

## **SCHOOL FUNDING FRAMEWORK FOR NEXT TWO YEARS - CLARKE**

Education and Skills Secretary Charles Clarke today set out the first stage of the Government's plans to restore stability and confidence to the school funding system. Mr Clarke set out the framework to the funding system for the next two years. Ministers, councils and head teacher representatives have been working hard to restore stability and confidence in school funding system.

Charles Clarke said:

"This is the first step on the road to a more secure funding system for the next two years in which schools can have confidence. Stability and predictability for head teachers will be our watchwords."

There have been a variety of concerns about the way the funding system has operated this year. These have included:

- Differences in funding increases between local schools in similar circumstances;
- Head teachers and Governing bodies unable to confidently plan budgets on a long-term basis;
- Turbulence caused by changes to the way that specific grants were allocated;
- Cost pressures on individual schools;
- Level of spending by Local Authorities on central education budgets compared to individual school budgets;
- Concerns over sustainability of workforce reform.

The Government is addressing these concerns for the next two years in the following ways:

- Differences in funding increases between local schools in similar circumstances - ensuring that next year every school, not just every LEA like this year, will be guaranteed to receive at least a minimum increase in funding per pupil. Many schools will receive more than this;
- Schools unable to confidently plan budgets on a long-term basis - giving head teachers and governing bodies more time to plan their budgets by bringing forward the dates of: the local government settlement; the passporting deadline; announcements on Standards Fund distribution; asking the School Teachers Review Body to report earlier on teachers pay proposals and, ensuring more transparency in the system by ensuring schools are more involved in funding decisions taken on the ground;
- Turbulence caused by changes to the way that specific grants were allocated: providing more stability for head teachers by reversing next year's planned cuts to the Standards Fund and inflation proofing it by providing more than £400 million in each of 2004-05 and 2005-06;
- Cost pressures on individual schools: helping schools to control cost pressures with strong evidence to the STRB to consider an inflation only pay rise of 2.5% in each year, setting out a clear strategy to enable sensible progression on performance pay and looking at how to provide more support to schools on financial planning;
- Level of spending by Local Authorities on central education budgets compared to individual school budgets - maximising the amount of money that goes to schools by ensuring that spending on central items by local authorities rises no faster than spending on the individual schools budget;
- Concerns over sustainability of workforce reform - ensuring that the reforms to the school workforce to tackle workload and raise standards are sustainable. Maintaining the Standards Fund at its current level will help to ensure that schools receive the core funding they need to make progress on this.

In addition, the Government will provide extra money for local services including Children's Social Services which are now DfES' responsibility.

Having provided these resources, the Government is determined that each and every school should benefit in the way intended. The Deputy Prime Minister and Secretary of State will be writing to every LEA setting out the clear expectation that, barring wholly exceptional circumstances, each and every authority should 'passport' in full. This is essential if Heads, Governors, teachers and parents are to have full confidence that the resources intended for schools will get through to schools. The Secretary of State has statutory powers to require LEAs to set a minimum schools budget and will be prepared to use those powers where it is necessary to do so.

Charles Clarke said:

" The measures I'm announcing today are the first stage in restoring stability and confidence in our school funding system.

" Since 1997, our schools have improved beyond all recognition. We have the best results at ages 11, 14, 16 and 18. There are now 25,000 more teachers and 80,000 more support staff. Schools' funding is up by 25% in real terms, per pupil.

" However, I recognise that a significant number of schools have faced funding difficulties this year. I would like to put on record my appreciation for the hard work of head teachers and LEAs across the country to manage through these difficulties.

" Some schools have found it necessary, this year, to spend from their reserves or from money for school buildings. Others have set deficit budgets by agreement with their LEAs. Of course, schools and LEAs have the primary responsibility to manage the on-going consequences of such decisions including maintaining sound financial management and balancing budgets. The changes that we are introducing for 2004-05 and 2005-06 will help them to do so.

" However, I recognise that there may be some cases where doing so may be beyond the capacity of individual schools and LEAs. In those few cases, I will be prepared to consider limited, transitional support to avoid damage to children's education, where that is part of a locally agreed recovery plan between the LEA ,

schools and the Department. I shall consult with headteachers and local authority representatives on how best to provide such support.

“ I want to make clear that this package is designed to secure stability, and restore confidence in our funding arrangements for schools. We need to ensure that the schools funding system commands broad support, works to promote our overall objectives for raising standards in education; and ensures that resources are used in the most effective way to secure higher quality and better levels of achievement in schools.

“ I will, of course, be monitoring the impact of the changes I am announcing today, with a view to considering whether further changes are needed for 2005-06. It is critical to ensure that funding arrangements for schools are sustainable in the long term.”

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