reflect the circumstances of the children in an authority's schools.
- There will also be extra funding for **children from deprived backgrounds** who go to school in authorities where the overall level of deprivation is low.
- There will be an **exceptional circumstances grant to local authorities** to deal with exceptional pupil number growth in-year and significant influxes of pupils with English as an additional language during the three year funding period. *[Paragraph updated 27 Jun 07]*

School funding

- The **Minimum Funding Guarantee** (MFG) will continue to give schools a minimum increase in their per pupil funding each year. However the level of the guarantee for the next three years will incorporate an expectation that schools will make significant improvements in efficiency. This balances continued stability for schools with greater flexibility to target new resources to key priorities like personalisation.
- The government is taking further action to ensure that more of the £1.6bn in **school revenue balances** is used for the education of today's pupils. In addition to the current claw-back mechanism operating on excessive balances, local authorities will be required to redistribute to schools in their area 5% of all surplus balances. There will be consultation on the detailed implementation, but authorities and their Schools Forums will decide how this money is to be reinvested locally. *[Paragraph updated 27 Jun 07]*

Schools Forums

- **Schools Forums' membership** will be broadened to include non-school members from the early years sector and 14-19 partnerships so that they can play a full part in discussions on the development of the funding arrangements to support these priorities.
- Local authorities will also be expected to **consult a group of early years providers** as they develop their proposals on local implementation of the early years funding arrangements.
- The **limit on non-school members** will be raised from one fifth to one third to accommodate the broader membership, but schools will continue to have at least a 2 to 1 majority.
- The headteachers on the Schools Forums will be able to elect other members of school senior management teams with finance responsibilities, such as **deputy heads and bursars** into membership.

Headteachers will also be able to have **named substitutes** who could attend meetings as observers and represent the headteacher when necessary.

- Schools Forums will be able to agree **variations to the Minimum Funding Guarantee** affecting 50% of pupils in the authority rather than 20% of schools as at present.
- There are no other changes to Schools Forum decision-making processes (such as separate majority voting for primary and secondary schools on the Forum).
- There will be a wider **review of the role of Schools Forums** to be launched in July to look at how Forums should relate to the developing arrangements for Children's Trusts, and the wider Every Child Matters agenda.

Funding for diplomas at key stage 4

- **Funding for 14-16 years olds taking diplomas** will be distributed to local authorities through a specific formula grant, on the basis of a formula reflecting the diploma lines being offered, take-up, the higher cost of provision in high wage areas and the additional costs in sparsely populated areas.
- How the **funding is delivered to providers** will be for local decision, building on existing successful partnership models. But we will set out in guidance the benefits of a partnership-level approach with schools able to draw on a central pool of funding, rather than meeting all diploma costs from their delegated budget.
- We will set out a **framework for the costs that schools should be charged** for diplomas. This will be based on the LSC funding methodology but with local flexibility to reflect different levels of funding for 14-16 pupils across local authorities.

Early years funding reform

- To support the extension to 15 hours and increasing flexibility of the free entitlement to high quality early years education and care, local authorities will be required to develop and introduce a **single local formula** for funding early years provision in the maintained and ¹PVI sectors over the next two years and by 2010-11 at the latest.
- From 2009-10 all local authorities will be required to introduce **consistent pupil counting** between the maintained and PVI sectors. Changing the count for place-led to participation-led funding in the maintained sector will need to be carefully managed, subject to an impact assessment and appropriate transition and protection

¹ PVI = Private, Voluntary and Independent early years settings.

mechanisms.

- In the short term local authorities will be required to carry out **an analysis of PVI costs** in their area, and present this to their schools forum and relevant sub-group before setting budgets for 2008-11. We will support this through good practice guidance.
- There will be no separate identification of early years funding in DSG allocations for the time-being. We will keep this under review as these reforms bed down. To improve transparency, we will be publishing estimates of early years spending for each local authority in our benchmarking tables over the summer and also the results of a survey of all local authorities setting out how they fund the entitlement now..

Specific grants

- **School Standards Grant and School Standards Grant (Personalisation)** will not be merged from 2008-09. We estimate that the transitional protection that would be needed to proceed with this proposal would cost £30m, which is better spent on other priorities.
- Local authorities will have flexibility to move **School Development Grant** away from its historic distribution to reflect the most up to date data on deprivation, with a view to further streamlining in the longer term. It will be a condition of grant that local authorities retain the focus of the grant on deprivation. We will monitor this through section 52. If an authority does not maintain the deprivation focus, they will lose the right to make further changes to the distribution.
- There will be a **0% cash floor** for School Development Grant in each of the three years to ensure that schools get at least the same level of funding per pupil each year as the previous one.

Other decisions on the consultation proposals

There are also a number of essentially technical changes to the funding arrangements.

DSG

- The basic **percentage increase per pupil** in the DSG for local authorities, before the top-ups for Ministerial priorities are added, will be set at 1% above the level of the MFG in 2008-09 and 0.8% above the MFG in 2009-10 and 2010-11.
- The “proportionality” test will be abolished to make it simpler for local authorities and Schools Forums to agree the use of ²centrally-held DSG in joint projects which support **Every Child Matters** outcomes.

² The DSG retained by the local authority for other provision for pupils (eg early years in PVIs,

- The **January pupil count** will continue to be used to calculate DSG allocations. But we will look again at January versus Autumn counts in time for 2011-12.
- From 2011-12, **under fives will be counted** for DSG distribution purposes through a provision-based count only, rather than the current hybrid count, to align it with the changes to early years funding at local level. We will pilot new counting arrangements from 2008-09.

School funding

- There will be a simpler method for setting the **Central Expenditure Limit** based on a cash comparison between an authority's increase in DSG for the year and the increase in the amount to be delegated to schools. The Schools Forum will continue to decide on any potential breach of the limit, which ensures that the DSG retained by the local authority (see footnote 2) rises no faster than the DSG delegated to schools.
- The calculation of the **MFG for schools with rising rolls** will be brought into line with the calculation for schools with falling rolls, recognising that schools' costs are not all related to pupil numbers but include an element of fixed costs such as repairs and maintenance, heating and cleaning.

Academies' funding

- The funding for new academies opening from 2008 onwards that we transfer from Dedicated Schools Grant will be equal to the delegated budget for the school that an authority would have calculated through its local formula, had the school stayed in the maintained sector. This is the recoupment model.
- The funding transfer for existing academies remains unchanged, and will be based on the Dedicated Schools Grant unit of funding.
- For each pupil at an existing academy for whom **individually assigned SEN resources are allocated** (paid for by the local authority), we will pay the local authority the Dedicated Schools Grant unit of funding.
- All **specific grants for academies** will in future be paid direct by DfES rather than by local authorities. That will reduce the administrative burden for academies, authorities and DfES.

Department for Education and Skills

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