

DEPARTMENT FOR CHILDREN SCHOOLS AND FAMILIES

School funding settlement for 2008-09 to 2010-11

The Minister of State for Schools and Learners (Jim Knight): (12/11/07)

1. I am announcing today the first three year school funding settlement, for 2008-09 to 2010-11. This settlement and the capital settlement announced on 10 October will mean that, by 2011, total funding per pupil will have increased nationally to £6,600. Education spending is projected to rise as a proportion of GDP from 4.7% in 1996-7 to 5.6% by 2010-11. And for the first time, schools will have three year budgets, enabling them to plan further ahead, to take better long term decisions, to use their budgets more efficiently and strategically over a three year period.

2. On 25 June this year I announced to the House a package of measures for school funding for 2008-09 to 2010-11. The key features were: a continuation of the spend plus methodology for DSG distribution, coupled with a fundamental formula review, to start in the New Year; a Minimum Funding Guarantee (MFG) dependent on average cost pressures, but with efficiency taken into account; further measures to broaden the membership of schools forums, particularly from early years and 14-19 stakeholders; a staged approach to the reform of early years funding; and additional funding for diplomas to be provided through a specific formula grant, with local discretion on how this funding is used to pay for provision.

3. This statement sets out the government's decisions for the next three years on: the overall increase in schools funding, the Dedicated Schools Grant (DSG) and other grants; details of funding for our key priorities; and the level of the MFG for schools. Details of allocations of both the DSG and specific grants to authorities and schools are being sent to local authorities today and I am placing copies in the Library of the House.

4. The overall level of schools funding will increase by 4.3% in 2008-09, 4.7% in 2009-10 and 5.3% in 2010-11. This includes funding for our key priorities: the personalisation of teaching and learning, support for all pupils to make good progress, the extension of the early years offer to parents, and extended children's services provided from schools. It also takes account of the additional costs of the expansion of the academies programme – our plans allow for a further 50 academies to be opened in each of the next three years, bringing the total to 230 academies open by September 2010.

5. The strong focus on personalising teaching and learning to the needs of every child will continue over the next three years, with additional sums of £330/535/912 million earmarked within DSG. This additional funding is to support universal roll out of a personalised offer to all pupils – including those with special educational needs - and will be distributed on the basis of numbers of 5 to 15 year olds. In taking decisions on allocations, local authorities and their schools forums should consider our priorities: ensuring all children are making good progress; early intervention to prevent children from falling behind, especially those with special educational needs; targeted support for specific groups including those ethnic minorities at particular risk of poor outcomes, white working class children, children in care; and ensuring that the school workforce has the skills and confidence to address the needs of children

from these groups.

6. To complement this increased funding through DSG, we will roll out funding to help improve the rate at which children progress, ensuring all children can meet their potential, and those who are behind expectations, or are falling behind, get back on track. A current pilot of this approach will run until July 2009. We will then make available £138 million in 2009-10, and £315 million in 2010-11 to improve progression in schools. By 2010-11, this funding will enable an additional 300,000 under-attaining pupils a year to benefit from 1:1 tuition in English, and a further 300,000 pupils in Maths. Taken together, we will be spending an additional £1.2 billion on personalisation and progression by 2010-11. There will be support for children who have fallen behind in basic literacy and numeracy through the national roll out of Every Child a Reader and Every Child Counts, with £79m being made available in 2010-11 via the Standards Fund. Further funding will be announced shortly for the Every Child a Writer programme.

7. The increased funding for progression will be delivered through the Standards Fund for the next three years, as will increases in funding to extend the entitlement to free nursery education from 12 and a half to 15 hours, announced by the Minister for Children, Young People and Families (Beverley Hughes) on 7 November, and for extended schools. Our aim is that from 2011-12 these funding allocations will be mainstreamed into the DSG. We will consider how this can best be achieved as we take forward work on implementing the funding system for 2011-12 and onwards, following the fundamental formula review which starts in January 2008.

8. Narrowing the attainment gap for pupils from disadvantaged backgrounds is one of the strategic objectives of my Department and is a key priority for the Government. The most significant attainment gap is between deprived and more affluent pupils – including those in generally affluent authorities. We are therefore allocating £40 million in each of the next three years to support children from deprived backgrounds who attend schools in less deprived local authorities whose overall level of deprivation is in the bottom third, as defined by our new indicator of income deprivation, based on Tax Credit data. Our strong expectation is that this additional funding will be directed to those schools with the most disadvantaged pupil intakes. Alongside this additional money for deprived children in less deprived authorities, we will continue to press all authorities to properly reflect in their local funding formulae the existing funding for deprivation delivered through DSG.

9. For authorities whose spending was below the formula in 2005-06, we have closed half of that gap over the past two years: we will complete this process over the next three years, with additional sums of £20/40/60 million.

10. Two further developments of the funding system take account of changing patterns of demography. Firstly, all authorities will receive a minimum cash increase of at least 2%, irrespective of their pupil numbers: that will particularly help those authorities where pupil numbers are rapidly declining. Secondly, for authorities experiencing rapid growth in pupil numbers, or a significant influx of children with English as an Additional Language, there will be an exceptional circumstances grant, paid out every autumn.

11. As well as the additional funding for Ministerial priorities, we are continuing

to provide all local authorities with increases for schools' core funding. I announced in June that the MFG would continue to deliver a minimum per pupil increase for all schools in each of the next three years, which would reflect average cost pressures. Our assessment of cost pressures includes an assumed efficiency gain of 1% for each of the next three years, reflecting the substantial improvement in efficiency which we expect to be achieved across the schools sector and the public sector as a whole. It is based on a cautious but realistic assessment of the wide range of pay and non-pay pressures that schools will face across the next three years.

12. The result is an MFG for all schools set at 2.1% for each of the next three years, which is affordable within the comprehensive spending review settlement, while allowing us to allocate significant additional funding increases to our key priorities. The settlement provides for the first time three years of funding allocations, and will help schools to plan how they will meet the range of cost pressures they face from pay and non-pay over this period as a whole.

13. The Department is working with our external partners, including representatives of headteachers and governors to develop support mechanisms for schools to help them make the best use of their resources to improve outcomes for pupils. The aim will be to provide schools with access to a range of support that is tailored to their individual circumstances, exemplifies good practice and provides opportunities for peer review and support. We will announce further details later in the year.

14. We have received the detailed recommendations of the STRB on teachers' pay from September 2008 and I am grateful to them for their work. We will be announcing our response to the STRB's report when we have carefully considered their detailed recommendations within the wider context of the Government's approach to public sector pay. We will ensure that the Government response to the STRB's recommendations is consistent with the MFG we are announcing today.

15. As we announced in June, all authorities will receive a basic increase in their DSG per pupil made up of: the MFG at 2.1/2.1/2.1% plus an additional 1.0/0.8/0.8% of headroom; each authority will therefore receive a basic increase of 3.1/2.9/2.9%. Funding for Ministerial priorities is equivalent to an additional 1.5/0.8/1.4% per pupil on average, giving an average increase in DSG per pupil for each year of 4.6/3.7/4.3%.

16. Alongside the increases in DSG for all authorities we will increase direct funding to schools through the School Standards Grant (SSG) and School Standards Grant Personalisation (SSG (P)), in line with the level of the MFG. Each authority's allocation of School Development Grant will be increased in line with the MFG, and all schools are guaranteed the same cash allocation per pupil year on year: this will allow some updating of the distribution of this grant, while continuing to protect schools.

17. The Learning and Skills Council plans to announce increases in the funding rates for school sixth forms as well as the details of its new funding methodology, to be used for school sixth forms and other 16-18 provision, including transitional measures to smooth the introduction of the new formula. Sixth form funding will therefore no longer be taken into account when local authorities apply the MFG to

schools with sixth forms. We will announce in December allocations of the specific formula grant to support the introduction of diplomas from September 2008. That will augment the £110 million we allocated through DSG in 2007-08 to support practical learning options. That funding is now part of the DSG baseline going forward and we expect local authorities to utilise it to support the roll out of Diplomas.

18. This settlement builds on the foundations of the last ten years of rapid growth in school funding: every school and local authority will receive increases in funding per pupil each year; but every school will also face the challenge of making their funding work harder in support of our shared aims. On top of the basic increases there is significant additional funding to support our priorities: the personalisation of teaching and learning, support for all pupils to make good progress, the extension of the early years offer to parents, and extended children's services provided from schools. And a three year settlement supports schools as they take better informed, long term, strategic decisions.