

Appendix A

School Funding Announcements

LGA Briefing



The Government have made a series of announcements on school funding, covering:

- [Schools capital funding;](#)
- [Schools revenue funding;](#)
- [The transfer from formula grant to take account of academies' central functions.](#)

Headlines

Capital

- The government is allocating an additional £500m for basic need for school places in 2011-12.
- There will be a new £2bn privately financed school rebuilding programme targeted at schools in the worse condition.
- The government has launched a consultation on the response to the James Review.
- The government has decided not to change its decision on the six authorities which challenged it on the Building Schools for the Future decision.

LGA view

- *We welcome the additional £500m for basic needs and the new privately funded schools capital funding and await further details.*
- *We welcome the proposal that schools capital should move towards being allocated through a single flexible budget in a local area as opposed to tightly controlled central ring-fenced budgets.*
- *Local authorities are able to set up their own structures to consult with partners, perhaps through Schools Forums. The way to ensure that local plans remain light touch is not to impose central requirements on them.*
- *We are glad that the Government is not going ahead with the proposal to introduce a central procurement function and has said it does not want to override existing regional arrangements.*
- *We can see the case for standardised designs but it should be up to local areas whether or not to use them; they should not be imposed.*

Schools funding

- A new consultation has been launched on detailed proposals for a new schools funding system, to begin from 2013-14, following the earlier consultation in April.
- The consultation contains details of future funding proposals for the Pupil Premium, early year's provision and High Need Pupils.
- It also considers the responsibilities of local authorities, schools and Academies in relation to central services.

Briefing

LGA view

- *We share the government's ambition to move to a fairer schools funding system which is transparent in its calculation and easier to understand.*
- *The current system, based largely on historical patterns of spending by councils in 2005-6, is unsustainable and impossible to justify.*
- *We think that the current 'two stage' funding calculation, with a national allocation to local authority areas, followed by a discussion between councils and schools, involving schools forums, on how to distribute funding locally, is a strength of the current system that needs to be retained.*
- *We welcome DfE's acknowledgement that a rigid national formula, set in Whitehall, will not be able to take account of justifiable variations in spending to reflect local circumstances, needs and priorities.*
- *Academies should be funded on the same basis as maintained schools and the basis for any additional funding should be transparent.*
- *We do not see a case for an expanded role for the Education Funding Agency. Local authorities should fund both schools and academies.*

Academies' central functions top-slice

- The government is consulting on its reconsideration of the appropriate top-slice to remove from formula grant in 2011-12 and 2012-13 to take account of savings from academies' central functions.

LGA view

- *Despite the greater number of academies we do not think there is any case for taking back still more money from authorities. Instead, we believe that on a true assessment of the likely savings it is probable that the proper outcome of this consultation should be additional funding for 2011-12, paid by way of an additional grant, and a reduction in the overall funding takeaway originally proposed for 2012-13.*
 - *Any transfer should be based on clearly demonstrable savings to authorities not additional grant ('LACSEG') given to academies to replace central functions.*
 - *The cost of academy conversions to local authorities also needs to be taken into account. Unfortunately, the consultation does not consider this.*
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Further Information

Capital Funding

- The Government has published its response to the James Review on schools capital in the form of a consultation document. **The consultation runs until October 2011.**
- **In parallel they have made announcements about more schools capital for 2011-12.** £500m extra for basic need provision and a new privately financed school building programme worth around £2bn in up front construction costs
- The consultation on the James Review includes a number of recommendations:
 - The government agrees with the James Review that there is a case for **collecting basic needs data**. It is consulting on what data should be collected.
 - It agrees that they should move towards a single capital pot for **allocating funding** over the longer term, but the Government

wants to consult more on how all local interests will be taken into account. It is also consulting on whether some of the ring-fenced programmes currently managed centrally should be ring-fenced programmes managed locally.

- The James review recommends a national procurement body. The Government is consulting on this and would like views on how current local or regional procurement arrangements provide better value for money for certain types of projects.
- The Government has announced that they will move to procure standardised national designs for schools - both for new, rebuilt and extended schools. There will be a further consultation on the schools' premises regulations.

Revenue Funding

- The schools revenue funding consultation will run for 12 weeks until Tuesday 11th October. It makes detailed proposals for a new national funding system; which will **begin to be introduced either from 2013-14 or from 2015-16**. For 2012-13 the current 'spend plus' system will continue although the DfE may issue shadow amounts based on the new formula.
- The DfE propose a **new national funding formula**. This will be paid to local authorities who will then agree with Schools Forums the funding of schools, and academies, in their area. This formula will be calculated either at school level or at local authority level. They are not proposing a national formula for individual schools without local flexibility.
- The **new formula** will contain elements relating to a flat rate basic entitlement, deprivation (where DfE would prefer to use a measure such as free school meals), protection for small primary schools in sparse areas, an area cost adjustment for areas with high labour costs and a factor relating to English as an Additional Language.
- The DfE is proposing to **reduce the number of formula factors** which can be used in local authorities' own school funding formulae. This would be limited to a basic entitlement per pupil, funding for additional educational need (such as deprivation and SEN), business rates, site specific factors (such as split site, PFI and rental costs) and lump sums for schools. They are also consulting on possibly setting a range for the weighting between primary and secondary funding.
- **Academies** would be funded through the new Education Funding Agency, either through authorities calculating budgets for all schools and then telling the EFA how much academies should be paid or through the EFA working it out through applying local authority formulae. This latter approach would not be greatly different to what happens at the moment – however the current time-lag for academies funding would be removed.
- **Schools forums** would continue, possibly with more powers, but would have to be representative of all schools, including academies.
- The **EFA** could be given new functions to check compliance of local formulae or to act as a review body for schools and academies regarding decisions by local authorities.
- It would be proposed to **move to the new formula over a period**. In the first year they propose to continue with the minimum funding guarantee which is -1.5% per pupil each year. This could possibly be lower in future years to allow more progress to a new formula.
- Outside the main Schools Block there would be also be blocks for High Needs Pupils, for early years and for central services. **It is not proposed that there should be any ring-fencing of these blocks within the total Dedicated Schools Grant**, although the existing rules constraining increases in the central services block would continue.
 - The **High Needs Pupils** block would be paid to local authorities

and would consist of a basic amount (which could be set at £10,000 per pupil) plus amounts for resident young people in receipt of Disability Living Allowance.

- The **Early Years** block would be based on similar formulae to the main Schools Block. The DfE may consider simplifying local formulae and targeting disadvantage to a greater extent.
- The **Central Services** block would include those central services funded by DSG, such as admissions. There would also be a block to be funded from outside DSG through the CLG funding system. Some functions such as home to school transport, cannot be delegated to academies. Others such as financial accounts and audit and school improvement would be within academies budgets and so would be withdrawn from CLG funding. The Government propose moving away from basing this on S.251 budget returns. Instead it could be based on a formula which could be similar to the current relative needs formula or one which more accurately reflects where academies are located.
- The **Pupil Premium** would remain separate for the time being, although the aim is to incorporate it into deprivation funding eventually. There are two options for distribution based on free school meals eligibility in the last 3 or 6 years.

Academies Funding Transfer for 2011-12 and 2012-13

- This consultation is a revisiting of the basis for the academies transfer from formula grant. It aims to respond to the challenges made by local authorities of the basis on which the original transfer decision was made. **The Government says its aim is that both maintained schools and academies are funded fairly and equitably.** The document provides a revised basis for working out the transfer, but says that this should not predetermine the decision on any level of reduction from formula grant. **The consultation is a 4 week consultation and closes on 16th August.**
 - The document claims that authorities are double funded for functions which it saves on when schools convert to academies - so this should be top-sliced from their formula grant. **The first year for which funding was top-sliced was 2011-12.**
 - The original basis of the top-slice as announced in the settlement did not take account of the pattern of academies in authorities but was simply a pro-rata division of DfE's estimate of the appropriate total. **DfE now say that it would be possible to take a different approach which reflected the pattern of where academies are located.**
 - The consultation states that DfE will have regard to the New Burdens Doctrine, which says that when a function is transferred from local to central government that there should be a financial transfer. However **DfE admit that they do not hold enough data to work out the precise savings to local authorities**, so they still propose to do it on the basis of the additional LACSEG (Local Authority Central Support Equivalent Grant) paid to academies. **The LGA's initial assessment is that the reasoning by which DfE has arrived at this proposal – which is indicated to be the Department's provisional view – is fundamentally flawed.** However, based on the higher number of schools converting, DfE estimate the costs of this additional LACSEG as £360-375m in 2011-12 and £580-680m in 2012-13. The DfE consultation does not, however, take account of the costs to authorities of academies converting. Local authorities are also asked to provide any evidence of impact under the Equalities Act.
 - **A more detailed briefing on this topic will be provided for member authorities shortly.**
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Further information: For further information on this briefing, please contact Ben Kind, LGA Public Affairs and Campaigns Manager on 020 7664 3216 or ben.kind@lga.gov.uk