

Education services reform

17 July 2012

We need to reform the way that local authorities and Academies are funded for central education services. We have inherited a complicated system which can no longer support the rapid growth in the number of Academies and today I am announcing proposals to make it fairer, simpler and more transparent from 2013-14.

Academies are responsible for a range of education services such as school improvement, audit and HR, that local authorities perform on behalf of maintained schools. Academies receive a grant (known as the Local Authority Central Spend Equivalent Grant or LACSEG) to fund those additional duties. This gives Academies greater freedom to secure the right services for their pupils.

Local authorities and Academies receive funding for these responsibilities separately and the current method of calculating how much money each Academy should receive is convoluted and bureaucratic. We have to wait until every local authority tells us how much they plan to spend on services for maintained schools in their area before we can calculate the grants for Academies. This means that Academies can receive vastly different levels of funding from one year to the next and the rates tend to vary starkly across the country.

Moreover, as more schools adopt the freedoms of Academy status, basing this grant on the amount spent by the local authority is increasingly incongruous. In two local authorities, for instance, all state funded secondary schools are now Academies and the funding for education services needs to be brought into line with this significant shift in school provision.

Local authorities fund central education services from the money they receive for schools from the Department for Education, as well as from their general funding. The Government believes that money intended for schools should be given straight to schools themselves so that they can decide how best to spend it. That is why I announced in March that, from 2013-14, it will be compulsory for local authorities to allocate all of the money that they receive specifically for schools (the Dedicated Schools Grant) directly to the maintained schools and Academies in their area.

I am also proposing that the money that is currently paid separately to local authorities and Academies for central education services should be replaced by a single grant. This would be allocated on a simple national basis according to the numbers of pupils for which they are responsible. The new grant would be paid directly to individual Academies and to each local authority for all the pupils in maintained schools. The funding for these functions will be transferred from the Department for Communities and Local Government, to be administered by the Department for Education, and so I am consulting on these proposals alongside the

Secretary of State for Communities and Local Government's consultation on the introduction of a business rates retention scheme from 2013-14.

Distributing this money on a clear and transparent basis will help to restore confidence in the system and will put an end to the dramatic year-on-year turbulence and national variation in funding levels. This will take us further in achieving our objective of raising the attainment of all pupils across the country.

I have also published the Government's response to the consultation held late last year on the way that funding for central education services was removed from local authorities in 2011-12 and 2012-13 to reflect the transfer of responsibilities to Academies. This sets out the steps we have taken to ensure that the amounts deducted better reflect the number of Academies in each local authority over the two year period.

Copies of these publications will be placed in the Libraries of both Houses.