

30 March 2011



To: The Rt Hon Michael Gove,  
Secretary of State for Education  
Sanctuary Buildings  
Great Smith Street  
Westminster  
LONDON  
SW1P 3BT

Copies to:

Lord Hill of Oareford, Parliamentary Under Secretary of State for Education  
Stephen Kingdom, Dugald Sandeman, Sara Hollingshead, Sarah Healey  
at the Department for Education and Tony Foot at HM Treasury.

Dear Secretary of State,

### **Standards Fund Allocation**

At the f40 Group's Executive Meeting on 26 March serious concern was expressed over the Department for Education's 18 March Bulletin concerning the 4<sup>th</sup> and final Standards Fund payment.

Our view is that this is the final payment for the period where Standards Fund is a separate grant and as such should be paid without making any adjustment to the basis on which Standards Fund is put into the mainstreamed DSG from April 2011.

Local authorities have already allocated this funding to schools. The fact that it is paid in part after April 2011 does not alter the issue that the allocation in question is made for 2010-2011 and is not part of the new DSG from April 2012. This is borne out by the Standards Fund circular from 2001-02 which states in section 8: *"Schools will be free to spend their standards fund allocations at any time until 31<sup>st</sup> August 2002 (see also paragraph 16a of part A)."* This paragraph says: *"At school level the Secretary of State intends that with limited exceptions schools should... have the freedom to spend allocations over 17 months. The aim is to give schools greater flexibility to use the money to meet their own priorities within those that are specified in this circular"*. These paragraphs clearly show that the funding belongs to the financial year, but with a flexibility to spend it over a longer timeframe to enable flexibility. To remove some of that funding arbitrarily, without

notice at the end of the year, removes that flexibility completely and will encourage schools to spend up to financial year end for fear of removal of funding in this way. It is not true to suggest that this will not affect school budgets since schools already have the funding in their budgets.

We think the mechanism suggested in the letter to Local Authority Finance Leads of 22 March would cause additional cuts to be made in some local authorities. Where local authorities have already allocated the full amount for 2012 to schools they will be faced with the prospect of anticipating funding from the future to make up the full amount for 2011-12 or to make a cut. Some local authorities may also make a tapered cut by drawing down decreasing levels from future years amounting to the same thing over a period of time.

The idea of anticipating future funding in perpetuity does not seem sensible, and it is very poor accounting practice to draw down funding in anticipation of a grant not yet received or announced. Local Authorities cannot assume that a grant will be paid without proper authorisation from the grant giving authority in this case the government.

Is the Treasury aware that the department is breaching its departmental expenditure limits and promising funding in advance of that it has been given and at such a high level? Where a local authority can afford to work in the manner you describe, the Standards Fund element of the DSG will be out of phase with the rest of the DSG, which makes a mockery of what we believed to be the government's intention that schools would be funded through a single DSG grant supplemented by a pupil premium grant.

The separate phasing of a Standards Fund element immediately creates a grant within a grant situation which will lead to cuts where local authorities cannot anticipate future funding.

F40 knows from informal contacts that there is widespread concern over this decision throughout the local authority finance community. The group wishes to add its voice to that and ask you to reconsider the decision and complete the payment for 2010-11 without adjustment to the DSG for 2011-12 onwards.



Councillor Ivan Ould,  
Chair of f40 and Lead Member, Children's Services, Leicestershire County Council

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