

15 April 2011

To Chief Finance Officers

Dear Colleague,

The Department is aware of concerns among the local authority finance community about our handling of the integration of the Standards Fund into a single Dedicated Schools Grant from 2011-12. We apologise for not discussing the issues earlier with local government.

We are aware also of the importance of closing local authority accounts for 2010-11, and of arriving at a short term solution that allows local authorities to do this without reducing the budgets for 2011-12 that they have already allocated to their schools. We are further aware of the need to arrive at a conclusive resolution of the whole Standards Fund issue within a reasonable period.

After discussion with local authority representatives, the Department proposes the following action:

1. We will specifically identify as a payment to authorities the £155 million sum within the 2011-12 DSG that represents the last instalment of the 2010-11 Standards Fund, which could be spent over the period April 2010 to August 2011. The Standards Fund was incorporated into the DSG on the basis of what DfE would actually pay in the financial year 2011-12 (i.e. one payment relating to the 2010-11 Standards Fund that could be spent in the April 2010-August 2011 period, and four relating to the 2011-12 Standards Fund that could be spent in the April 2011-August 2012 period). Therefore in the next payment of the DSG, towards the end of April, we will identify for each authority a sum within the 2011-12 DSG that relates to the outstanding Standards Fund payment for 2010-11. This will enable authorities to show their auditors that they have received this sum, and to close the 2010-11 accounts in the same way as if the Standards Fund had remained separate.
2. We accept that from local authorities' point of view this will mean that there is a similar sum outstanding at the end of the 2011-12 financial year from the 2011-12 DSG. DfE therefore agrees now to identify an equivalent sum as 2011-12 Standards Fund in the same way in April 2012 as part of the 2012-13 school funding arrangements.

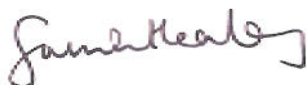
3. We recognise the need for a satisfactory definitive solution to this issue, because it should not carry on indefinitely, especially considering the possibility of wider changes to the funding system. We will therefore, as a priority, work on such a solution over the next few months, to be implemented no later than 2012-13, in consultation with local government. We accept that until there is a permanent solution to this, there will remain a sum still to be accounted for at the end of each financial year. We repeat the assurance given in Stephen Kingdom's earlier letter that it would not be acceptable for a pressure to fall on council tax payers as a result of this issue, and that any changes we make to the funding system will not lead to this result. We are also committed to ensuring that at no point in this spending review period should funds need to be removed from schools' budgets due to this issue.

In summary, the Department will be paying exactly the same amount of grant over the period as it would have done if the grants had not been mainstreamed.

Local authorities are reminded that the conditions of grant for DSG are sufficiently flexible as to allow for local determination, in conjunction with the Schools Forum, of whether to balance the Schools Budget to the 2011-12 DSG allocation or to anticipate the final element of Standards Fund to be paid in April 2012 by carrying forward a shortfall in payment of a sum due. We are confident that with the assurances given in this letter and the flexibility offered by the funding mechanisms, it will not be necessary for local authorities, with their Schools Forum, to make in-year adjustments to schools' budgets.

We will circulate further advice to follow in respect of reporting arrangements for both Standards Fund and DSG as soon as possible.

Yours sincerely,



SARAH HEALEY
Director, School Resources Group