



06 APR 2010

2010/0017921POVC

Vernon Coaker MP

Minister of State for Schools and Learners

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Councillor Ivan Ould
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30th March 2010

Dear Ivan,

Thank you for sending me a copy of the letter you sent to the Secretary of State on 8 March seeking a date for our consultation on the future distribution of school funding and setting out a list of cost pressures which F40 consider will have an impact on council budgets. I am responding on behalf of the Secretary of State as I have responsibility for this area of policy.

As you will now know, on 15th March the Secretary of State made an announcement about the school funding settlement from 2010-13, and published Investing for the future, protecting the frontline: school funding 2010-13. At the same time he launched the consultation on the principles for a new formula for distributing the Dedicated Schools Grant (DSG) from 2011-12, alongside proposals for a Local Pupil Premium, and further guidance on school balances.

The priorities for this settlement are to protect frontline provision in schools; to increase investment in the schools which need it most - particularly those serving disadvantaged communities - and to move towards a more equitable and fair distribution of funding between local authorities which recognises current need.

The Pre-Budget Report confirmed that from 2011-13 funding for Sure Start will continue to rise in line with inflation; funding for 16-19 learning will rise by 0.9 per cent year on year with an extra £202m this year to meet our September Guarantee; and funding for schools will increase by 0.7 per cent in real terms, which at current inflation levels will mean a cash increase of 2.7 per cent. This comes on top of real terms increases of 2.4 per cent, or cash increases per pupil of 4.3 per cent, in 2010-11.

It is however vital that all schools make savings to enable schools collectively to meet cost pressures and ensure investment in our key priority areas. I know that school leaders around the country have recognised the progress that needs to be made and are responding vigorously to the challenge of identifying efficiency savings in order to switch resources to the frontline. We published Securing our future, using our resources well in 2009, which sets out steps that local authorities and schools can take to make efficiencies and deliver greater value for money.



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In Investing for the future we set out further material on how the Government would support schools to do this, and it is our expectation that schools and local authorities will deliver the efficiencies necessary to maximise the resources available to support the frontline.

Many of the issues you raise are addressed within the recent documents and announcements. The Consultation on the future distribution of school funding sets out our intention to mainstream grants into DSG, including the School Development Grant, School Standards Grant, and early years grants that you refer to. This money will therefore not only continue but also increase by 0.7% a year in real terms, and will be subject to the DSG formula. This consultation also sets out our plans for a High Cost Pupils block so that the national formula explicitly contains money for local authorities to support pupils who have high cost needs including more complex Special Educational Needs, reflecting one of your concerns.

Regarding pressures arising from teachers' and school support staff pay, we have set out our assessment of cost pressures in Investing for the future. The 2.3% increase for teachers is for September 2010 to September 2011 and is taken into account in those pressures, as well as pay drift. No decisions have been taken in relation to teachers' pay (nor other staff's pay) beyond that period, but the Government has committed to cap public sector pay at 1%. You will note that the increases in funding set out in Investing for the future more than enable schools to meet these pressures.

On free school meals the £85m figure is based on our best estimate of likely eligibility and take-up. We have discussed this amount and the way it will be distributed with partners including the Local Government Association. Funding for future years will be considered as part of the next spending review and included within the new DSG formula. Free meals numbers rise and fall in any case under their existing definition and this is managed within DSG. In addition the funding model for 1-2-1 tuition was trialled as part of the Making Good Progress pilot and the funding was found to be sufficient to cover tutor pay. We will keep this under review as the roll out of the programme proceeds.

You mention several pressures relating to early years funding. The Pre-Budget Report announced that Sure Start funding would continue to rise in line with inflation. Funding for the free entitlement for 3 and 4 year olds is funded through the Dedicated Schools Grant and will increase by 0.7% in real terms. The grants for extension and flexibility will be mainstreamed into DSG and the extension to 15 hours will be reflected in increased pupil numbers which will be fully funded. And this money will be subject to the sparsity element proposed in the Consultation on the future distribution of school funding. The pilots of nursery education for 2 year olds are, as you say, pilots and have been fully funded. If introduced more widely then of course appropriate funding will be identified. In relation to cost pressures arising from the single point of admission for reception entry, the increased numbers of pupils will be reflected in the mechanism for calculating DSG allocations. This should not therefore result in money being taken from elsewhere in the system. Some local authorities may need to change their admission arrangements, but this is no different to other authorities which will have changed theirs some years ago and managed the consequences without additional funding.

The Pre-Budget Report announced a 0.9% real terms rise for 16-19 funding. Local authorities in their sub-regional groups will be responsible for commissioning provision in a cost-effective way. We do not believe that the raising of the participation age will result in significant additional transport costs for local authorities, as many of the young people that will need to participate from 2013, are likely to do so through accessing jobs with training or apprenticeships. The RPA delivery plan, Raising the Participation Age: supporting local areas to deliver, provides more details of these expectations and can be found at: publications.dcsf.gov.uk/default.aspx?PageFunction=productdetails&PageMode=publications&ProductId=DCSF-01134-2009

We disagree that there are pressures arising from Government policy on school balances. On 15th March we published further guidance on balances. Money is put to better use if it is helping to deliver improved outcomes for children than if it is sitting in school bank accounts. We do acknowledge that maintaining a small surplus is good financial management. But hoarding excessive balances without a plan to spend them is not acceptable. Far from creating costs, clawing back balances will release money to support children's education now or to support value for money improvements. For example, the latest guidance we have published sets out how local authorities might use school balances to introduce spend to save measures.

The Department is aware of the concern of some local authorities regarding their Private Finance Initiative (PFI) projects. We sent out a questionnaire to the 100 local authorities with PFI projects before Christmas seeking details on how they operate and we are currently analysing the responses.

Our view on the 'Southwark judgement' is that it clarifies what is considered to be an existing legal position and should not, therefore, represent a New Burden. As to Section 106 contributions, these have always been additional and are not taken into account in making capital allocations.

Carbon trading presents an opportunity for local authorities to work with schools to reduce energy costs, improve efficiency, and potentially profit from trading. In addition local authorities already have to report on emissions as part of the National Indicator Set.

In relation to the wider Children & Young People's agenda, we expect local authorities and children's trusts to take a holistic approach to supporting children and young people. This could, where necessary, result in a realignment of funding behind local priorities, achieve better value for money and thus free up resources. We have taken steps to reduce the barriers to schools working in partnership with other services, whilst at the same time protecting school funding. Schools are now partners in the Children's Trust and able to pool their budgets with other partners to support wider outcomes.

As to how local authorities manage Equal Pay claims, it has always been a local authority choice as to when this is done, and our expectation was that by 2007 they should have been dealt with successfully. Whilst some local authorities have continued to face some challenges, our understanding is that this issue is now almost resolved nationally.

Chapter 8 of the Consultation on the future distribution of school funding set out briefly that our intention is, as you say, to revert to a pupil number adjustment method for academies rather than to continue with recoupment over the longer term. Our analysis suggests that the difference is small in financial terms, but as the number of academies increases it is important we use as simple a method as possible. We will look at a further year's worth of data before coming to a decision. As to the issue of meeting the cost of deficit budgets for schools converting to academy status, local authorities need to be active in ensuring converting schools don't close with a deficit (in line with current guidance) and use Notices of Concern or withdrawal of delegation if necessary.

Decisions on the Harnessing Technology grant will be taken as part of the next Spending Review process, as with other decisions on future capital investment.

The Consultation on the future distribution of school funding can be found on the Department's consultation webpage at: www.dcsf.gov.uk/consultations. We need to receive responses by the 7th of June, twelve weeks from the launch. Further information on the announcement on school funding that we made on the 15th of March can be found at: publications.dcsf.gov.uk/default.aspx?PageFunction=productdetails&PageMode=publications&ProductId=DCSF-00250-2010

I hope that this addresses the issues that you have raised and that you will encourage your members to respond to our consultation.

Yours
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Vernon

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