

Schools funding update

Purpose of report

For information.

Summary

This report updates members on recent developments in schools funding issues.

Recommendations

That members:

1. Note this report and
2. Agree to receive further reports on any future developments.

Action

Officers to continue to provide updates to the Board.

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Schools Funding update

Schools' Funding

1. The DfE's consultation document "School Funding Reform; Next Steps towards a Fairer System" was issued on 26 March 2012. The closing date for responses is 21 May 2012.
2. The key points of the DfE document are:
 - 2.1. Ministers have said that their aim remains to move towards a national funding formula. But they will not do this until the next Spending Review period.
 - 2.2. The proposals concentrate wholly on local funding formulae. From April 2013 local authorities will be constrained to a small number of factors in the formula (the consultation says that the current 37 permitted factors will be reduced to less than 10). These are:
 - 2.2.1. Age Weighted Pupil Unit. This will no longer be allowed to vary by year but will be by phase, with possibly a difference for different Key Stages.
 - 2.2.2. Deprivation. Only free school meals (FSM) at school level or IDACI (income deprivation affecting children index – a DCLG developed measure which aims to measure deprivation affecting children in small areas) will be permitted.
 - 2.2.3. Looked after children.
 - 2.2.4. SEN at school level ('low cost'); authorities will not be able to use direct measures such as numbers of children on school action or school action plus and will have to use measures of prior attainment.
 - 2.2.5. English as an additional language for a period of 3 years in the school system.
 - 2.2.6. A lump sum – which could be £100,000 to £150,000.
 - 2.2.7. Premises factors – split site schools and rates.
 - 2.2.8. PFI costs.
 - 2.3. The proposals do not contain any provision for a small schools factor other than the lump sum. DfE are understood to be developing further proposals in this area.

Item 5

- 2.4. All schools will get a minimum funding guarantee of -1.5 per cent per pupil. It will be up to authorities in consultation with schools forums as to the level of any ceiling.
- 2.5. Schools Budget Local Authority Central Spend Equivalent Grant (LACSEG), which is paid to academies to compensate for the central services they no longer receive from councils, will disappear in its current form. Instead the resources currently provided in LACSEG will be delegated to both academies and maintained schools. Maintained schools will be allowed to 'de-delegate' allowances for services such as insurance and services for ethnic minority pupils. Academies will also be allowed to buy in services from councils if they want to but not to 'de-delegate' as they do not have delegated budgets. This will replace LACSEG within the schools budget.
3. The LGA, in line with previous practice, will submit a joint response with the Association of Directors of Children's Services. This will be informed by a survey of councils sent out following the last Board meeting which asked councils to look at the effect of reducing the number of factors in local formulae as proposed by the DfE and any unintended consequences that might have. At the time of writing this is still in draft, but will be available in time for the meeting, and will be sent out in advance if at all possible. However the key points are expected to be in line with the LGA reaction on the day of publication of the consultation document:
 - 3.1. Our education system needs a clear and transparent national funding formula for schools at local authority level which provides a level playing field between maintained schools and academies. While it's good that Government has not rushed to implement a formula that would not achieve these objectives, schools and councils must have the flexibility to distribute their funding allocation to best meet the needs of children in their local communities.
 - 3.2. This might mean providing a higher allocation for a small rural school to ensure that it can stay open or ensuring that factors used to measure deprivation, such as free school meals, meet local circumstances.
 - 3.3. The local funding formula is not to blame for large variations in funding between similar schools in different local authority areas. Government must recognise that the vast majority of the variation comes from its national formula which is based on outdated and misleading data.
 - 3.4. It isn't good enough to hold back addressing the unfair national funding system until at least 2015, and pushing through overly simplistic local funding arrangements next year risks making things worse. While

Item 5

Whitehall prevaricates the education of millions of children could continue to suffer, potentially limiting their prospects for years to come.

- 3.5. The Education Secretary has previously said schools funded through councils still have a major part to play in our education system. He needs to scrap centrally determined constraints from Whitehall and adhere to this commitment to help councils and schools ensure every child receives adequate funding for their education.

Capital

4. There has also been no Government response to the consultation on the James Review into schools capital; this is also now expected soon. The key issues remain the scope of any single capital pot to distribute funding locally and how new school building is to be procured. There have been discussions about a regional procurement model using existing authority expertise but nothing has yet been announced.
5. Allocations for the Priority Schools Building programme have also not yet been announced. The LGA carried out research which established that it has been three times oversubscribed. This was carried by the Today programme which also interviewed Cllr Simmonds.

Academies top slice

6. The second Government consultation on the academies top-slice for 2011-12 and 2012-13 closed in January 2012. There has been contact at both officer and member level with DfE focussing on a fair way of estimating the top-slice for both 2011-12 and 2012-13. However the official position remains that we are awaiting a response from DfE. It also remains the case that the legal action by 29 councils which concerns the 2011-12 is officially stayed.
7. We are expecting a future consultation to cover arrangements in 2013-14 and following. In its response to the consultation on business rates retention, the Government indicated that they would explore removing the funding for central education functions from formula grant into DfE budgets. This would be likely to mean that authorities and academies would be paid grants direct from DfE. The LGA has not seen firm proposals but we have indicated to DfE that a clear split of responsibilities between authorities and academies is vital.

Financial Implications

8. None specific to this report.