

To: All Directors of Children's Services

Local Authorities (England)

CC: Education Finance contacts

CC: Schools forum chairs

9 February 2011

Dear Colleague,

The school finance regulations for 2011-12 will be laid shortly and we will send you a copy as soon as this has happened. To assist your budget setting, we wanted to give you advance notice of a number of ministerial decisions which will be incorporated in the regulations.

Federations

We are continuing with the proposal to enable local authorities to set a single budget share for schools in a "hard" federation (with a single governing body). This will help reduce bureaucracy by avoiding the need to keep a separate budget and accounts for each school in the federation.

Concerns were expressed during the consultation about the effect this might have on the budget available to the federation and the disincentive this might provide to other schools considering federating. Many local formulae have a substantial lump sum element and calculating a single budget would result in the loss of one or more lump sums compared to what the schools currently receive. We are, therefore, also adding a provision which would require federations to retain the whole of any formula saving resulting from this.

Carbon Reduction Commitment (CRC)

The removal of the recycling element of the CRC as a result of the Spending Review means that the previous proposals relating to bonuses and penalties are no longer applicable. As the cost to local authorities relates to the purchase of allowances, we are proposing that the element of this relating to schools should be an allowable item against the central part of the schools budget.

We are not proposing that this would be allowable as a formula factor, because we do not believe that the additional bureaucracy of splitting this to

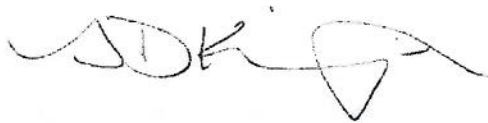
individual school level could be justified at a time when we are trying to simplify school funding.

Academy recoupment

Arrangements for recouping the DSG element of LACSEG will be similar to last year, except in one respect. The government has listened to the concerns expressed by groups which support children with special educational needs and has decided that, for 2011-12, there will be no recoupment in relation to line 1.2.2 (SEN support services) of the section 251 statement. This means that there should be no reason for local authorities to reduce funding for these services as a result of academy conversions. It also means that you should provide the services on the same basis as you would for maintained schools except for those converting prior to 2008 and for whom the local authority is not funded through DSG. We would want to stress the importance we attach to early intervention where children have special educational needs or disabilities.

Arrangements for future years will be subject to the wider review of school and academy funding.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S.D.K.' followed by a stylized flourish.

Stephen Kingdom
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Department for Education