

## Appendix A

### DEPARTMENT FOR EDUCATION AND SKILLS

#### School, Early Years and 14-16 Funding for 2008-11

**The Minister of State for Schools and 14-19 Learners (Jim Knight):** This statement relates to funding for schools, early years and 14-16 funding for 2008-09 to 2010-11.

1. In March of this year the Department launched a consultation on changes to the school funding system to be implemented over the coming comprehensive spending review period – 2008-09 to 2010-11. The proposals continued the programme of reform we started when we introduced the Dedicated Schools Grant and multi year budgets for schools for the period 2006-08. They set out a series of evolutionary changes to the distribution of funding to local authorities and schools, alongside more far reaching proposals to deal with the significant developments at 14-16 and for early years.
2. I am today publishing a summary of the responses to the consultation and placing a copy of that summary in the Library of the House. I am grateful to all those who responded to the consultation, and in particular to our national partners with whom we have been discussing detailed implementation issues in parallel with the consultation.
3. Many of the Government's proposals were welcomed by respondents to the consultation. But it is also clear from some of the responses, and from the discussions that we have had with stakeholders throughout the consultation period, that there remain issues where further work will be required: the distribution methodology for Dedicated Schools Grant in the long term, and the role and functions of the Schools Forum are two examples.
4. Over the past ten years the Government has invested record amounts in education: funding per pupil has increased by £1,800 per pupil – a 66% increase in real terms. The comprehensive spending review settlement will mean that schools funding will continue to increase for each of the next three years, although not at the high levels seen in recent years. This demonstrates our continuing commitment to raise standards for all young people, and schools and local authorities have a key role to play over the next three years, and three of our key priorities for them are: taking the next steps on personalisation of learning; ensuring every school provides access to the core offer of extended services; and implementing the extension of the free entitlement to early years education, while increasing its flexibility.
5. That is why we have decided that the Dedicated Schools Grant will continue to be distributed using the spend plus method for the next three years: all authorities will receive a basic per pupil increase each year; and all authorities will receive funding for our priorities on top of that. We will announce in the autumn the basic increase and the funding for Ministerial priorities for each of the next three years. This will deliver the funding to all authorities for our priorities – reverting to a single formula at this time would not do so.

6. But we appreciate there are arguments in favour of a single formula, primarily that it provides a more transparent way of distributing schools funding to local authorities; and our long term aim is to move back to a single formula for distributing DSG. That is why we are announcing a fundamental review of the formula for distributing schools and early years funding to local authorities: the outcome of the review will be a single transparent formula available for use from 2011-12 onwards. We will set out terms of reference for the review in July, and will work closely with external partners on it.

7. Narrowing the achievement gap between children of different backgrounds will remain one of our key aims - we want all children to succeed, whatever their background. Ensuring that the distribution of funding takes account of deprivation will therefore continue to be a critical issue over the next three years, at both national and local level. Where our priorities demand that funding be weighted to take account of deprivation we will use a new measure to distribute Dedicated Schools Grant, based on tax credit data, which will reflect much better the circumstances of the children in an authority's schools. Alongside this, we will make available additional funding for children from deprived backgrounds who go to school in authorities where the overall level of deprivation is low.

8. These two measures complement the action we are already taking on deprivation funding: we have asked all authorities to review their formulae for funding schools to ensure that they properly reflect the funding for deprivation distributed to them through Dedicated Schools Grant in 2007-08. We are monitoring progress on this, and have made guidance available to local authorities; in addition we will be asking them to submit a further statement in the autumn setting out in detail their plans for the CSR period. Where progress is not adequate there will be further challenge and support.

9. Multi year allocations of funding for local authorities and schools have been welcomed as providing a better basis for forward planning, and for longer term, more strategic decision making. However, there is a need to reflect changes in circumstances that could not be foreseen at the beginning of a three year funding period. We will therefore make available a grant to local authorities who, during the three year period, experience exceptional increases in pupil numbers, both in overall terms and in the numbers of children for whom English is not the first language.

10. There will be a sharper focus over the next three years on achieving the greatest possible value for money from the resources we invest schools: that is a shared responsibility for schools, local authorities and central government. Schools will need to think carefully about how they use the funding we make available to them, and we will work closely with them and their local authorities to ensure they have the tools they need to plan and use their resources most efficiently and effectively.

11. The Minimum Funding Guarantee will continue to deliver a minimum per pupil increase in each of the next three years. However, the assessment of cost pressures will reflect our expectation of a substantial improvement in efficiency from schools. That will reduce the cost to local authorities of implementing the Minimum Funding Guarantee, so that more of the increase in resources across the next three years can be used to support our key priorities. This balances continued stability of

funding for schools with greater flexibility to target new resources at our key priorities.

12. We will also take further action on school balances, to follow up the clawback mechanism for excessive balances that we introduced this year. Our aim is to ensure that the £1.6 billion currently in school balances is substantially reduced, and is used to support the education of today's children rather than sitting in schools' bank accounts. Local authorities will be required to redistribute to schools a small percentage (5%) of all surplus school balances through the local authority funding formula. This broadly equates to the interest that accrues on balances. We will consult on the detailed implementation of this measure in the autumn, but local authorities and schools forums will take final decisions on how this funding will be reinvested locally.

13. We will broaden the membership of the schools forum: they have a key part to play in the implementation of our reforms of early years funding and the roll out of diplomas for 14-16 year olds. Local authorities will be expected to have non-schools members, including representation from the early years sector and from 14-19 partnerships. The limit on the proportion of non-schools members will be raised from one fifth to one third: that will allow us to broaden the membership to reflect the full range of interests in the decisions it takes, without the need to recruit significant numbers of extra schools members; and it retains the schools character of the forum.

14. The private, voluntary and independent early years sector is diverse, so its membership of the Schools Forum is only one part of ensuring greater involvement and consultation with the sector on funding decisions. As well as setting out in guidance that representation on the Schools Forum should reflect the amount of early years provision delivered through the PVI sector, we will expect all local authorities to consult a group of early years providers on local implementation – and it will be an option for this group to be a sub group of the schools forum

15. We also need to consider how schools forums will relate to the developing arrangements for Children's Trusts, and the wider Every Child Matters agenda. We have therefore announced today a review of the scope and functions of the Schools Forum, to start at the same time as the review of the distribution formula for Dedicated Schools Grant.

16. We will adopt a staged approach to reforming the funding system for early years provision.

- a. We will publish estimates of local authority spending on early years provision with our annual benchmarking data on all local authority schools spending in August. Building on this, we expect that all local authorities will carry out an assessment of the cost of delivering the free entitlement in PVI settings, and present this to their schools forum, before they consider in early 2008 the distribution of funding to schools and early years providers for the next three years.
- b. From 2009-10 we will require all local authorities to count pupils in maintained and PVI settings on the same basis for funding purposes. The presumption will be that the amount of funding received will

depend on the amount of provision taken up, but local authorities will be allowed to vary this and continue to fund on the number of places, where the small size of a setting needs this approach.

- c. From 2010-11, all authorities will be required to introduce a new funding formula to cover early years provision in both maintained and PVI settings, and this will incorporate a standardised transparent method for setting the basic unit of funding per pupil. While 2010-11 is the final date for introduction of a new formula in all local authorities, we will encourage and support as many local authorities as possible, through pathfinder projects, advice and guidance to implement such a formula in 2009-10.

17. Funding for 14-16 year olds taking diplomas will be distributed through a specific formula grant. The formula will reflect the costs faced by local authorities from: the diploma lines being offered, the number of children taking up diplomas, the higher cost of provision in high wage areas, and the additional costs in sparsely populated authorities. How this funding is delivered to the front line will be left mainly to local discretion: there are already a number of local funding models in operation, and we want to allow those to continue where they are working successfully. But our guidance will set out the benefits of a partnership level approach: retaining much of the funding allows for economies of scale in commissioning and paying for provision, and it also gives schools more budget certainty if they can draw on funding from a central pool, rather than having to meet all the costs of diplomas from their delegated budgets. Finally, we will set out a framework for the costs that schools should be charged for diplomas, based on the LSC funding methodology, but with local flexibility to reflect the differing levels of funding for 14 to 16 pupils across local authorities.

18. This statement sets out the key decisions on school funding for the next three year period. They put in place a firm foundation for the school funding system to meet the challenges of the CSR period: there is further devolution to the local level; there is a programme of change for early years funding, coupled with local flexibility; and there is reform of the MFG, coupled with a focus on efficiency to free up resources for our priorities.

19. The Department will be issuing further detailed guidance, including details of all the decisions on the consultation, to local authorities and other key stakeholders, in the near future. A copy will be placed in the Library.