

Schools funding update

Purpose of report

For information.

Summary

This report updates members on recent developments in schools funding issues, including

- The new schools funding formula
- The replacing LACSEG consultation
- Schools Capital

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

Background

1. As was reported to your last Board, the Department for Education (DfE) confirmed on 28 June that it is to proceed with reforms to local funding formulae as outlined in the consultation document "School Funding Reform; Next Steps towards a Fairer System" which was issued in March. From April 2013 local authorities will only be able to use a maximum of 12 factors in their local funding formula, which will apply to both maintained schools and academies.
2. As authorities and schools forums work through what it means for them the following are emerging as key issues:
 - 2.1. The restricted number of factors and the lack of flexibility on, for example, small schools; the new rules will not permit a specific small schools factor.
 - 2.2. The new requirements to delegate more place a question mark over those services currently centrally provided, with Schools Forum agreement. Under the new arrangements, representatives of maintained schools at the Schools Forum will be able to agree de-delegation (ie allowing the authority to provide centrally and to fund from the Dedicated Schools Grant) for a small number of services such as insurance, staff cover, behavioural and ethnic minority support services, but this will not apply to academies.
 - 2.3. Less flexibility for the Schools Budget, going forward, to fund support for redundancy costs, capital expenditure and contribution towards combined budgets for children's services. Councils will be able to keep existing arrangements but will not be able to enter into any new arrangements.
 - 2.4. The new funding arrangements for High Needs Pupils, where there will be new 'place plus' arrangements for settings such as special schools. These are based on a split between an element which goes straight to the provider (the place element, which for special schools is £10,000 per place) and a top-up element, with funding going to the responsible local authority as commissioner. Although many can see the logic and welcome the end of SEN recoupment there is concern that:
 - 2.4.1. Different authorities will be affected in different ways due to the baseline adjustment to give providers the £10,000 base funding.
 - 2.4.2. The baseline adjustment locks in historic funding, which may be seen as inequitable in a fast-changing demand scenario. In some circumstances this could also involve central provision of previously delegated High

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Needs pupil funding, which may be seen as counter-intuitive to the main direction of travel for the reforms.

- 2.4.3. The baseline will also include substantially underfunded elements, such as the post-16 SEN Block grant.
- 2.4.4. There is particular concern from authorities who have traditionally been net importers of SEN pupils.
- 2.5. The increased role of the Education Funding Agency (EFA), which is increasingly being given a monitoring and compliance role, with authorities having to submit proformas to the EFA.

Academies top-slice

- 3. **2011-12 and 2012-13:** On 17 July the Government issued its response to the consultation on the proposed recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13. This has involved DfE paying a grant to authorities with low numbers of academies. This amounts to £58 million in 2011-12 – payment was made at the end of July, and potentially around £100 million for 2012-13, although it will not be paid until the January 2013 academy pupil numbers are known. This follows contacts between the DfE and LGA officers with a view to settling the legal case pursued by 29 councils, with the LGA officers acting as a sounding board for the authorities involved in the legal action. The LGA welcomed the decision to repay around 40 per cent of the 2011-12 top-slice, whilst noting that the new methodology was likely to benefit councils with fewer academies and that the costing mechanism for working out the grant, whilst better than the original proposal, remained flawed.
- 4. **2013-14 and following** On the same day the Government issued a consultation document on replacing LA LACSEG. This will lead to £1.22 billion being taken out of the baseline for the business rates retention scheme in 2013-14 and £1.19 billion in 2014-15. DfE will pay the amount to authorities and academies as a non-ring fenced grant, proportionate to the number of pupils for which each is responsible. The consultation recognises that local authorities will retain responsibilities for pupils in academies – for educational welfare services, asset management and statutory and regulatory duties. The document does not set out a proposed amount but based on responses to a consultation last summer it thinks it is in the range of £8-£15 per pupil. The consultation closes on 24 September 2012.
- 5. Officials have made clear that any changes in the amount to be taken out or in the proportion of the new grant paid to authorities for continuing services would have to be based on convincing evidence. The LGA has therefore written to all Directors of Children's Services and Directors of Finance of LGA member councils with responsibility for education, asking them (through a simple proforma) how much of the relevant services (such as school improvement, statutory and regulatory services like the role of the Director of Children's Services and education welfare) relate to continuing responsibilities and also how expenditure on the relevant services differs in 2012-13 to that in 2011-12. This is to inform our own response and to provide

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evidence. The LGA's response will be circulated to the Office Holders of the Board for sign-off for submission by the closing date of 24 September.

Capital

6. There has still been no Government response to the consultation on the James Review into schools capital; which reported in April 2011. The key issues remain the scope of any single capital pot to distribute funding locally and how new school building is to be procured.
7. Allocations for the Priority Schools Building programme were announced on 24 May; it was confirmed that 261 schools, of the 587 which applied, will be rebuilt, with the first schools opening in 2014. However it has become clear that the programme will be phased with schools procured in batches over a number of years.
8. The LGA's response to this announcement quoted Cllr Simmonds as saying that the funding was the result of councils' pressure on DfE and will go some way to addressing the problems facing some of our most dilapidated schools, but that we were still in a situation where more than 300 run-down schools had been left in limbo after lengthy delays in Government decision making. This was reported by the 'FT Online', 'Times Online', 'Independent Online' and 'BBC Online' as well as dozens of regional and trade publications.

Financial Implications

9. None specific to this report.