

DEPARTMENT FOR CHILDREN, SCHOOLS AND FAMILIES

Review of the Distribution Formula for Dedicated Schools Grant

The Minister of State for Schools and 14-19 Learners (Jim Knight):

- 1) I am announcing today the launch of a review of the distribution formula for Dedicated Schools Grant (DSG).
- 2) In my statement to the House on 25 June 2007 I announced that although the DSG for 2008-11 would be distributed using the spend plus method, there would be a review of the formula for distributing school and early years funding with the aim of developing a single, transparent formula that would be available for use from 2011-12. A consultation on the terms of reference for the review was launched in August 2007. 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.
- 3) The overwhelming majority of respondents to the consultation (88%) supported the aims of the review and the need to introduce a formula for the distribution of DSG. Their view was that it would be unsustainable to continue with the spend plus methodology for the longer term.
- 4) The overarching aim of the review will be to produce a funding system that should support schools and local authorities to raise the educational achievement of all children and young people and to narrow the gap in educational achievement between all children, including those from low income and disadvantaged backgrounds. The resultant distribution formula for DSG should be based on the principles of transparency, simplicity and stability.
- 5) A number of respondents to the consultation suggested that consideration should be given to removing the ring-fence on the DSG and to the payment of school funding through general formula grant, with decisions on the level of schools expenditure taken locally. Over the past ten years the Government has invested record amounts in education. Overall per pupil funding, including capital funding, will reach £6,600 by 2011 – nearly a three-fold cash increase since 1997 and more than double in real terms. This demonstrates our continuing commitment to raising standards for all young people, and we are determined that further increases in school funding should be spent in schools, so that we can meet our long-term aim that per pupil funding for schools should match the level of support available to children in independent day schools. Consequently the review will start from the premise that the ring-fence on DSG will remain. However the review will examine the scope for greater flexibility in the use of DSG to support the delivery of Every Child Matters outcomes and the

implementation of the Children's Plan.

- 6) There will be a number of key themes to the review. We will carry out a needs led analysis to assess the feasibility of using this method to set the basic entitlement to funding that local authorities will receive for each of the pupils in their schools. We will look at the additional costs that should be taken into account in high wage areas and high housing cost areas, in co-ordination with the review of area costs recently announced by my rt Hon Friend the Secretary of State for Communities and Local Government, and with the review of teachers' pay bands recommended by the School Teachers' Review Body. We will commission work to review the costs of educating pupils with Additional Educational Needs (AEN). With the introduction of diplomas and the raising of the age of compulsory participation in education and training to 18, we will review the scope for working towards a common 14-19 funding system. Finally, we will also consider the scope for introducing incentives into the funding system, for example, to improve pupil progression.
- 7) I am writing to a range of partner organisations today to invite them to become members of a new DSG Formula Review Group. The group will steer the work of the review and report its recommendations to Ministers. Special interest groups of stakeholders will be invited to attend meetings and submit papers on particular issues. The development phase of the review will continue until December 2009, followed by a consultation period from January to March 2010. The broad decisions from the review will be announced in July 2010, in preparation for the school funding settlement in autumn 2010 for 2011-12 onwards.