

13 December 2010

Dear Colleagues

Allocations for Local Government and Maintained Schools

1. 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.
2. I have set out today two year funding allocations for local authorities and one year funding allocations for maintained schools. This letter confirms your allocations and sets out this Government's commitment to improving standards in education and protecting the most disadvantaged children and families.

The Pupil Premium

3. The implementation of a pupil premium, which will provide additional funding for deprived pupils, is a key coalition priority and will be worth £2.5bn by 2014-15.
4. Today I can announce the level of the pupil premium as £430 per deprived pupil in 2011-12.
5. The premium will be allocated in 2011-12 to pupils currently eligible for free school meals. The benefits of this indicator are that it is a pupil level indicator and that evidence shows there is a strong link between free school meal eligibility and low attainment. The pupil premium will be introduced with the same amount for every pupil on FSM.
6. 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.
7. 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.
8. We aim to extend the reach of the pupil premium after 2011-12 to those who have been eligible for free school meals before. The Coalition's objective is to reform the underlying funding system to ensure that over time deprived children in every part of the country receive the same level of support. We will consult on how best to meet this objective.

9. Last week, the Prime Minister also announced that we will be providing a premium for children from Service families, in recognition of the additional needs they face due to having parents serving in the Armed Forces. This premium will be £200 in 2011-12.

10. The pupil premium for deprived pupils and for Service children will be implemented from April 2011 and paid to the local authority as part of the pupil premium grant. It must be passed on in its entirety to schools.

School Funding

11. 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.

12. I can confirm that we will be maintaining the current distribution method for funding local authorities, known as 'spend plus'. As signalled in the consultation, we will be mainstreaming relevant grants into the 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.

13. I have decided to keep in place arrangements whereby we fund local authorities assuming that at least 90% of their 3 year old population takes up the free entitlement. This is for two reasons: firstly, to reduce turbulence in funding of early years provision and secondly, to continue to enable local authorities to expand their early years provision and to target those children who would benefit the most from it. However, we will stop double funding pupils registered at pupil referral units and schools.

14. To protect local authorities with falling rolls, I have put in place arrangements so that no authority will lose more than 2% of its budget compared with 2010-11.

15. You will now be able to work with your schools forums to produce 2011-12 budgets for your maintained schools. This will include resources from grants mainstreamed into DSG and you will be required to take account of the previous level of these grants in constructing your 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.

16. 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 your schools forums, be able to choose to set a higher guarantee.

The Early Intervention Grant

17. I have also announced today indicative allocations of a new Early Intervention Grant for local authorities in England, nationally worth £2212m in 2011-12 and £2297m in 2012-13. I attach a table including your authority's indicative allocation (at Annex A).

18. The Coalition Government is keen to emphasise the immense potential in combining a reduction in central prescription with a stronger focus on what works for different localities to produce better results. Investing in early intervention – acting more strategically and targeting investment early, ensuring the maximum resources go to frontline services – is essential if we are to have the greatest impact and secure better results downstream for children, young people and families.

19. A number of existing centrally-directed grants to support services for children, young people and families are ending. They are listed at Annex B. In a tight funding settlement, some reduction in central government support was inevitable. In 2011-12, the amount to be allocated through EIG is 10.9% lower than the aggregated 2010-11 funding through the predecessor grants. In their place however, the new Early Intervention Grant (EIG) will provide a substantial new funding stream for early intervention and preventative services. It is not ring-fenced, bringing significantly greater freedom at local level, to respond to local needs and drive reform, while supporting a focus on early intervention in the early years and up through the age range.

20. It is for local authorities to determine the most effective use of this money. The Government has however made clear certain key areas of early intervention where we are ensuring that the overall grant provides support:

- a. **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.
- b. **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.

21. We have additionally ensured 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.

22. We want to see much greater involvement of organisations with a track record of helping families, and want to give voluntary and community groups the right to offer a better alternative to public service delivery if they can do things better or more cost effectively. The Department for Communities and Local Government will shortly be introducing legislation to give communities this right, which we want to apply to children's centre services. Voluntary sector organisations are already working with local authorities in a number of areas to consider how they can help reduce costs whilst still delivering high quality services. We will be publishing an early years policy statement in the spring, taking a new approach to co-production with local authorities and other early years partners to give them leadership in designing how the system could work at local level.

23. The Early Intervention Grant is of course not limited to these areas. It underpins creative approaches to local priorities, across all services for children, young people and families. Most of the Department's funding for services for young people will now flow through the EIG. As we maintain the commitment to raise the participation age to 18 by 2015, the grant will help local authorities to support vulnerable young people to engage in education and training, intervening early with those who are at risk of disengagement. It will support transitional arrangements so that young people have access to impartial careers guidance in advance of the all-age careers service being fully operational. It will also help areas to prevent young people from taking part in risky behaviours, like crime or teenage pregnancy, and to support those young people who have a learning difficulty, disability or mental health problem.

24. The new grant also provides an opportunity to look wider than individual children and young people and to seek greater coherence of local services, for example in supporting families facing the poorest outcomes who pose the greatest cost to local services. Local authorities will want to consider using EIG funds to support local action in support of the national campaign to improve outcomes for families with multiple and complex problems and reduce costs to welfare and public services. This will be underpinned by local Community Budgets and more flexible ways of funding services for vulnerable families and children. Further details on Community Budgets and the 16 areas which will be operating them from April were released by the Department of Communities and Local Government on 22nd October and can be found on:

<http://www.communities.gov.uk/news/corporate/1748111>

25. We will promote transparency by working with the sector to measure the key outcomes and incentivise reform and effectiveness through payment by results, working with a number of authorities to develop a fair and effective methodology. In addition, we will consult on changes to the data local authorities are required to report on their expenditure on children's services so that local authority expenditure on Sure Start Children's Centres will be published from 2011-12, in line with other children's services.

26. We have sought to be transparent in the method of allocation for EIG, and we are publishing a technical note on the methodology (available at www.education.gov.uk). Our aim has been to allocate in a way that is objective, transparent and which has a good fit with the principles of the grant. It is also desirable to ensure the transition is manageable, by damping early changes so that no authority gains or loses unduly. For the longer term, the Department will work with partners to consider possible improvements to the distribution approach, and if appropriate agree a new methodology.

Changes to the Department's Area Based and Specific Grants

27. 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 announced that we are ending a number of 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 you continue to have an important strategic role to play. Local authorities though will need to prioritise services, such as school improvement, where they have greatest effect and look at opportunities for delivering services more cost effectively including through working and delivering services in conjunction with other local authorities.

28. In selected areas, although the current grants are ending, we do expect to continue to provide funding. In relation to music services, 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 New Year in the light of recommendations which arise from the review. We also want all families to be able to choose the right school for their child and are therefore reviewing home to school transport so that we can better meet the needs of not only disadvantaged families, but all families, 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.

29. We have also agreed with the Department for Communities and Local Government to address the issue of double funding that currently exists in relation to LACSEG. To date, we have not adjusted local authority funding outside of the DSG to reflect their changing responsibilities when schools become Academies, which has meant both local authorities and Academies (through LACSEG) have received funding for the same responsibilities. Clearly this situation represents poor value for money and is not sustainable in the current fiscal climate. To address this DCLG will make a transfer of funding over the next two years to meet the estimated cost of LACSEG for new Academies and Free Schools over the period. Because it is not possible to say precisely which schools in which local authorities will convert to Academy status and where all new Academies and Free Schools will be, it is not practical to target the reductions at individual local authorities and therefore a national top slice has been applied. This means that all local authorities will have certainty over the funding they will receive over the period and will not see unpredictable changes because of variable patterns in the growth of the Academy sector.

Capital

30. Finally, I have also announced details of schools capital funding for the spending review period. This includes details for 2011-12 of devolved formula capital (DFC) for schools, and of basic need and capital maintenance allocations to local authorities, and capital maintenance to the Locally Co-ordinated VA Programme (LCVAP) which I have decided to retain for 2011-12. I include details of these allocations at local authority level with this letter.

31. 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. However, I realise that in the short term it will be difficult for schools to adjust to reduced capital funding.

32. 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. There are significant pressures for additional school places, particularly at primary age, in many areas of the country because of rising birth rates and changed migration patterns. My priorities are the provision of additional pupil places where they are needed, and addressing priority building condition needs.

33. For 2011-12, I am therefore doubling to £800m the level of basic need funding for school places, compared to recent years. This funding will be delivered as capital grant, as will all maintenance capital. There are no longer supported borrowings in the department's capital settlement.

34. I am also announcing details of allocation of over £1bn capital maintenance funding to local authorities and to the LCVAP, with a further £185m to schools as devolved formula capital (DFC). This is a much lower level of DFC than previous years. Local authority maintenance allocations also include funding for maintenance of Sure Start Children's Centres.

35. The £2bn of funding which I am announcing today is the full allocation for local authorities and maintained schools for 2011-12.

36. I wish to emphasize that Basic Need funding is to be used for the needs of all the taxpayer funded schools in your area. You have the responsibility for ensuring sufficient school places in your area, and where you are planning for growth in numbers, you therefore should consider all sectors in prioritising this funding. This includes schools in the voluntary aided sector, open academies, and especially proposals for new free schools where they can address basic need pressures.

37. I have only announced details of local authority and school allocations for 2011-12. I know that authorities would welcome capital certainty for the following years, to enable them to plan with confidence for larger projects. Details of capital from 2012-13 will depend on the outcome of the capital review, where I aim to

publish the final report in the New Year. However, I can say that the level of support for basic need and for capital maintenance for each year to 2014-15 is expected to stay in line with the total amounts allocated for 2011-12. The mechanisms for allocation and management will however depend on the capital review.

38. Finally, I want to thank you for all your hard work, cooperation and patience during what has been one of the most difficult spending reviews in recent times. We have all had to face some challenging decisions but I am confident that the announcements I've made today will be the first step on the road back to securing greater educational achievement for all children.

A handwritten signature in black ink that reads "Michael Gove". The signature is written in a cursive style with a prominent initial 'M' and a long, sweeping tail.

MICHAEL GOVE

Annex A

Early Intervention Grant Indicative Allocations by Local Authority

Local Authority	2011-12 Allocation £	2012-13 Allocation £
Barking and Dagenham	13,307,640	13,551,562
Barnet	13,171,229	13,984,692
Barnsley	11,353,846	11,561,955
Bath and North East Somerset	5,766,209	6,122,333
Bedford Borough	6,403,166	6,798,630
Bexley	8,823,041	9,367,957
Birmingham	61,874,476	63,008,599
Blackburn with Darwen	11,682,298	11,896,427
Blackpool	8,423,448	8,577,845
Bolton	14,830,411	15,102,244
Bournemouth	6,736,644	6,860,123
Bracknell Forest	4,282,701	4,547,203
Bradford	29,540,743	30,082,208
Brent	14,172,561	14,661,698
Brighton and Hove	10,657,782	10,853,133
Bristol, City of	18,858,988	19,204,662
Bromley	10,950,986	11,627,325
Buckinghamshire	16,071,153	17,063,717
Bury	7,835,910	8,134,516
Calderdale	10,275,773	10,464,122
Cambridgeshire	19,182,630	20,367,360
Camden	12,962,040	13,199,626
Central Bedfordshire	8,894,443	9,443,769
Cheshire East	11,784,305	12,512,111
Cheshire West & Chester	12,173,443	12,597,993
City of London	1,086,291	1,106,202
Cornwall	19,489,959	20,693,671
Coventry	14,956,721	15,230,869
Croydon	15,646,550	16,612,890
Cumbria	18,317,946	19,449,273
Darlington	5,533,512	5,634,938
Derby	11,741,233	11,956,443
Derbyshire	27,049,337	28,719,921
Devon	23,026,490	24,448,620
Doncaster	14,969,791	15,244,179
Dorset	11,269,431	11,965,438
Dudley	12,584,472	12,815,138
Durham	23,737,060	24,172,147
Ealing	15,453,707	16,408,137
East Riding of Yorkshire	10,189,878	10,819,211
East Sussex	18,073,834	18,770,800
Enfield	14,450,332	15,342,793
Essex	44,536,362	47,286,954
Gateshead	10,107,785	10,293,055
Gloucestershire	19,174,426	20,358,650
Greenwich	16,589,267	16,893,339

Hackney	20,063,806	20,431,564
Halton	8,857,521	9,019,875
Hammersmith and Fulham	9,428,597	9,601,418
Hampshire	38,147,693	40,503,717
Haringey	15,747,790	16,036,438
Harrow	7,740,104	8,218,138
Hartlepool	6,935,356	7,062,477
Havering	8,161,167	8,665,206
Herefordshire	6,472,937	6,872,710
Hertfordshire	33,492,713	35,561,243
Hillingdon	10,856,772	11,527,293
Hounslow	11,511,129	12,222,064
Isle of Wight	5,265,898	5,460,761
Isles of Scilly	642,052	653,821
Islington	13,980,510	14,236,765
Kensington and Chelsea	6,736,638	7,152,697
Kent	50,066,729	53,158,880
Kingston Upon Hull, City of	14,453,254	14,718,173
Kingston upon Thames	5,077,824	5,391,433
Kirklees	20,442,521	20,817,221
Knowsley	11,039,193	11,241,535
Lambeth	19,651,992	20,012,201
Lancashire	47,240,655	48,106,548
Leeds	30,710,904	31,791,550
Leicester	18,498,592	18,837,660
Leicestershire	18,170,083	19,292,278
Lewisham	17,650,115	17,973,631
Lincolnshire	24,052,023	25,537,491
Liverpool	27,058,068	27,554,027
Luton	11,093,790	11,560,146
Manchester	29,828,177	30,374,910
Medway	10,236,435	10,868,644
Merton	7,599,518	8,068,869
Middlesbrough	10,294,694	10,483,390
Milton Keynes	10,151,908	10,778,896
Newcastle upon Tyne	14,368,574	14,631,942
Newham	22,399,820	22,810,396
Norfolk	29,351,530	31,164,298
North East Lincolnshire	9,417,528	9,590,146
North Lincolnshire	7,142,891	7,384,979
North Somerset	6,761,912	7,179,532
North Tyneside	8,658,693	8,817,401
North Yorkshire	18,611,915	19,761,398
Northamptonshire	25,981,146	27,585,757
Northumberland	12,363,367	12,589,981
Nottingham	17,062,526	17,375,272
Nottinghamshire	29,007,882	30,172,166
Oldham	14,246,165	14,507,289
Oxfordshire	21,329,339	22,646,652
Peterborough	9,854,143	10,034,764
Plymouth	11,499,640	11,710,421
Poole	4,657,555	4,945,209
Portsmouth	9,456,377	9,629,707

Reading	6,981,940	7,226,432
Redbridge	9,985,996	10,602,737
Redcar and Cleveland	8,571,828	8,728,945
Richmond upon Thames	5,943,420	6,310,489
Rochdale	12,953,247	13,190,672
Rotherham	12,326,386	12,552,322
Rutland	1,781,966	1,814,628
Salford	13,093,501	13,333,497
Sandwell	18,081,352	18,412,773
Sefton	11,318,257	11,525,715
Sheffield	24,101,157	24,542,917
Shropshire	9,861,152	10,470,182
Slough	7,139,715	7,580,668
Solihull	8,754,153	8,914,612
Somerset	17,794,612	18,893,618
South Gloucestershire	8,036,508	8,532,848
South Tyneside	9,517,075	9,691,517
Southampton	10,487,177	10,679,401
Southend-on-Sea	7,709,265	7,850,571
Southwark	19,544,766	19,903,010
St. Helens	9,967,826	10,150,530
Staffordshire	27,373,901	29,064,530
Stockport	10,494,072	10,890,837
Stockton-on-Tees	9,342,798	9,514,046
Stoke-on-Trent	13,783,925	14,036,577
Suffolk	23,746,677	25,213,285
Sunderland	15,650,605	15,937,471
Surrey	30,259,350	32,128,186
Sutton	7,897,574	8,385,333
Swindon	7,809,541	8,291,863
Tameside	11,693,576	11,907,912
Telford and Wrekin	7,934,195	8,079,624
Thurrock	7,363,222	7,817,979
Torbay	6,007,130	6,117,237
Tower Hamlets	20,383,317	20,756,931
Trafford	8,675,438	9,021,885
Wakefield	14,582,210	14,849,493
Walsall	14,750,677	15,021,048
Waltham Forest	14,425,417	14,689,827
Wandsworth	12,888,681	13,684,693
Warrington	8,310,976	8,463,312
Warwickshire	17,335,937	18,406,614
West Berkshire	5,429,769	5,765,115
West Sussex	22,887,082	24,300,602
Westminster	10,413,010	10,710,410
Wigan	13,919,257	14,174,389
Wiltshire	14,600,244	15,501,964
Windsor and Maidenhead	4,838,467	5,137,294
Wirral	15,066,218	15,342,373
Wokingham	4,820,350	5,118,057
Wolverhampton	13,174,889	13,416,377
Worcestershire	18,712,173	19,867,848
York	6,349,602	6,533,347

Former funding streams for Children, Young People and Families

The new Early Intervention Grant replaces a number of former funding streams. These are:

Grant Name	2010-11 Allocation £m
Sure Start Children's Centres	1,135.148
Early Years Sustainability- including funding for sufficiency and access, quality and inclusion, buddying, holiday child care and disabled access to childcare	238.044
Early Years Workforce - quality and inclusion, graduate leader fund and every child a talker	195.701
Two Year Old Offer - Early Learning and Childcare	66.757
Disabled Children Short Breaks	184.647
Connexions	466.732
Think Family	94.196
Youth Opportunity Fund	40.752
Youth Crime Action Plan	11.975
Challenge and Support	3.900
Children's Fund	131.804
Positive Activities for Young People Programme	94.500
Youth Taskforce	4.344
Young People Substance Misuse	7.002
Teenage Pregnancy	27.500
Key Stage 4 Foundation Learning	19.882
Targeted Mental Health in Schools Grant	27.818
Contact Point	15.000
Children's Social Care Workforce	18.156
Intensive Intervention Grant	2.800
January Guarantee	6.000
Child Trust Fund	1.325
DfE Emergency Budget Reduction	-311.000
Total Grants	2,482.982