

To Directors of Children's Services of Local Authorities in  
England

Our ref: 2704070008

25 June 2007



**School, early years and 14-16 funding arrangements 2008-11**

1. The Government has today announced its decisions on the school, early years and 14-16 funding arrangements for 2008-11, following consultation in the Spring. A copy of the Minister's statement is available at: [www.teachernet.gov.uk/schoolfunding2008to11/](http://www.teachernet.gov.uk/schoolfunding2008to11/).

2. I am writing on behalf of my fellow directors Sheila Scales (Sure Start, Extended Schools and Childcare Group), Jon Coles (14-19 Reform Group) and myself, to explain these decisions.

3. We are most grateful to everyone who responded to the consultation. A summary of the consultation responses is being published today at the link above, together with a short summary of the decisions taken. As well as setting out the key decisions, this letter also highlights a number of areas where you will wish to take early action on implementation.

**Key decisions**

4. The outcome of the Comprehensive Spending Review (CSR) is a key piece of context for the decisions Ministers have taken. The CSR outcome announced in the Budget in March, will deliver continued funding increases for schools, although not at the level seen in recent years. We will set out in the autumn details of the funding settlement, including the level of the Minimum Funding Guarantee and individual local authority allocations of Dedicated Schools Grant (DSG).

5. Over the next three years schools and local authorities will have a key role to play in the continuing drive to raise standards. Three of our key priorities for this period 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. To ensure that all authorities receive funding to support these priorities, Ministers have decided to use the spend plus methodology to distribute DSG for the next three years: all authorities will receive a basic per pupil increase each year, with funding for our priorities on top of that. However, we know that there is strong support for a single formula, since it provides a more transparent method of distributing funding. That is why there will be a fundamental review of 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 continue to work closely with you on this, through your representatives on the School Funding Implementation Group. We will publish the terms of reference for the review in early July.

6. Narrowing the attainment gap between children of different backgrounds and the resources to support that aim will continue to be as important as ever. We have already asked you to review your local funding formulae for the coming three years, and Children's Services Advisers will be in touch in the autumn term to check progress on this. Their discussion with you will be informed by further advice on the definition of deprivation funding that we will publish shortly. We will also be asking you for an update of your deprivation statement in the autumn.

7. There will be a renewed focus on efficiency in schools. The assessment of cost pressures for the Minimum Funding Guarantee will include a substantial assumption about the efficiencies that schools will be expected to achieve over the next three years. The aim of this is to ensure that as much as possible of the increase in funding over the next three years is available for new priorities. Local authorities will need to ensure that their schools plan ahead carefully through the autumn and support them in making the most effective use of their resources.

8. Alongside this, we need to take further action to reduce the current £1.6 billion in school balances, building on the clawback of excessive balances that you implemented for the current financial year. Local authorities will be required to redistribute to schools in their area 5% of all surplus balances. This will be implemented through a change to the school funding regulations, and we will consult you on the technical detail during the autumn, before the regulations are finalised.

9. There are a number of changes to the membership of Schools Forums: these are designed to broaden the representation – from early years, 14-19 partnerships and other members of schools' senior management teams – while retaining the essentially schools character of the forum. Alongside the review of DSG distribution, we will also review how Schools Forums relate to the developing arrangements for Children's Trusts, and the wider Every Child Matters agenda.

10. There will be a staged approach to the reform of early years funding: starting now, we expect all local authorities to carry out an assessment of the cost of delivering the free entitlement in PVI settings and discuss this with your Schools Forum before you set budgets for the CSR period; in 2009, we will change the way in which early years pupils are counted and funded in local formulae, so that the amount of funding is based on provision taken up rather than places, with an option to use places where necessary; and by 2010-11, all authorities will be required to introduce a new funding formula to cover all early years provision – although we will

be encouraging as many of you as possible to do so in 2009-10. We will work with a number of authorities on implementation to develop good practice guidance and in August we will publish examples of different local approaches along with our estimates of early years spending in each local authority. This, along with changes to Schools Forums, will encourage a full and informed local debate on funding decisions and reform. Graham Archer, Childcare Division, is writing in more detail today to Local Authority Early Years lead officers about these issues and we will place a copy of his letter on TeacherNet.

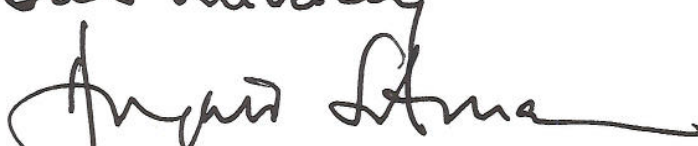
11. Finally, while we are leaving to local discretion the method of delivering funding for 14-16 year olds taking up diplomas, we see the benefits of an approach that holds funding at local authority level – it can yield economies of scale and gives schools greater budget certainty. But where there are successful local arrangements in which funding is delegated to schools, we want to see those continue. We will set out a framework for the costs that schools should be charged for diploma provision, based on the LSC funding methodology, with local discretion to vary the cost to reflect the different levels of 14-16 funding across the country.

### **Next Steps**

12. We are preparing a detailed guide to the funding arrangements for 2008-11 for local authorities and Schools Forums and we expect this to be available in July. Allocations of Dedicated Schools Grant and other grants will be announced in the autumn: we are aiming to do this earlier in the autumn than previously, to allow you as much as possible time to work through the implications with your Schools Forums and other key stakeholders.

13. Copies of this letter are being sent to local authority Chief Finance Officers, Children's Services/Education funding contacts, Standards Fund contacts, Early Years lead officers and 14-19 coordinators.

14. I am writing in similar terms to Chairs of Schools Forums.

*Yours sincerely*  


**Dugald Sandeman**  
Director, School Resources Group