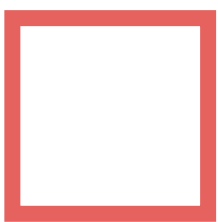


# Consultation on new school funding arrangements from 2006 - 07 - A summary



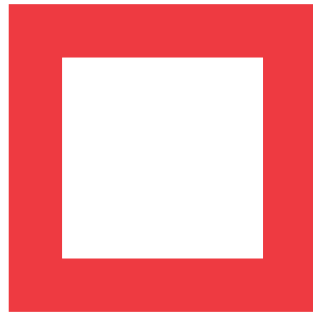


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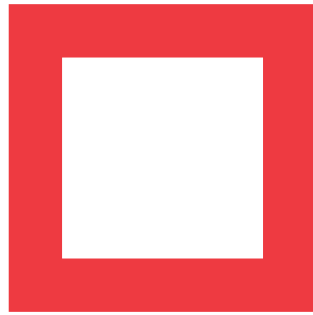
# About this document

This summary of the government's proposals on new school funding arrangements from 2006-07 complements the full consultation document. It focuses on those proposals which are likely to be of particular interest to those involved in financial planning and management in schools, while also briefly covering proposed changes at local authority level. You can cross-refer from this summary to the full consultation document if you wish to explore any of the proposals in greater detail.

There is a single consultation response form for all respondents covering all the issues on which we would like to hear views. We would welcome comments from a wide range of interests, including headteachers and teachers, school governors, bursars and other school support staff, and local authorities.

For details of how you can access the full consultation document, this summary and the response form on-line, order printed copies, or respond to the consultation, please see page 35.





# Introduction

*(Chapter 1 in the full consultation document)*

- 1 Last summer the Department for Education and Skills (DfES) published its Five Year Strategy for Children and Learners. It set out a promise of greater freedom and independence for schools to run their own affairs, with clear and simple lines of accountability, the security of three year budgets, and greater discretion over how they can spend their standards-related grants. This summary of the government's full consultation paper provides the details of how we propose to implement the funding elements of this promise.
- 2 Our proposals are part of a package of changes that form the "New Relationship with Schools" which is designed to provide streamlined and proportionate systems of funding and accountability, to allow schools to focus on raising standards and improving outcomes for every pupil. School finance is an important part of school improvement and the changes we propose will make it easier for schools to develop effective school improvement plans supported by a sound financial framework. Simply put, the advance knowledge and extra flexibility schools will have over their funding will allow them to budget with confidence for strategies to achieve excellence.

- 3 The role of schools within their wider communities is evolving. They have a significant contribution to make to improving the five outcomes for children and young people set out in *Every Child Matters: Change for Children* published on 1 December 2004 (see [www.everychildmatters.gov.uk](http://www.everychildmatters.gov.uk)). Strong, autonomous schools will be well placed to work with local authorities as they develop their Children's Trust arrangements and, from April 2006, their Children and Young People's Plans. The priorities each Trust sets will be tailored to local needs: schools will have a clear interest in influencing these priorities and, potentially, in being commissioned to deliver some of them, either individually or in clusters or partnerships.
- 4 The predictability and stability we offer around schools' core budgets will give a clear and secure basis from which schools can plan their response to these challenges, and to those that will come from future evolution in the system – such as the proposals to be set out in our forthcoming White Paper on 14-19 reform and the Green Paper on youth services.
- 5 It is 15 years since the first schools received delegated budgets. Subsequent reforms have given schools increasing responsibility for their own finances and, through the introduction of Schools Forums, a key say in local funding decisions. Our proposals build on these foundations, giving schools a real opportunity to make better informed, more strategic and longer-term decisions about the use of all available resources in support of school improvement, but also enable them to make the most effective use of those resources to gain better value for money.
- 6 A number of the proposals in this document envisage a strengthened role for Schools Forums. The Education Bill 2004 also includes provisions giving Schools Forums new responsibilities for taking some decisions which currently have to come to the Secretary of State for approval. For further information on these provisions, see: [www.teachernet.gov.uk/management/schoolfunding/Education\\_Bill\\_2004/](http://www.teachernet.gov.uk/management/schoolfunding/Education_Bill_2004/).
- 7 The consultation on these proposals will run for 12 weeks until 13 May. We are grateful to our national education partners, including the representatives of headteachers, governors and local authorities who are members of the School Funding Implementation Group, for their work with us and their guidance as we developed the detailed proposals. We now look forward to hearing from all those who will have the key responsibility for implementing the proposals from April 2006. Do use this opportunity to let us know your views and help us to shape our final decisions in the summer.





# Summary of the proposed new school funding arrangements

- 8 The government proposes three broad changes to the current school funding system to be introduced from April 2006.

***A change to the way central government provides funding for schools to local authorities***

- A Dedicated Schools Grant (DSG). From 2006-07, funding for schools and other services for pupils will be provided through a new ring-fenced grant from the Department for Education and Skills (DfES) to each local authority, instead of through general local government funding and Council Tax. Grant allocations will cover three years at a time (subject to the Spending Review cycle – see paragraphs 15 to 17) and will be provided on both a financial and an academic year basis.
- The introduction of the DSG will not change the way local authorities distribute funding to schools. For schools, the key effects of the introduction of the DSG are that it will enable three year budgeting, and ensure that schools benefit from nationally planned increases in school funding.

### ***Three year budgets for schools aligned to the academic year***

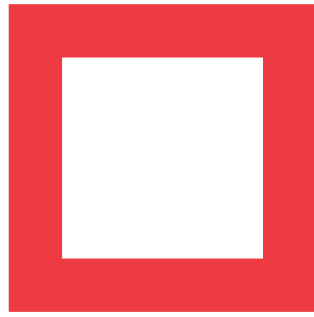
- With three year budgets, and a guaranteed minimum increase in per pupil funding every year, schools will have greater certainty and predictability in their funding, and this will enable more effective, longer-term financial planning and management.
- With the ability to budget on an academic year basis, schools will be able to align their financial planning with key decisions on staffing and curriculum.

### ***Streamlining of current standards-related grants from DfES to schools***

- A new Single Standards Grant, bringing together current standards-related grants to schools. Schools will be free to spend the grant on their own improvement priorities, as discussed with their School Improvement Partner.
- The Single Standards Grant will be distributed through a new formula introduced in two stages and with protection to ensure a stable transition to the new arrangements for all schools.

### **THE ROLE OF LOCAL AUTHORITIES IN THE NEW FUNDING ARRANGEMENTS**

- 9 Local authorities will continue to have a key role in school funding under the new arrangements. They will be responsible as now for deciding on the distribution of funding locally, in consultation with their Schools Forums, to reflect the needs and circumstances of schools in the area. But the proposals will also enable authorities to concentrate on their strategic and quality assurance roles in education. Local authorities will be able to add to the Dedicated Schools Grant from their own resources if they wish, but will not be required to do so.
- 10 ***Capital funding for schools*** is not affected by these proposals. Schools will continue to receive allocations of Devolved Formula Capital. For further details see: [www.teachernet.gov.uk/management/resourcesfinanceandbuilding/funding/capitalinvestment/news/](http://www.teachernet.gov.uk/management/resourcesfinanceandbuilding/funding/capitalinvestment/news/).



# Three year budgets for schools – financial framework

*(Chapter 2 in the full consultation document)*

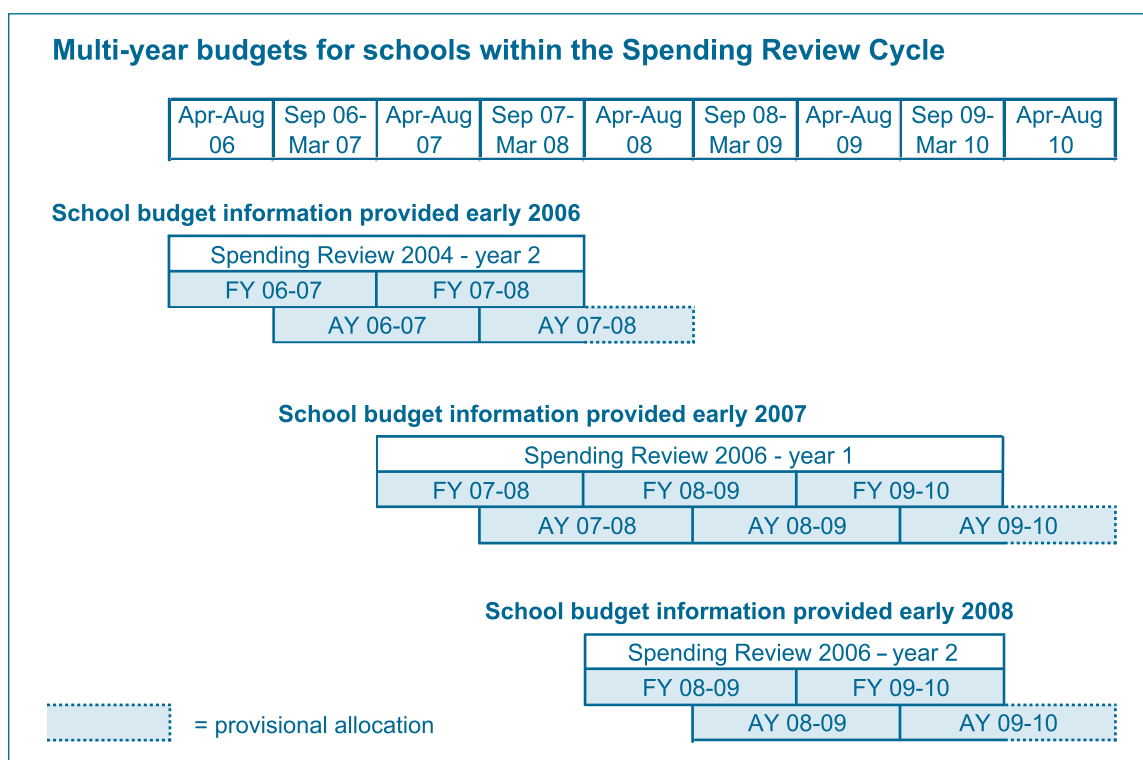
- 11 This section considers the wider financial framework within which three year budgets for schools aligned to the academic year will operate.
- 12 For schools to receive three year budgets from their local authority, the authority itself needs certainty about the allocations of Dedicated Schools Grant it will receive from DfES in each of those years. And DfES in turn must be confident that it will have the resources in future years to be able to deliver its commitment to provide a particular level of funding to each local authority in each of the three years. Three year budgets for schools must sit, therefore, within the government's Spending Review cycle.

## **THE CENTRAL GOVERNMENT FINANCIAL PLANNING FRAMEWORK: THE SPENDING REVIEW**

- 13 Financial planning across central government follows a two year cycle known as the Spending Review cycle through which, every other year, the government agrees collectively the national public expenditure totals for the next three years for all services, including education and other locally provided services. The third year of each cycle forms the first year of the next Spending Review settlement, two years later.
- 14 This means that in the first year of a Spending Review cycle, allocations of the new Dedicated Schools Grant to local authorities, and therefore school budgets, can be set for three years ahead. But in the second year of the cycle, grant allocations and budgets can only be set for two years. This will be the case when the new arrangements are first introduced from April 2006.

## ACADEMIC YEAR BUDGETING AND THE SPENDING REVIEW CYCLE

- 15** The Five Year Strategy proposed three year budgets for schools aligned to the academic year so that their financial planning can align with key decisions about curriculum and staffing. Schools will have to continue to account on a financial year basis for the reasons set out in paragraph 25. However, DfES proposes to give funding information to local authorities, who will in turn be able to give schools their budget information, in blocks of 5 months (April to August) and 7 months (September to March). Schools will be able to use this information to plan on an academic year basis.
- 16** This approach means that DfES would be providing allocations for 5 months beyond the end of the Spending Review period. Given the size of the national budget for school funding, this is a substantial commitment for the Department to make when resources have not yet been allocated to government departments through the Spending Review. For this reason, the funding allocations for the 5 months beyond the end of the current Spending Review would be on a provisional basis, subject to confirmation once the next Spending Review settlement was known.
- 17** Schools can therefore expect to receive multi-year budget information on an academic year as well as a financial year basis from 2006-07 as shown in the following diagram. This two year cycle will repeat with each new Spending Review.
- 18** The way in which these allocations might be updated as each financial year approaches is discussed at paragraphs 33 to 38.



### **Consultation Question 1**

Do you agree that it would be helpful to schools to receive forward budget information for at least two academic years as well as at least two financial years to aid forward planning? *(Paragraphs 18 to 21 of the full consultation document)*

### **Consultation Question 2**

Are there other ways in which either DfES or local authorities could help to extend schools' ability to plan ahead effectively?

#### **WHICH ACADEMIC YEAR?**

- 19** These proposals assume an academic year running from September to August. School teachers' contracts use a pattern of three terms starting in September, January and May, and their pay increase is now implemented in September. However, the Learning and Skills Council (LSC) currently uses an academic funding year running from August to July for school sixth form and further education college funding.
- 20** We are considering whether the school funding academic year should start in August or in September. The views of schools, especially those with sixth forms, would be particularly helpful on this issue.

### **Consultation Question 3**

Which funding year would be the most helpful for giving schools funding information for the academic year: August to July or September to August? *(Paragraph 22 of the full consultation document)*

- 21** The LSC is considering in parallel with this consultation how it could implement three year budgets for sixth form funding, and will consult in due course on proposed changes.

#### **ALIGNING FUNDING INCREASES WITH THE ACADEMIC YEAR**

- 22** Under the current funding arrangements, the level of school funding increases at the start of the financial year. However, the major cost pressure for schools is the increase in teachers' pay, which is implemented at the start of the academic year. Once we begin to offer funding information on an academic as well as a financial year basis, it will make more sense to align funding increases with the beginning of the academic year.

- 23 We propose, therefore, to calculate allocations of Dedicated Schools Grant on an academic year basis, reflecting the operational cycle of schools better than if these allocations were on a financial year basis. This has implications for the way local authorities manage the school funding system. An increase in funding from September means they would need to run their local funding formula on an academic year basis, with the Minimum Funding Guarantee and school budget shares also set on an academic year basis. The allocations could then simply be divided into 5 and 7 month funding blocks to provide either academic or financial year budgets for schools. (There would need to be a separate arrangement for the period April to August 2006.)
- 24 On a related issue, we are considering with the School Teachers' Review Body how to align its cycle with the school funding cycle. The aim is that when schools receive their first multi-year budget allocations for 2006-07 and 2007-08, they should also know the teachers' pay settlement for the period up to August 2008.

#### **Consultation Question 4**

Do you agree that the approach of having funding increases in September, with funding allocations aligned to the academic year, is sensible? *(Paragraphs 25 to 28 of the full consultation document)*

#### **SCHOOL ACCOUNTS**

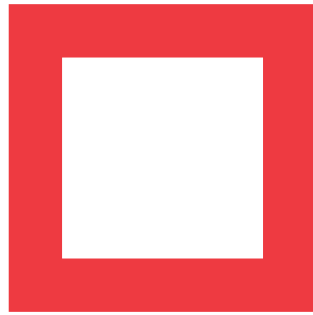
- 25 Under the current accounting framework, maintained schools must be included in the accounts of their parent local authority, which have to be on a financial year basis, and in the UK government's accounts which are also on a financial year basis. This means that schools must continue to account on at least a financial year basis, regardless of the basis on which their budgets are set.
- 26 Schools could however choose to account on an academic year as well as a financial year basis. This would make it possible for School Financial Benchmarking data (see paragraph 97) also to be presented on an academic year basis, to reflect more closely schools' planning cycles. However, there would be additional work and extra cost for schools in closing the accounts twice each year, estimated at £300 a year for a typical primary school and £360 a year for a typical secondary school.

#### **Consultation Question 5**

Do you think that the benefits of accounting on an academic year as well as a financial year basis outweigh the extra costs involved? *(Paragraphs 29 to 33 of the full consultation document)*

#### **Consultation Question 6**

Do you have any further comments on the proposals to give schools three year budgets aligned to the academic year?



# The new Dedicated Schools Grant

*(Chapter 3 in the full consultation document)*

**27** This section looks at the proposals for the new Dedicated Schools Grant from DfES to each local authority, which will replace the current system of providing funding for schools and other pupil provision through general local government funding and Council Tax.

## **THE DEDICATED SCHOOLS GRANT**

**28** We propose that the Dedicated Schools Grant (DSG) should cover the same elements of funding as the current Schools Formula Spending Shares (SFSS) – that is:

- a. funding delegated to individual schools; and
- b. funding for other provision for pupils which is retained centrally by the local authority, such as some special education needs, some early years provision and pupil referral units.

**29** Local authorities will not be able to use the DSG for any purpose other than school and pupil funding, which means that the current “passporting” arrangements will no longer be needed.

## **THE SIZE OF THE DEDICATED SCHOOLS GRANT**

**30** The national totals of DSG for 2006-07 and 2007-08, which will be announced during 2005, will deliver increases in each year over the total of local authorities’ Schools Budgets for 2005-06. However, the national total of DSG will also reflect the following transfers:

- a. Teachers' Pay Grant will be transferred into the Dedicated Schools Grant from 2006-07 because this grant funds core school activities. This transfer will need careful management and we propose at paragraph 76 how this might be done; and
- b. local authority matched funding for some Standards Fund grants which is currently included in SFSS will not be included in DSG. This is because of the proposal that in future authorities should receive 100% grant funding for all specific grants (see paragraph 84).

#### THE DISTRIBUTION OF DEDICATED SCHOOLS GRANT

- 31 The distribution of DSG to local authorities will be based on the current distribution of Schools Formula Spending Shares introduced in 2003-04. This will ensure stability as we move to the new arrangements. The distribution formula gives all local authorities the same basic entitlement for equivalent pupils plus top-ups reflecting the relative needs of each area.
- 32 We propose some small technical changes, however, largely reflecting the availability of more up-to-date data than was available previously. A summary showing how authorities' shares of DSG will be calculated and the proposed technical changes is at Annex A.

#### UPDATING FORWARD YEARS' ALLOCATIONS OF DEDICATED SCHOOLS GRANT

- 33 This next section considers a series of issues about how allocations of Dedicated Schools Grant should be updated.
- 34 First, we propose that allocations of Dedicated Schools Grant should be updated to reflect changes to pupil numbers rather than fixed on the basis of historical or forecast numbers for the entire three year funding period. This will ensure that each authority's allocation of Dedicated Schools Grant will reflect any demographic change in the pupil population.

#### **Consultation Question 7**

Do you agree that allocations of Dedicated Schools Grant should be adjusted in response to changes in pupil numbers, rather than being based on the initial pupil numbers used, without updates? *(Paragraph 57 of the full consultation document)*



- 35 We also propose that allocations of Dedicated Schools Grant based initially on forecast pupil numbers should be updated to reflect the actual pupil numbers present in the authority's schools in the financial year in question. This will ensure that local authorities' DSG allocations reflect up-to-date need, and use the same pupil numbers as are used in school budgets. This is different from the current system which uses "lagged" pupil numbers in allocations of Schools Formula Spending Shares: that is, pupil numbers counted in the year before the financial year in question.
- 36 Moving from lagged to actual pupil numbers raises an issue for local authorities with falling rolls. Such authorities currently receive a measure of protection from the use of lagged pupil numbers in Schools Formula Spending Share allocations. To preserve this protection under the new arrangements, it would be possible to use a combination of actual pupil numbers for authorities with static or rising rolls and lagged pupil numbers for authorities with falling rolls in the allocation of Dedicated Schools Grant.

#### **Consultation Question 8**

Should allocations of Dedicated Schools Grant continue to use lagged pupil numbers or move to up-to-date actual pupil numbers? *(Paragraphs 58 to 62 of the full consultation document)*

#### **Consultation Question 9**

If allocations of Dedicated Schools Grant use up-to-date actual pupil numbers, should we continue to use lagged pupil numbers for authorities with falling rolls? *(Paragraph 67 of the full consultation document)*

- 37 We propose that the unit of resource per pupil should be fixed for each local authority for each financial year of the three year funding period. This will give greater predictability, balancing the unpredictability of changing pupil numbers. It will enable local authorities to predict how their overall grant allocation would be affected by pupil number changes. The unit of resource per pupil would be based on the overall level of funding for an authority determined by the DSG distribution formula, and so would reflect local circumstances.

#### **Consultation Question 10**

Given that pupil numbers will be updated, will it be helpful to fix the unit of resource for the funding distributed to local authorities for the three year period? *(Paragraphs 63 and 64 of the full consultation document)*

- 38 Finally, we propose that the non-pupil data indicators in the distribution formula should be frozen for the three year period. This means that data such as the deprivation and area cost measures in the distribution formula would be fixed for the three year period, giving greater certainty about the level of grant in the forward years.

#### **Consultation Question 11**

Do you agree that the non-pupil data indicators should be frozen for the three year period based on an average of the latest actuals? (*Paragraphs 65 and 66 of the full consultation document*)

#### **TRANSITIONAL PROTECTION AND ENSURING STABILITY**

- 39 As some local authorities currently spend above and some below the level of their Schools Formula Spending Share, there will be transitional protection in the first years of the new arrangements until all authorities reach their formula allocation. No authority will receive less funding for schools than its current level of spending.
- 40 We propose that this protection should be through a “floor” (or minimum annual increase in DSG), and should be paid for through both a “ceiling” (or maximum annual increase) and a “damping block”. This is designed to protect schools in authorities which have spent more than their formula allocation in the past, and it would be similar to the transitional protection arrangements which accompanied the change to the current funding system in 2003-04. An explanation of how the protection would work is included in Annex A.

#### ***Falling rolls***

- 41 Pupil numbers in many areas are falling. This means that these authorities will receive lower cash increases than areas with static or rising pupil numbers. At paragraph 36 we consider using lagged rather than actual pupil numbers in the calculation of final allocations of Dedicated Schools Grant for such authorities to offer a measure of protection. In addition, we could build into the transitional arrangements a cash floor as well as a per pupil floor. This would give such authorities more time to manage the impact of falling rolls.
- 42 The Department is working with the Audit Commission to develop guidance on the action that schools and authorities with falling rolls can take, and these will be accessible shortly from: [www.teachernet.gov.uk/management/schoolfunding/](http://www.teachernet.gov.uk/management/schoolfunding/).

**Consultation Question 12**

How do you think the floor increase should be funded: solely through a ceiling, or through a damping block as well? *(Paragraph 77 of the full consultation document)*

**Consultation Question 13**

Should there be a cash floor, as well as one on a per pupil basis, built into the system to protect authorities with rapidly falling rolls? *(Paragraph 79 of the full consultation document)*

- 43** We also propose that there should be transitional arrangements to protect funding for other local government services when school funding transfers to the new Dedicated Schools Grant. The key issues for wider local government funding arising from the new school funding arrangements are addressed briefly in Annex A.

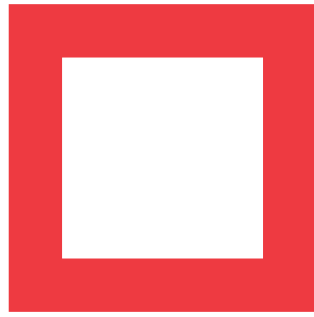
**Consultation Question 14**

Do you have views on what transitional arrangements are needed to ensure that there is no adverse impact on the rest of the local government finance system when DSG is introduced in 2006-07? *(Paragraphs 86 to 94 of the full consultation document)*

**Consultation Question 15**

Do you have any further comments on the proposals for the Dedicated Schools Grant?





# Three year school budgets: the distribution of funding from local authorities to schools

*(Chapter 4 in the full consultation document)*

**44** This section considers how local authorities might provide three year budgets for schools.

## **THE SCHOOLS BUDGET**

**45** Under the new arrangements local authorities will continue to set a Schools Budget each year, covering funding delegated to individual schools and other pupil provision retained centrally. The Schools Budget will be funded through:

- a. the authority's share of Dedicated Schools Grant;
- b. funding for school sixth forms from the Learning and Skills Council (LSC); and
- c. any additional funding the authority chooses to make available from its wider resources.

**46** There will continue to be a separate "LEA Budget", covering expenditure on the administration of the local education service and other items, and this will be funded as now through the wider local government finance system. We do not propose to change the split between the items in the new Schools Budget and the LEA Budget.

**47** The proposals in this document do not relate to LSC funding for sixth forms. LSC is considering separately how it could implement three year funding for sixth forms and will consult separately on proposed changes.

#### LIMIT ON CENTRAL EXPENDITURE

- 48 We propose that there should continue to be a limit on growth in the centrally retained items in the Schools Budget so that the budget for them does not grow at a faster rate than the Individual Schools Budget (ISB). (The ISB is the total of the funding delegated to individual schools.) The limit will not apply to any addition to the Schools Budget from the authority's other resources.
- 49 What is new is that, subject to the passage of relevant provisions in the Education Bill 2004 currently before Parliament, Schools Forums will be able to agree any proposal to exceed the central limit instead of the Secretary of State as now.
- 50 Under the three year funding arrangements, the relative sizes of the Individual Schools Budget and centrally retained items should be set for the three years, but could subsequently be varied with the approval of the Schools Forum in response to changing circumstances. However, this would clearly have an impact on the level of school budgets over the three years.

#### Consultation Question 16

Do you agree that the split in the Schools Budget between the Individual Schools Budget and the central items set at the beginning of a three year funding period could subsequently be varied with the agreement of the Schools Forum, if circumstances changed? (*Paragraph 101 of the full consultation document*)

#### MINIMUM FUNDING GUARANTEE

- 51 There will be a guaranteed minimum increase in per pupil funding for all schools each year. DfES will set the guarantee in advance for each year in the three year budget period, and it will operate in a very similar way to the guarantee in 2004-05 and 2005-06. The level of the guarantees for April 2006 through to the end of the academic year 2007/08 will be set in summer 2005.
- 52 Subject to the passage of relevant provisions in the Education Bill 2004, Schools Forums will be able to agree any variation to the detailed operation of the Minimum Funding Guarantee in response to particular local circumstances. This is also a power currently held by the Secretary of State.
- 53 We would welcome views on the level of the Minimum Funding Guarantee. Should it in future be set at or slightly above the level of estimated national cost pressures (as in 2004-05 and 2005-06), or at a lower value which would allow any changes to the local funding formula to flow to school budgets more rapidly?

### **Consultation Question 17**

Would you prefer a Minimum Funding Guarantee that continues to be set at or above cost pressures, or a lower value that would allow changes in a local authority's formula to flow through more rapidly? (*Paragraph 102 of the full consultation document*)

#### **HOW LOCAL AUTHORITIES MIGHT APPROACH SETTING THREE YEAR BUDGETS FOR SCHOOLS**

- 54** We will expect local authorities to set three year budgets for schools at a level which reflects as closely as possible the level of funding the school should expect to receive in each year, subject to updated pupil numbers, rather than simply setting budgets at the level of the Minimum Funding Guarantee set nationally for each year.
- 55** We propose that three year school budgets should be updated rather than fixed for the entire three year period. This would ensure that the funding schools receive will more fairly reflect their actual needs.

#### ***Generating and updating three year budgets***

- 56** Each local authority will continue to use its local funding formula to set budgets for individual schools under three year budgeting. These formulae have two main components: formula factors (including pupil numbers) and formula values.
- 57** The use of formula factors and formula values varies significantly in the formulae of different local authorities. In addition to pupil numbers by age or key stage, formula factors can include pupil characteristics associated with deprivation such as eligibility for free school meals (FSM); premises-related factors such as floor and grounds area and building conditions; and actual costs such as rent and rates.
- 58** Formula values are the units of funding by which the formula factors are multiplied to generate a school's budget and are set when the local authority sets its formula. As well as the core Age Weighted Pupil Unit (AWPU), they can include, for example, funding per child with an entitlement to a free school meal or with English as an additional language; funding per square metre of floor area or hectare of grounds; or funding for the maintenance of a swimming pool.
- 59** To produce three year budgets, a local authority will need to specify both the data associated with each formula factor, and each formula value, for each of the three years. The issue is then what data and values are subsequently updated.

#### ***Pupil number changes***

- 60** We propose that three year budgets for schools should be updated as pupil numbers change, so that funding reflects the number of pupils actually in school in the year in question, rather than fixing budgets for three years ahead on the basis of historical or forecast numbers.

### **Local funding formulae**

- 61 If pupil numbers are to be updated, schools' budgets for future years will change, depending on the actual pupil numbers for those years. This introduces some uncertainty, so it is important that other elements in the formula are as certain as possible, to provide schools with meaningful three year budgets. This implies that the underlying structure of the formula, and the formula values, will need to be set in advance of the three year period.
- 62 Local authorities will continue to devise and implement their own funding formulae in consultation with their Schools Forums. In the interests of predictability, we think that the operation of the local formula for the three years should be known at the start of each three year funding period. We propose, therefore, that local authorities should plan and consult on any changes due to be implemented during the three year period before school budgets for the three years are determined. This means, for example, that authorities should consult on any changes they propose to their formula for 2007-08 as well as 2006-07 before school budgets for both years are announced in early 2006.
- 63 In exceptional circumstances, however, there may be a case for allowing authorities, with the agreement of their Schools Forum, to change their formula once three year budgets have been set.

#### **Consultation Question 18**

Do you agree that local authorities should be allowed to change their formulae once three year budgets have been set, under exceptional circumstances and with the agreement of their Schools Forum? *(Paragraph 116 of the full consultation document)*

### **Options for changes in non-pupil formula factors**

- 64 The final aspect to be considered is whether and how data other than pupil numbers should be updated to reflect the actual circumstances in the year in question. There is a tension here between:
- giving more predictable but less responsive budgets, where the school could easily establish its budget for a given number of pupils, but other changes in circumstances would not be reflected in its budget until future years' allocations are made; and
  - giving a budget which more accurately reflects the school's circumstances but is less predictable. The greater number of variable factors will mean that schools will have less confidence in the predictability of the budget but more confidence that funding will reflect the circumstances the school will face in the year in question.



### **Consultation Question 19**

Which do you think is more important: a system which allows schools to predict their future budget with more certainty, but is less responsive to changes in circumstances; or a system which allows all relevant data to be updated in the final budget? *(Paragraph 117 of the full consultation document)*

- 65 The balance between predictability and responsiveness could be different depending upon how far away the financial year is. It would be possible to have:
- a. a predictable budget for the forthcoming year, where only the pupil numbers (and possibly a limited number of non-pupil factors) are updated; and
  - b. a more responsive budget for the years which are further away. Schools could use these forward years' budgets largely as a planning tool to help them make better informed, long-term decisions.

### **Consultation Question 20**

Do you agree that it would be sensible to have more predictable arrangements for updating the budget for the forthcoming year, and less predictable but more responsive arrangements for the years further away? *(Paragraphs 118 and 119 of the full consultation document)*

#### **OPTIONS FOR UPDATING THREE YEAR BUDGETS**

- 66 We have identified three broad options for how indicative budgets could be updated, providing a range of approaches from:
- a. a simple, predictable, but less responsive approach; to
  - b. a more responsive, but more complex and less predictable approach.

#### **Option 1: Updating funding delivered through the AWPU only**

- 67 Under this option, the only part of a school's budget that would be updated would be that component generated by the Age Weighted Pupil Unit (AWPU) to reflect the actual number of pupils that were present. Every additional pupil over the original estimate would attract only the AWPU; and if there were fewer pupils than estimated, the indicative budget would be reduced by the AWPU only. (In the case of place or ghost funding of special schools, nursery and infant classes, the update would reflect changes in agreed place numbers of additional pupils compared to funded places.)
- 68 No other data would be updated. So it would be simple for schools to predict their likely budget for a given number of pupils, but it would not allow other changes in circumstances to feed through such as the actual number of pupils eligible for free school meals.

- 69 Under the approach described at paragraph 65 of budgets becoming progressively firmer as the year approaches, this might be the best way to update budgets for the year immediately ahead.

***Option 2: Updating non-pupil data as well as pupil numbers***

- 70 Under this approach, the local authority would set the various values in the formula when setting the initial three year budget. It would then update for some or all of the non-pupil data as well as the pupil numbers. The budget could be updated just for changes in, for example, numbers of pupils eligible for free school meals, or for a combination of factors, or indeed for all factors. The more factors were subject to updating, the less certainty schools would have about their funding in forward years – particularly primary schools where the number and characteristics of pupils are more variable from year to year.
- 71 Equally, the more factors that are updated, the greater the risk that the total of schools' updated budgets might exceed the authority's total allocation of Dedicated Schools Grant. This would increase the pressure on authorities to retain a contingency. To avoid this, formula values under this option could be scaled slightly upwards and downwards when they are updated to reflect the changing circumstances across the authority. For example, if there were more pupils eligible for free school meals across the authority than originally estimated, the FSM formula value would go down slightly in the next year; and it would go up if there were fewer such pupils.
- 72 This option could also fit into the concept of progressively firmer budgets, with more factors being updated in years 2 and 3 and fewer updates in the year immediately ahead.

***Option 3: Local decisions on updates***

- 73 As an alternative to the DfES specifying a national model, local authorities could decide on the approach to be taken in their area in consultation with their schools and the Schools Forum, with DfES specifying the overall conditions or limitations.

**Consultation Question 21**

Which of the following three options do you think local authorities should use to update the indicative budget:

- a. pupil number changes applied to AWPU's only;
- b. pupil number and non-pupil data; or
- c. an approach to be decided locally?

*(Paragraphs 120 to 129 of the full consultation document)*

- 74 With all of these options there may be a few budget categories where there must be annual updates – for example funding for named SEN pupils, where our view is that the funding will need to follow the pupil and therefore be re-determined each year in the same way as pupil numbers.

### **Consultation Question 22**

Do you agree that funding for named SEN pupils should not be included in school budget forecasts for future years? (*Paragraph 121 of the full consultation document*)

### **SMALL SCHOOLS, SPECIAL SCHOOLS AND NURSERY SCHOOLS**

- 75 We will need to ensure that whatever method is chosen to redetermine school budgets, the arrangements are appropriate for small schools, to preserve any protection they already receive within the local formula, and for special and nursery schools with place-led funding. We propose to take this work forward with our national partners in parallel with this consultation.

### **MANAGING THE TRANSFER OF TEACHERS' PAY GRANT INTO MAINSTREAM FUNDING**

- 76 As explained at paragraph 30, we propose to transfer the Teachers' Pay Grant into the DSG from 2006-07. The distribution of Teachers' Pay Grant is different to the distribution of the core budget and so the impact of the transfer will need to be carefully managed at school level. There are three options for managing this transfer to ensure that all schools receive funding increases:
- a. allow the funding to flow through the local funding formula and rely on the Minimum Funding Guarantee to ensure funding increases for all schools;
  - b. local authorities could identify the proportion of the Dedicated Schools Grant which equates to Teachers' Pay Grant, based on allocations of this grant in 2005-06, and identify this as separate grant, allocating it as now on the basis of numbers of post-threshold teachers. This would result in greater stability for all schools, but would be unresponsive to schools' emerging needs; or
  - c. we could offer local authorities and their Schools Forums discretion over the option or combination of options to be adopted locally.

### **Consultation Question 23**

Which is the best approach to avoiding turbulence when Teachers' Pay Grants are included in mainstream funding?

- a. allowing the funding to flow through an authority's formula and letting the Minimum Funding Guarantee moderate any turbulence;
- b. allowing an authority to include a factor in their formula to continue the current distribution; or
- c. allowing an authority the flexibility to take an approach between the two options above?

*(Paragraphs 134 to 139 of the full consultation document)*

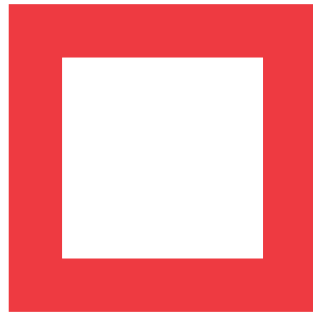
### **THE DEPRIVATION FUNDING REVIEW**

**77** DfES has been reviewing with the Treasury the extent to which schools with significant numbers of children from the most deprived backgrounds receive funding for these children through local authorities' funding formulae, since they face the greatest challenges in helping these children to realise their potential.

**78** This review will report shortly, and the report will be available at [www.teachernet.gov.uk/management/schoolfunding/](http://www.teachernet.gov.uk/management/schoolfunding/).

### **Consultation Question 24**

Do you have any general comments on the approach local authorities might take to giving schools three year budgets?



# The new Single Standards Grant

*(Chapter 5 in the full consultation document)*

## STREAMLINED STANDARDS-RELATED FUNDING

- 79** The government thinks it is right to keep a separate funding stream outside core funding for schools, to support improvement activities and national priorities, and to promote innovation. However, in keeping with the emphasis on sharper accountability and a reduction in bureaucracy and burdens in the New Relationship with Schools, we propose to introduce a new Single Standards Grant combining most direct payments to schools for standards-related activities and with schools receiving three year allocations.
- 80** Schools will have complete discretion over the use of the new grant and there will be many fewer conditions and reporting requirements. Instead, the focus will be on pupil level outcomes, with greater opportunity for schools to fashion, through a single plan, the mix of activity which will best improve their pupils' achievement.
- 81** The school's use of all its resources, including the new Single Standards Grant, to provide a high quality education for all its pupils will be an important dimension of accountability in the planned annual conversation between the school and its School Improvement Partner. We will be consulting in March on the overall pattern of the work of School Improvement Partners and the development of the New Relationship with Schools.

## WHAT WILL BE INCLUDED IN THE NEW SINGLE STANDARDS GRANT?

- 82** We propose to combine the following in the new Single Standards Grant:
- most funding streams which currently come under the umbrella of the Standards Fund, including those which reflect schools' additional roles and responsibilities in the system, for example, Specialist Schools and other leading schools grants;
  - the current School Standards Grant; and
  - grant funding currently managed through partnerships across the LEA or groups of schools, such as Excellence in Cities and the Behaviour Improvement Programme.
- 83** We propose that the following grants should remain separate:
- targeted grants to schools with particular difficulties related to pupil attainment and improving standards, for example, schools causing concern or failing. The use of targeted grant will be discussed and agreed by the school through the annual conversation with its School Improvement Partner;
  - Ethnic Minority Achievement Grant, which will continue as separate, ring-fenced support where it is needed; and
  - specific grants to schools taking part in the time-limited trialling of new initiatives.
- 84** Standards Fund grants which currently require matched funding from the local authority will in future be 100% grant funded. Annex B shows which current grants we propose to include in the new Single Standards Grant and which we propose to keep separate.

### **Consultation Question 25**

Do you agree that we should retain a small number of grants to offer targeted support and for activities that require support on a continuing basis? (*Paragraph 154 of the full consultation document*)

### **Consultation Question 26**

Could any more of the existing targeted grants be made part of the amalgamated grant? (*Annex B of this document/Annex E of the full consultation document*)

## A TWO-STAGE TRANSFER TO THE NEW SINGLE STANDARDS GRANT

- 85** We propose a two-stage process for the creation of the new grant: a two-year period of stability for 2006-07 and 2007-08, and then progressive movement from April 2008 towards a simpler distribution formula for the longer term.

## Standards Fund in the transitional phase

- 86** For 2006-07 and 2007-08 we will amalgamate the existing Standards Fund grants (that is, those shown in Annex B as moving into the new grant) into a single grant with no distributional changes. Grant allocations will be based on each local authority's 2005-06 allocations for each grant, increased by a given percentage in each year (subject to the overall resources available for schools in 2006-07 and 2007-08). All schools will be entitled to the same percentage cash increase, with local authorities able to retain the same cash amount as the previous year. We will expect local authorities to give early and complete allocations of the new grant to schools for both years.
- 87** Local authorities will be allowed to retain as much of the new grant as in previous years for coordinating and facilitating programmes such as Excellence in Cities and the Behaviour Improvement Programme. Funding that has been devolved to an individual school so that it can provide a service across a partnership will continue to be conditional on that service being provided (for example, funding for City Learning Centres).

## School Standards Grant in the transitional phase

- 88** We propose to move the existing School Standards Grant onto a fairer basis in 2006-07 and 2007-08 towards a lump sum plus per pupil allocation with suitable damping arrangements in place to ensure stability. We will consult in due course on details of the new formula and on arrangements to ensure stability during the change to the new formula.

### **Consultation Question 27**

Do you agree that we should opt for stability in the first two years of the amalgamated grant by aggregating current Standards Fund grants without formula changes for that period? *(Paragraphs 152 and 153 of the full consultation document)*

### **Consultation Question 28**

Do you agree that we should move the existing School Standards Grant to a lump sum and per pupil basis during the transitional phase, with suitable damping arrangements to ensure stability? *(Paragraphs 156 and 157 of the full consultation document)*

## **INTRODUCTION OF A SINGLE STANDARDS GRANT FROM APRIL 2008**

- 89** We propose to move to a Single Standards Grant from April 2008, with a single formula. To do this, we will collect baseline figures of the amounts every school receives under both the amalgamated grant and the School Standards Grant to inform the distribution of the new Single Standards Grant from 2008-09. This will help us to ensure stability for schools as we move to the new formula.

- 90 The single formula will be a flat rate per school (to protect small schools) plus an amount per pupil, with a weighting for relative deprivation. DfES will consult in due course on the detailed formula and on suitable arrangements to provide stability for schools for as long as is necessary through the transitional period.

**Consultation Question 29**

Do you agree that the Standards Fund and the School Standards Grant should be brought together into a Single Standards Grant from 2008, using a single formula that is pupil led and has a per school element to protect small schools and a deprivation measure? *(Paragraph 160a of the full consultation document)*

**THE FUTURE OF LEA-RETAINED STANDARDS FUND GRANTS AND GRANTS ADMINISTERED BY GROUPS OF SCHOOLS**

- 91 To ensure that coordination and collaboration work can continue to be supported, for example under initiatives such as Excellence in Cities and the Behaviour Improvement Programme, we propose that local authorities can continue to hold back as much from the single grant as they had in the previous year. We also propose that schools could agree, through their Schools Forums, to increase the holdback by top-slicing a further proportion of schools' Single Standards Grant to support such activities.

**Consultation Question 30**

Do you agree that we should allow schools to agree, through their Schools Forum, to local authorities increasing the level of holdback for coordination and collaboration purposes by top-slicing the new Single Standards Grant? *(Paragraph 162 of the full consultation document)*

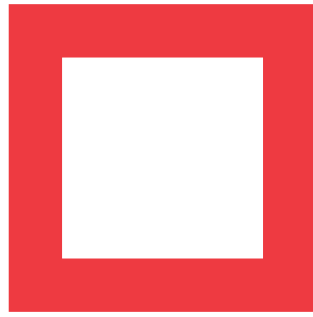
**STANDARDS FUND GRANTS SPENT AT LEA LEVEL**

- 92 Standards Fund grants that are currently spent at local authority level will be held flat in cash terms during the transition period. We will consider the position of these grants along with other funding streams that go to local authorities for education and other children's services.

**Consultation Question 31**

Do you have any further comments on the proposals for the new Single Standards Grant?





# Strategic Financial Management and Planning

*(Chapter 6 in the full consultation document)*

## INTRODUCTION

- 93** The education service today puts increasing emphasis on professional autonomy at school level coupled with a more personalised approach to meeting the needs of pupils. The strategic management of resources at school level therefore becomes ever more vital. Schools should develop their capacity to achieve the optimum deployment of resources.
- 94** Effective financial management is essential if schools are to:
- a. make the most of their resources, demonstrating value for money;
  - b. allocate and deploy resources effectively to meet school priorities for development and improvement; and
  - c. exercise proper control and stewardship over the significant amounts of public funding entrusted to them.
- 95** The introduction of three year budgets enables schools to plan strategically – linking financial planning with school improvement and development plans.

## RECENT DEVELOPMENTS SUPPORTING IMPROVED FINANCIAL PLANNING AND MANAGEMENT

- 96** *Consistent Financial Reporting (CFR)* was introduced in April 2002 to aid school accountability and enable schools to benchmark their finances.

- 97 *The Schools Financial Benchmarking area on TeacherNet* was launched by DfES in November 2003 in partnership with the Audit Commission and Ofsted and can be found at [www.teachernet.gov.uk/schoolfinance](http://www.teachernet.gov.uk/schoolfinance). Schools can use the website to compare their expenditure and attainment levels with similar schools so that they can identify how their resources might be used more effectively for school improvement.
- 98 *The Financial Management in Schools (FMiS)* programme was set up in October 2003 to help schools develop their financial management. The programme, developed and delivered by the National College for School Leadership (NCSL) and KPMG, includes workshops for schools and local authority staff, consultancy support and a dedicated website. A second phase of FMiS began in September 2004 with a focus on financial management in the context of workforce reform and falling rolls. The website can be found at [www.ncsl.org.uk/mediastore/image2/fin\\_mgmt/index.htm](http://www.ncsl.org.uk/mediastore/image2/fin_mgmt/index.htm).
- 99 *The Financial Management Standard and Toolkit* for schools was launched in June 2004 and helps schools to evaluate the quality of their financial management and train staff to become better financial managers, leading to better value for money. It has been developed by DfES and the Institute of Public Finance (IPF) and is available to all schools at [www.ipfbenchmarking.net/consultancy\\_dfes/INDEX.pdf](http://www.ipfbenchmarking.net/consultancy_dfes/INDEX.pdf)

#### DEVELOPING THE FINANCIAL MANAGEMENT STANDARD AND TOOLKIT

- 100 We would appreciate views on whether the Financial Management Standard, which is currently voluntary, should ever become mandatory, possibly just for secondary schools in the first instance. It is a useful tool for reassuring governors, headteachers, finance committees, local authorities and Ofsted that steps are in place to ensure sound financial management. Mandatory status would provide reassurance that public funds entrusted to schools are being used appropriately and efficiently.

#### **Consultation Question 32**

Do you think that the Financial Management Standard should become compulsory?  
(Paragraphs 176 and 177 of the full consultation document)

#### **Consultation Question 33**

How could the Financial Management Standard and Toolkit and Schools Financial Benchmarking website be improved for users? (Paragraphs 176 and 177 of the full consultation document)

- 101 Many schools have requested a formal arrangement for the external assessment of schools against the Financial Management Standard to provide formal, visible recognition that they meet it. We propose to make external assessment available to schools that want it from April 2005. We are currently consulting separately on this, with a deadline of 22 February 2005 – see [www.dfes.gov.uk/consultations/](http://www.dfes.gov.uk/consultations/).

## IMPROVING PROCUREMENT

- 102** Schools and local authorities can make savings through better procurement of goods and services which they are then free to use as they see fit to improve standards and services. The Department is establishing a Centre for Procurement Performance (CPP) to identify and encourage the adoption of better procurement across all parts of the education system, with the aim of ensuring that a greater proportion of funding is redirected to frontline service delivery. The CPP has a national focus and will work in partnership with local authorities and the Regional Centres of Excellence (RCEs) established by the Office of the Deputy Prime Minister to promote the advantages and benefits of more cost-effective procurement arrangements.
- 103** The key initial role of the CPP will be to identify elements of school and LEA procurement that could take advantage of economies of scale or otherwise be improved. Initial fieldwork indicates that at least the following areas of expenditure may be worth examination: school insurance, school meals, curriculum materials, transport, teacher and supply teacher recruitment, and a range of common services across the system as a whole such as utilities, cleaning and grounds maintenance.

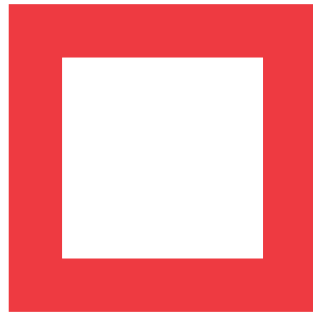
### **Consultation Question 34**

What sort of procurement deals and arrangements would be most suitable for schools? *(Paragraphs 195 to 203 of the full consultation document)*

### **Consultation Question 35**

In what other ways can schools become more productive and efficient in the use of their resources?





# How to respond and further information

*(Chapter 7 in the full consultation document)*

## HOW TO RESPOND TO THIS CONSULTATION

**104** The consultation response form is available at [www.dfes.gov.uk/consultations/](http://www.dfes.gov.uk/consultations/). You can complete this on-line, or download it and post it to us. Copies of the form are also enclosed with printed copies of this consultation document and the separate summary document.

- If you are responding on-line, select the “Respond on-line” option at the beginning of the consultation webpage: [www.dfes.gov.uk/consultations/](http://www.dfes.gov.uk/consultations/).
- If you prefer you can
  - send your completed response form to:  
Department for Education and Skills  
Consultation Unit  
Area 2A  
Castle View House  
East Lane  
Runcorn  
Cheshire WA7 2GJ
  - fax it to: 01928 794248
  - e-mail it to: [SchoolFunding.Consultation@dfes.gsi.gov.uk](mailto:SchoolFunding.Consultation@dfes.gsi.gov.uk)

**105** The closing date for the consultation is **13 May 2005**.

#### **PUBLICATION OF RESULTS**

**106** An analysis of the responses to the consultation will be placed on the DfES website in summer 2005.

#### **HOW TO ORDER COPIES OF THE CONSULTATION DOCUMENT**

**107** If you would like a printed copy of the full consultation document, this summary, or the response form, they can be downloaded from [www.dfes.gov.uk/consultations/](http://www.dfes.gov.uk/consultations/).

**108** Alternatively, printed copies of either document and the response form may be requested by e-mail from [dfes@prolog.uk.com](mailto:dfes@prolog.uk.com) or by telephone on 0845 602 2260.

#### **IF YOU HAVE ANY QUESTIONS ABOUT THE PROPOSALS OR WOULD LIKE TO KNOW MORE**

**109** If you would like to ask us about any aspect of the proposed funding arrangements, please e-mail the School Funding Team at [Schoolfunding.Questions@dfes.gsi.gov.uk](mailto:Schoolfunding.Questions@dfes.gsi.gov.uk), or call us on 020 7925 6706. You can also visit the school funding area on TeacherNet where we will keep a list of Frequently Asked Questions up to date and post any additional information that becomes available during the consultation period. The address is [www.teachernet.gov.uk/management/schoolfunding/](http://www.teachernet.gov.uk/management/schoolfunding/).

#### **AFTER THE CONSULTATION**

**110** We will continue to work on the detail of the proposals with our partners, taking into account the views expressed in the consultation. Ministers expect to announce final decisions on the key issues over the summer, in light of the responses to the consultation, in time for the first allocations of Dedicated Schools Grant to be made in autumn 2005.



## Annex A

# The detailed arrangements for distributing Dedicated Schools Grant, including transitional arrangements

### THE FORMULA FOR DISTRIBUTING THE DEDICATED SCHOOLS GRANT

The government proposes that the new Dedicated Schools Grant should be distributed to each local authority through essentially the same formula used in the current funding system to allocate Schools Formula Spending Shares.

The current formula gives each local authority a basic entitlement per pupil and then provides top-ups reflecting the relative needs of each area. One top-up reflects significant deprivation, recognising that pupils from more deprived backgrounds have additional learning needs and require additional help if they are to have equality of opportunity. Another top-up goes to areas where it costs more to recruit and retain teachers and other school staff. There is also an allowance to reflect the higher costs of maintaining small schools in sparsely populated areas.

The current formula is relatively new, having been introduced only two years ago after extensive development work with our partners and full consultation. There is no substantial evidence yet suggesting that another major review is needed. So in the interests of maintaining stability for schools in their funding as they move to three year budgeting, we do not propose major changes to the distribution formula at this time.

### **PROPOSED CHANGES TO THE DISTRIBUTION FORMULA**

We do propose some technical changes, and will work on these with our partners through the spring. Two of the proposed changes are about using more up-to-date data for measuring deprivation and sparsity. We will also consider the case for a mobility measure in the formula to reflect the fact that schools in some areas face higher levels of pupil turnover than others.

### **TRANSITIONAL ARRANGEMENTS**

Whenever the school funding distribution arrangements change, there are inevitably authorities which do well and others which do less well from the change. We protect against the instability this can cause by building in transitional arrangements. These are designed to protect those authorities that would otherwise not see an adequate increase in funding over the previous year.

With the introduction of the Dedicated Schools Grant, we will need transitional protection. Currently some authorities spend below their formula allocation and some spend above, reflecting historical decisions. In moving to the new arrangements we will ensure through transitional arrangements that every authority receives an increase in its Schools Budget each year.

We propose to do this by setting a “floor”, or minimum, increase in funding per pupil at local authority level each year over the previous year’s provision. The “floor” would be paid for partly through a “ceiling”, which limits the size of the increase an authority can receive in any one year, and partly through a “damping block” which means that all authorities receiving increases above the floor contribute to the cost of the floor. This will be very similar to the damping arrangements in place since the change in the school funding arrangements in 2003-04.

### **TRANSITIONAL PROTECTION FOR THE WIDER LOCAL AUTHORITY FUNDING SYSTEM**

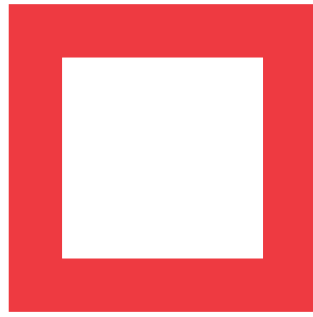
The transfer of central government funding for schools from the wider local government funding system into the new Dedicated Schools Grant will have an impact on funding for other local authority services. There will need to be transitional protection to ensure that no authority sees an unmanageable change in the amount of central government resources available for other services. The Office of the Deputy Prime Minister will be leading the detailed work on this with central and local government partners.

### **FURTHER INFORMATION**

For further detail on the distribution formula and the proposed transitional arrangements, see Chapter 3 and Annex A of the full consultation document.



## Annex B



# Specific Grants in the New Grants Structure from 2006–07 to 2007–08

School Grants	Amalgamated Single Grant	School Targeted Grants	Continuing Separate Grants
1 School Development Grant	✓		
3 Ethnic Minority Achievement (EMAG)			✓
4 Advanced Skills Teachers (ASTs)	✓		
6 Teachers' Pay Reform Grant	To be transferred to the DSG		
7 Targeted Support for Primary Strategy		✓	
7b Primary Strategy: Networks, Behaviour, MFL and Foundation Stage subjects		✓	
8 Targeted Support for Key Stage 3		✓	
9 Leadership Incentive Grant	(i)		
10 Targeted Improvement Grant		✓	
11 Beacon Schools	n/a	n/a	n/a
12 Leading Edge	✓		
13 Specialist Schools	✓		
14 Training Schools	✓		
15 Extended Schools			✓

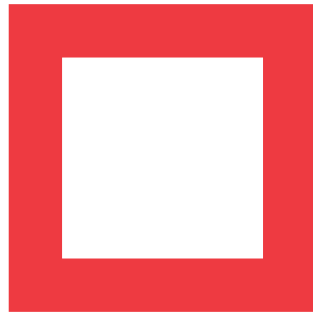
<b>School Grants</b>	<b>Amalgamated Single Grant</b>	<b>School Targeted Grants</b>	<b>Continuing Separate Grants</b>
16 Federations			✓
17 Gifted and Talented Children	✓		
18 Excellence in Cities (EiC) and Excellence Clusters	✓		
19 Targeted Behaviour and Improvement Programme (EiC)	✓		
20 Aimhigher			✓
21 Fresh Start and New Partnerships		✓	
40 Enterprise Learning	✓		
Total programme for 2005–06 (£ million, including matched funding)	1,600	250	250

Notes:

A detailed description of the three grant types can be found at paragraphs 152 to 155.

(i) Leadership Incentive Grant is a three year programme ending in March 2006. From April 2006, we will continue to offer extra support to the most vulnerable schools through the amalgamated grant.

<b>Local Authority Grants</b>	<b>Amalgamated Single Grant</b>	<b>School Targeted Grants</b>	<b>Continuing Separate Grants</b>
22 Primary Strategy: Central Coordination			✓
23 Key Stage 3 Strategy: Central Coordination			✓
24 Key Stage 3 Behaviour and Attendance: Central Coordination			✓
25 LEA Support for Workforce Remodelling			✓
26 Music Services			✓
27 Education Health Partnerships			✓
28 Vulnerable Children			✓
29 Investigation and Referral Support Co-ordinators			✓
30 Playing for Success School Travel Advisers			✓
39 Pilot/Pathfinder Projects			✓
Total programme for 2005–06 (£ million, including matched funding)			350



## Annex C

# Glossary

### D

*Dedicated Schools Grant (DSG)* – The new ring-fenced grant that, from 2006-07, will replace the current Schools Formula Spending Share.

### E

*Ethnic Minority Achievement Grant (EMAG)* – A ring-fenced grant for schools and local education authorities, aimed at narrowing the achievement gap for minority ethnic groups who are underachieving, and to meet particular needs of pupils for whom English is an additional language.

### F

*Funding Formula* – A local authority has to delegate funding to schools via a funding formula. The formula is governed by regulations. However, authorities have a degree of discretion over its composition, depending on local needs and circumstances.

### I

*Individual Schools Budget (ISB)* – The total amount of funding allocated to schools in a particular authority in the form of budget shares in any one year. The ISB is a subset of the Schools Budget.

### L

*LEA Budget* – The amount of funding the LEA plans to spend on its strategic and statutory duties.

## M

*Minimum Funding Guarantee (MFG)* – A funding guarantee for all schools that ensures the value of its per-pupil funding increases from one year to the next by a minimum amount (set annually by the DfES).

## P

*Passporting* – the process of passing on the year on year increase in schools funding (ie the increase in the Schools Formula Spending Share and specific formula grants) through a commensurate increase in the authority's Schools Budget. A local authority that passes on the full increase to its Schools Budget is described as having "passporting" in full. A local authority is currently legally entitled to divert some of the increase in schools funding to other purposes, but in recent years the government has strongly encouraged authorities to passport in full. The passporting process will become irrelevant once the Dedicated Schools Grant is introduced.

## S

*Schools Budget* – The amount of funding a local authority plans to spend on school and pupil provision. It includes the ISB and expenditure the authority uses for non-school pupil provision such as pupil referral units. From 2006-7 this budget will cover the same expenditure areas as the current Schools Budget. As a minimum, it will be the value of an authority's Dedicated Schools Grant and its allocation of funding for school sixth forms from LSC; however, it could be higher if an authority adds to it from its own resources.

*School Budget Share* – The amount that an individual school receives from the ISB via its authority's funding formula.

*Schools Formula Spending Share (SFSS)* – Formula Spending Shares for various services, together with assumptions about Council Tax, are the basis on which grant is distributed to local authorities under current system. The Schools Formula Spending Share relates to pupil provision (both funding delegated to schools and non-delegated expenditure such as on pupil referral units). An explanation of how the formula works is at Annex A of the full consultation document.

*Schools Forum* – A funding advisory body (one in each LEA) consisting of head teachers, governors and others.

*School Funding Implementation Group (SFIG)* – The Department's partner and stakeholder group consisting of representatives of head teacher and teacher associations, national governor associations, the Local Government Association and ConfEd.

*School Improvement Partner (SIP)* is a nationally accredited professional 'critical friend' to a school, focusing on the school's development. The SIP's role is to help the school map out its future priorities and to build its capacity to evaluate its performance and implement

change. We will explore the proposed role of the SIP in more detail in consultation on the New Relationship with Schools to be published in March 2005.

*School Standards Grant (SSG)* – An annual lump-sum grant every school receives (depending on school size and type). It is allocated via local authorities but authorities have no discretion over its distribution.

*Standards Fund* – A series of grants provided by the DfES to support initiatives such as the Literacy strategy, Advanced Skills Teachers etc. There has been a rationalisation of these grants over the last few years, and this trend will continue with our proposals for the new Single Standards Grant.

*Single Standards Grant* – The proposed new grant, drawing together and streamlining current standards-related funding for schools designed to support improvement activities and national priorities, and to promote innovation.





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