

13 December 2010

Dear Colleagues

On the 20th October, the Chancellor announced national funding levels for schools, the introduction of the pupil premium and the creation of a new Early Intervention Grant which provides local authorities with funding for key preventative services.

I have set out today two year funding allocations for local authorities and one year allocations for maintained schools. This letter confirms local authority allocations and sets out this Government's commitment to improving standards in education and protecting the most disadvantaged children. Your local authority will now work with your schools forum to set your budget for 2011-12.

The Pupil Premium

Gaps between deprived pupils and their non deprived peers persist through all stages of education, including entry into Higher Education. The highest early achievers from deprived backgrounds are overtaken by lower achieving children from advantaged backgrounds by age seven. The gap widens further during secondary education and persists into Higher Education.

This is why we are implementing a pupil premium, which will target additional funding to those pupils that need it the most in order to support schools in the work they do to raise their attainment.

Today I am delighted to announce the level of the pupil premium and the methodology that will be used to distribute it.

In 2011-12 the level of the pupil premium will be £430 per eligible pupil. We have decided to allocate the premium to those pupils currently eligible for Free School Meals but we aim to extend the reach of the pupil premium from 2012-13 to those who have been known to be eligible for free school meals before. Since you will know how many of your pupils are known to be eligible for free school meals, you can now calculate the pupil premium funding you will receive next year. The school census in January 2011 will be used to determine the number of pupils receiving the premium in 2011-12.

The additional barriers that looked after children face means that we are also allocating the pupil premium to these pupils. In 2011-12 it will be £430. I can also confirm that deprived pupils in non-mainstream settings funded by local authorities (including children in special schools, non-maintained special schools, independent schools, not in school, hospital schools and pupil referral units) will receive the premium.

For both looked after children and deprived pupils in non-mainstream settings we will pay this funding to the authority that has the responsibility of care for the child and will give local authorities additional freedoms to distribute the funding in the way they see best for the provision of support for these pupils.

As announced last week by the Prime Minister, we are also introducing a premium for Service children. Service children – many of whose parents are risking their lives for their country – face unique challenges and stresses. The premium will provide extra funding to schools with service children to support the schools in meeting these needs. We expect the focus of expenditure from the premium to be on pastoral support. Today I am pleased to announce that the level of this premium will be £200 in the first year. This funding will be paid to your local authority who will then pass it on in its entirety.

We aim to extend the reach of the pupil premium after 2011-12 to those who have been eligible for free school meals before, and to consult on the future distribution of the pupil premium and reform to the underlying funding system to ensure that, over time, deprived children in low funded areas receive the same level of support as other deprived children.

We trust schools to use the premium for the purposes intended and believe they know best how to raise the attainment of their pupils. We will support schools by making available the evidence we have about interventions which are effective in supporting the achievement of disadvantaged children.

However, we also want you to be transparent in the way that you use this additional funding and will ask that you inform parents how you have spent the premium to benefit your deprived pupils. In addition we will include new measures in the performance tables that will capture the achievement of those pupils covered by the pupil premium.

School Funding

The Spending Review announcement in October confirmed that school funding will be maintained at flat cash per pupil until 2014-15, with the pupil premium as additional funding. Today I have announced 2011-12 Guaranteed Units of Funding (GUFs) for each local authority.

I can confirm that we will be maintaining the current distribution method for funding local authorities. As signalled in the consultation, we will be mainstreaming relevant grants into the Dedicated Schools Grant (DSG) on the same per pupil distribution as in this year. 2011-12 GUFs are therefore the sum of 2010-11 GUFs and the per pupil grant allocations. This means that at local authority level allocations for school funding are flat cash per pupil for 2011-12.

Local authorities will now be able to work with their schools forums to produce 2011-12 budgets for their maintained schools. This will include resources from grants mainstreamed into DSG and local authorities will be required to take account of the previous level of these grants in constructing their settlement for schools. This is to prevent turbulence for those schools who have previously received funding through grants that we are mainstreaming. Although the overall schools budget before the addition of the pupil premium will stay at the same level per pupil, the actual level of budget for each individual school will vary. It will depend on local

decisions about how best to meet needs. This does mean that some individual schools may see cash cuts in their budgets – either because they have fewer pupils or because changes are made within local authorities to the distribution of funding. I have, therefore, decided to apply a national protection arrangement for schools – the minimum funding guarantee – and have set it so that no school will see a reduction compared with its 2010-11 budget (excluding sixth form funding) of more than 1.5% per pupil before the pupil premium is applied. The guarantee applies to a school's overall 2010-11 budget including grants that have been mainstreamed into DSG.

However, I hope that in most areas local authorities will be able to offer their schools a greater level of protection, and will therefore, in consultation with schools forums, be able to choose to set a higher guarantee. The pupil premium will be in addition to the underlying budget.

Capital

The capital settlement for my department was extremely tight, with a 60% reduction in 2014-15 compared to the historic high of 2010-11. I know that there are schools in need of refurbishment which have missed out from previous Government capital programmes, and who feel they have therefore been treated unfairly. I will continue to invest in the school estate. Indeed we are investing £15.8 billion of capital over the Spending Review period, and the average annual capital budget will be higher than the average annual capital budget in the previous Government's first two terms. However, over the next few years our priority is to reduce this country's budget deficit. This is essential, as the amount we are currently spending on debt interest payments could be used to rebuild or refurbish ten schools every day. Nevertheless, I realise that in the short term it will be difficult for schools to adjust to reduced capital funding.

I have also inherited substantial forward commitments for the Building Schools for the Future projects. Energetic efforts are being made by local authorities, contractors and others to get the best value for money for these projects, but I expect the commitment to remain significant over the spending review period. This means that I have had to consider very carefully how the balance of capital funding is allocated, and to ensure that it is targeted to the areas of greatest need.

My priorities are the provision of additional pupil places where they are needed, and addressing priority building condition needs. I have therefore doubled the level of basic need funding for pupil places to £800m, compared to recent years. I have also allocated over £1 billion to local authorities and to the Locally Coordinated VA Programme for capital maintenance of the schools estate.

Unfortunately, this means that I have had to cut the level of devolved formula capital and only about £185m will be allocated directly to maintained schools in 2011-12 for their own use. However, and I know it is small comfort, I have decided that all schools will get the same rate, whether "modernised" or not.

This has not been an easy decision, as I know how schools have valued devolved formula capital. But in view of the need to prioritise I have had to ensure money goes to securing pupil places and making provision for essential maintenance of the most dilapidated buildings.

I have only announced capital funding allocations for 2011-12. From 2012-13, how capital is used will reflect the capital review which I have commissioned, and which I expect to publish in early 2011. However, whilst the methodology of allocation and management of capital funding may change, I expect the headline annual amounts of funding for basic need and for maintenance will for 2012-13 until 2014-15 be in line with the amounts I have announced today for 2011-12.

The Early Intervention Grant

Local authorities have been given indicative allocations of a new Early Intervention Grant, nationally worth £2212m in 2011-12 and £2297m in 2012-13. The Government is supporting local authorities to invest in early intervention and prevention to produce long-term savings and better results for children, young people and families. The new grant will provide a substantial funding stream to local leaders to enable them to act more strategically and target investment early, where it will have greatest impact.

Universal as well as specialist services have an important role to play in helping to identify and support those families who need extra help before their problems escalate, as well as helping them get more intensive support if needed. Our schools, health services, police and other services should all be concerned to spot and support the most vulnerable families early, and there are great examples of effective partnerships which already do this across the country. The new grant will reinforce this approach.

The most effective use of the money will be for local authorities to determine. Subject to that local decision-making, the EIG can support a full range of services for children, young people and families. Within the overall total, the Government has made clear its support for key areas of early intervention. These include:

- **Sure Start Children's Centres:** there is enough money in the EIG to maintain the existing network of Sure Start Children's Centres, accessible to all but identifying and supporting families in greatest need. Local authorities continue to have duties under the Childcare Act 2006 to consult before opening, closing or significantly changing children's centres and to secure sufficient provision to meet local need and Together for Children will be ready to assist LAs in making plans to keep centres open. Important new investment through Department of Health budgets to provide 4,200 extra health visitors, working alongside outreach and family support workers, will enable stronger links with local health services.
- **Free early education for disadvantaged 2-year olds:** evidence shows that early education is particularly beneficial for the most disadvantaged, for whom gaps in attainment start to appear as early as 22 months. We want to make sure that the poorest two year olds are given the best start, and subject to Parliamentary approval have committed to extending free early education with an entitlement for disadvantaged two year olds from 2013, funded by an additional £300 million a year by 2014-15. £64m and £223m will be available through the EIG over the next two years so that authorities can build capacity and quality. Local authorities must still have regard to their statutory duties under the Childcare Act 2006 to provide information, training and advice to all providers of early education; quality matters and a highly skilled workforce is critical if we are to have a positive impact on social mobility.

- **Short breaks for disabled children.** Providing respite to the most vulnerable families improves their outcomes and reduces the cost of care. That is why we have included within the EIG £198m/£202m, at the same time as investing directly in the voluntary and community organisations that support this work.

As we maintain the commitment to raise the participation age to 18 by 2015, the Grant will help local authorities support vulnerable young people to engage in education and training and away from crime or risky health behaviours, and help children or young people who have a learning disability, disability or mental health problem. It will also support transitional arrangements in order to ensure that young people have access to impartial careers guidance in advance of the all-age careers service being fully operational.

Other area based and specific grants

Our decision to prioritise and protect frontline spending on schools and to target local authority spending on vulnerable and deprived children, young people and families has meant that we have had to make some hard choices. As part of the local government announcement we have confirmed that we are ending a number of education related area based and specific grants. The ending of these grants does not mean that we do not see a future role for local authorities in relation to schools. The White Paper – “*The Importance of Teaching*”- which I recently published makes clear that local authorities continue to have an important strategic role to play. Local authorities will need to prioritise services according to local needs, and look at opportunities for delivering services more cost effectively.

In other areas, although the current grants are ending, we do expect to continue to provide funding. The White Paper made clear that we are committed to improving music education. Darren Henley is currently conducting a review of music and we will make announcements about future music funding in the light of recommendations which arise from the review.

We want all families to be able to choose the right school for their child. We are therefore also reviewing home to school transport so that we can better meet the needs of pupils, ensuring transport is properly targeted to those that need it most. In relation to the grant which supports extended rights for free home to school travel, we will be announcing transition funding in the New Year to enable local authorities to continue to deliver their duty in this area for the rest of this academic year, pending the outcome of the review

Finally, I want to thank you for all your hard work, cooperation and patience. We have all had to face some challenging decisions but I am confident that the leadership you have shown will ensure the children and young people who are our first concern can flourish in the future.



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