

To Directors of Children's Services

26 March 2012

Dear Colleague

School funding reform: Next steps towards a fairer system

I am writing to inform you that today the Secretary of State announced our next steps in reforming the school funding system. This publication, *School funding reform: Next steps towards a fairer system* builds on the plans we consulted on in July 2011, in *A consultation on school funding reform: Proposals for a fairer system*. Since that consultation, we have given very careful consideration to creating a system that allocates funding on a fair and transparent basis and targets additional funding towards pupils who need it the most.

The current system for funding schools makes raising the aspirations and attainment of all pupils difficult to achieve because funding does not always reach the pupils that need it most. We are clear that we must tackle this. We want funding to follow pupils so that they get the support they need. We also want schools themselves to be more responsive to those needs through better financial planning and the ability to expand more easily.

In our last consultation we sought views on the introduction of a national funding formula, which would distribute money to local authorities based on the current needs of pupils. We also proposed simplifying the way that local authorities distribute that money to schools so that the whole process is more transparent and supports the needs of pupils.

Support for reform was widespread but responses also suggested this model would need careful planning. Getting the components and implementation of a fair national funding formula right is critical and we need to manage transition carefully so there is the minimum disturbance for schools. In the current economic climate, stability must be a priority.

As the Secretary of State announced today, we will therefore begin the process of reform by starting with simplifying the local funding arrangements, before moving to a new national funding formula during the next spending period. The document we have published today sets out our first steps towards introducing a national funding formula and explains how the system will operate from 2013-14.

The first thing we will do is to introduce three notional blocks into the DSG so that funding for schools, early years provision and high needs pupils is clearly identifiable. This will help local authorities to give schools earlier notification of their budgets so that they can plan their provision more effectively. Schools will continue to receive the stability they need as our plans also announce that the Minimum Funding Guarantee will remain at minus 1.5% per pupil for 2013-14 and 2014-15.

Funding for schools will need to be distributed using a much simpler and more transparent formula, so that schools can see clearly how their budgets have been calculated. This will also help to secure greater consistency in school funding across the country. We also expect local authorities to delegate as many services and as much funding as possible to their schools, so that they can spend their money in the way that best meets the needs of their pupils. To strengthen local decision-making we are also making some changes to the regulations regarding Schools Forums – so that they operate more transparently and efficiently.

Academies will continue to be funded by the Education Funding Agency but on the basis of the formula set by the local authority. This will ensure that both Academies and maintained schools continue to be funded on a fair and comparable basis.

We will also simplify arrangements for funding early years provision and will introduce a new methodology for funding high need pupils from 0 to 25. This will provide better support for pupils with high needs as well as giving greater choice to parents.

These measures will help to prepare us for introducing a national funding formula during the next Spending Review. It is important that we begin work urgently on this and so, alongside the document, we have also published operational guidance for local authorities so that they can begin to understand and work on the arrangements leading up to 2013-14.

School funding reform: Next steps towards a fairer system is the response of the Government to the last consultation and an important announcement of the way in which the Government is reforming the school funding system. It contains a small number of questions on the detail of reform and the consultation aspect is being conducted on-line and ends on 21 May. Copies of both the document and the response form are available at www.education.gov.uk/consultations/

Yours sincerely,



SARAH HEALEY

Director, Education Funding Group