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Vernon Coaker MP

Minister of State for Schools and Learners

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Ms Samantha Hyde
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7th April 2010

Dear Samantha,

Thank you for your letter of 3 March to Rt Hon Dawn Primarolo about school funding in Newham. I am replying as the Minister responsible for the review of the Dedicated Schools Grant.

I acknowledge your concern about misalignment between the areas covered by the different teachers' pay bands and the Area Cost Adjustment inherent in the Dedicated Schools Grant (DSG). I can assure you that we are aware of this issue and it is being considered as part of the review of the DSG.

The current position is that schools are funded on the basis of a three year settlement which runs from 2008-11. The funding that local authorities receive is based on the amount that an authority spent on education in 2005-06, and gives local authorities a guaranteed per pupil cash increase each year. This is called the 'spend plus' method and meant that Newham will have seen an increase in its DSG of 12.7% per pupil over the three years from 2008-11.

During our consultation on school funding arrangements for 2008-11, most respondents stated that they would prefer us to retain the spend plus method of distribution, saying that it provided stability and allowed schools to react to changes gradually. That said, respondents to the consultation commented that the spend-plus methodology is unsustainable in the longer term and Ministers decided that there should be a review to develop a formula for the distribution of DSG that would be available for use from 2011-12.



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The review was launched at the end of January 2008. Its aims and principles are:

- to develop a single transparent formula for the distribution of DSG, which distributes resources in line with relative need, recognising the different costs of educating particular groups of pupils and providing education in different areas. The formula should be simple, transparent and stable to provide a funding system that;
 - supports schools and LAs raise educational achievement of all pupils and narrow achievement gaps – particularly those from low income and disadvantaged backgrounds;
 - reflects the changing role of schools, particularly in context of the Children's Plan; and,
 - ensures that we align resources behind agreed priorities.

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.

On the 15th of March the Secretary of State made an announcement on school funding that set out details of the funding settlement from 2010-13. At the same time he launched the consultation on the principles for a new formula for distributing the Dedicated Schools Grant (DSG) post- 2011, alongside proposals for a Local Pupil Premium.

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.

Further information on the announcement on school funding made on the 15th of March can be found at:

publications.dcsf.gov.uk/default.aspx?PageFunction=productdetails&PageMode=publications&ProductId=DCSF-00250-2010

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 after publication. I would encourage you to read and respond to the consultation to ensure that your points on the Area Cost Adjustment are considered. At paragraphs 6.11, 6.12, 6.34 and 6.35 in particular you will find material on the link between the Area Cost Adjustment and the pay bands.

Unfortunately, due to diary pressures, neither Dawn nor I are able to meet with you at present. However I would be grateful if you would send your petition to the Department. I will ensure that it is passed on to the team dealing with the consultation.

Yours sincerely,

Vernon Coaker

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