

## **Education reform and schools funding**

### **Purpose of report**

To provide background information for the LG Group Executive's discussion on education reform and schools funding.

### **Summary**

This report provides an update on recent developments in education policy and schools funding, covering the council role in education in a system with more autonomous schools; the future role of new Education Funding Agency (EFA); and the recent consultations on schools revenue and capital funding and on the funding of academies' central functions.

### **Recommendations**

The LG Group Executive is invited to discuss education reform and funding and identify the priority areas for LG Group work.

### **Action**

Officers to report the outcome of the discussion to the Children and Young People Programme Board and take account of any comments.

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## **Education reform and schools funding**

### **Background**

1. Since the General Election, schools and education policy in England has been the focus of much debate and significant Government activity. The Academies Act 2010, which makes it easier for schools to become academies, was fast-tracked through Parliament immediately after the election. A Schools White Paper was published in December and was followed by an Education Bill, currently before Parliament, to implement proposals on school discipline and to reduce the number of education quangos.
2. The number of academies – schools directly funded and overseen by central government and the Young People's Learning Agency (YPLA) - has risen from 200 to over 800, with 20% of secondary schools now academies and 24 Free schools opening this academic year. Some authorities are approaching the point where they no longer maintain the majority of schools in their area and the future council role in education in a system with more autonomous schools will change and become more strategic.
3. The White Paper promised a radical reform of the system for funding schools to make it fairer and more transparent and detailed proposals are now out to consultation. The funding of the central costs of academies that no longer require council support has become a significant issue for councils. Twenty-three authorities sought a judicial review of the initial Government proposals for top slicing this funding from revenue grant. In response, the Government decided to run a fresh consultation on this subject.
4. The LG Group has raised very significant concerns about the revised proposals for funding academies' central costs issued by the government in late July, arguing that they breach the Government's own New Burdens doctrine, which says that the funding transfer should be made on the basis of savings to councils, rather than the additional costs to the Government of directly maintaining academy schools. Our concerns echo similar points made across the whole range our member authorities potentially significantly affected by these proposals.

### **The future council role in education**

5. Much of the LG Group lobbying since the election has focussed on securing a strong, continuing role for local councils in education. We have welcomed the move to greater school autonomy, but have pointed out that councils no longer control schools and that the weight of central direction and control in recent years means that schools need to be freed from central, not local control.

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6. We set out our vision for a future strong, but more strategic council education role in our report *Local freedom or central control?*, which was aimed at influencing the education white paper. So we welcomed the Schools White Paper's proposals for a strong, strategic role for councils in local education "as champions for parents and families, for vulnerable pupils and of educational excellence".
7. Work since the publication of the White Paper has focussed on fleshing out what this new role will mean in practice, taking account of councils' statutory education duties (which the Government is not proposing to change) - for example to secure sufficient school places and "promote high standards and the fulfilment of potential" of local pupils. Our most recent policy report, *Local freedom or central control II*, launched at this year's LG Group Annual Conference, suggested the following broad elements:
  - 7.1. supporting school improvement
  - 7.2. bringing forward new provision
  - 7.3. championing educational excellence
  - 7.4. championing the needs of vulnerable pupils
  - 7.5. ensuring every child has access to a place at a good school
8. Work is already underway in a number of areas to identify the key issues facing councils in fulfilling these roles, including piloting a new approach to school exclusions, in which schools take greater responsibility for arranging alternative provision for pupils they exclude and remain responsible for their attainment.
9. On school improvement, the Department for Education (DfE) has raised the floor for acceptable levels of pupil attainment in primary and secondary schools and in March asked councils to submit improvement plans for turning around the schools in their area below the floor. The Department is also working with the council in each region that has the most schools below the floor, to tackle underperformance.
10. The DfE is also planning to carry out a piece of rapid 'action learning research' involving a small group of councils that have significant numbers of academies in their area, to explore the issues facing councils as they approach the position where the majority of the schools in their areas become academies. This work is being overseen by a small steering group of representatives from councils, schools and the DfE and will report to the Ministerial Advisory Group on the council role in education established by the Education Secretary Michael Gove. Cllr Stephen Castle from Essex County Council will represent the LG Group on the steering group.
11. The Children and Young People Programme Board is developing its own programme of improvement support for councils to help them take on a more strategic role in education. The LG Group Executive may wish to give a view on the areas for support that it considers to be of the highest priority.

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**The Young People's Learning Agency (YPLA) and the Education Funding Agency (EFA)**

12. The YPLA is responsible for establishing and funding academies and Free Schools and for oversight of their performance and intervention to tackle underperformance. It also funds post-16 education provision in school Sixth Forms, Further Education colleges and Sixth Form colleges. In the run up to the publication of the Schools White Paper the LG Group lobbied intensively for the abolition of the YPLA, with its functions devolved to councils or taken on by DfE without the need for an additional bureaucratic tier.
13. The Government announced in the Schools White Paper that the YPLA will be abolished but many of its functions (and staff) will simply be transferred to a new Education Funding Agency (EFA), which is an Executive Agency, rather than an arm's length body. The EFA will have a wider remit than the YPLA because it will be responsible for channelling schools funding to councils - this flows directly from the DfE to councils at present, without the need for an additional bureaucratic tier. It will also have a role in allocating schools capital funding, with the staff of the disbanded Partnership for Schools, responsible for the Building Schools for the Future programme, also transferred.
14. The Children and Young People Programme Board is continuing to press the case for the outright abolition of the YPLA, with most of its functions devolved to councils as part of their new strategic role in education. It cannot be a good use of public money for a national agency to duplicate the functions of councils in relation to academies – for example applying the locally agreed funding formula to academies, rather than letting councils do the calculation for all local schools. And if councils are to fulfil the role proposed for them in the White Paper “as champions for parents and families, for vulnerable pupils and of educational excellence”, they should have the same powers in relation to academies as maintained schools, rather than having to raise issues about local academies with the EFA and the Secretary of State.
15. However, if the Department cannot be persuaded of the case for outright abolition of the YPLA without it being replaced, one suggestion from the Children and Young People Programme Board is that we should propose that councils should take over the functions of the EFA that relate to individual academies and Free Schools once more than, say, half of local secondary schools have converted. This would position the EFA role as transitional while the number of academies increases in an area, with responsibility for issues such as school improvement and funding reverting to councils once they take on a more strategic role.

**Schools funding consultations and the academies top slice**

16. At the end of July the Government launched a number of consultations on education funding, covering: schools capital funding; schools revenue funding; and the transfer from formula grant to take account of academies' central functions.

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17. The LG Group has been lobbying hard on schools capital and revenue funding in recent months, to ensure that any new funding system retains a council role in reflecting local needs and priorities in allocating schools funding. The proposals in the consultation papers contain a number of welcome concessions to our arguments including: a clear recognition of the continuing need for an element of local authority discretion in allocating revenue funding; and a proposal that schools capital funding should move towards being allocated through a single flexible budget in local areas as opposed to tightly controlled central ring-fenced budgets.
18. The academies funding consultation was restricted to 4 weeks, ending on 16 August, despite a letter to the Secretary of State for Education from Baroness Ritchie requesting an extension to reflect the fact that the consultation period fell during the school holidays.
19. The LG Group response to the consultation highlights our serious concerns about the methodology the Government propose to adopt, which is not in accordance with the Government's own New Burdens Doctrine. This is because they still propose to calculate the top slice to be removed from local government on the basis of the additional amounts to be paid to academies as opposed to the actual savings in local government, which are substantially lower. Our response provides detailed evidence of this.
20. In developing the response, we worked with 32 member authorities, of all types, and with different numbers of academies, to estimate the real savings as well as the additional costs to authorities of setting up academies. The conclusions are reflected in our response to Government and present clear and compelling evidence that any savings to be made in local authorities when schools transfer to academy status are far less than the figures suggested by the Department for Education.
21. The Government's response to the consultation is expected within the next month and we have requested an urgent meeting with Michael Gove to discuss this.

**Financial Implications**

22. This programme of work is a key business plan priority for the LG Group and will be resourced from within existing budgets.