

10 Facts You Need to Know About the Department for Education's Finances and Funding

Peter Lowe, Head of Finance for Bury's Department for Children, Young People and Culture and member of the ADCS Resources & Sustainability Policy Committee, April 2016 has written this 10 facts document which may be of interest to ADCS members.

- 1) Good business practice is that well run organizations know the financial value of the assets they own

Fact

As schools convert to academy status, the ownership of the land and buildings of these schools, other than those managed by churches, transfer from the ownership of the local authority to the Secretary of State for Education.

The DfE do not know the financial value of these expensive assets that they have become the owner of, nor have they any inclination to do so.

It is not unrealistic to assess that the total value of all schools when full academisation takes place will be in excess of £100 billion.

- 2) Good business practice is that well run organizations take action following their annual audit by professional auditors

Fact

In recent years, the Government's professional auditors, the National Audit Office, have issued an 'adverse audit opinion' which in audit-speak is a heavy criticism of the state of the DfE's accounts and that the DfE does not comply with proper accounting principles.

This follows the DfE's approach to include academies' accounts within the DfE's, which is challenging as they have different year ends.

- 3) DfE assert that as academies are regulated charities they prepare annual financial statements that are fully audited by an independent external auditor, thereby having much stricter standards of financial propriety than there is with local-authority schools.

Fact

A truly scurrilous inference as local authority schools are also subject to being audited by independent professionally qualified external auditors, generally of international renown, when local authority accounts are annually audited.

In addition, local authority schools are subject to regular reviews by the local authority's internal audit teams, which are part of the LA's statutory finance officer's responsibilities.

Also local authority schools have to complete the Consistent Financial Returns, which shows what their public money is being spent on and will aid comparative benchmarking between similar schools.

Crucially academies do not have to complete these returns.

- 4) The DfE and the Treasury have clearly stated that the Spending Review would protect schools funding in real terms for the duration of this Parliament.

Fact

"Real terms" is a phrase that indicates funding above the level of inflation, which the Treasury generally uses the 'GDP deflator' as their assessment of the annual rate of inflation.

These statements gave the impression that schools would see some increase in their funding to help them with the cost increases they would inevitably face during the 2016/17 financial year.

Yet the amount per pupil has remained static while costs have increased so much that many schools are facing the spectre of making some of their teachers redundant.

- 5) The Education Minister with responsibility for funding has stated that "wide variations (in schools funding) are driven by local authorities who determine their own local formula that are complex, opaque, but crucially very different from each other".

Fact

Obviously the Minister is not aware of the working arrangements and conditions imposed on local authorities by his own department, especially the Education Funding Agency, which is an executive arm of the DfE.

Local authorities prepare their schools funding formula, involving local Headteachers and Governors, in accordance with the specific framework determined and specified by the DfE.

The only local flexibility is the actual amounts assigned to each part of the schools formula, which is limited by how much money in total each local authority receives in funding for distribution to the schools and academies in their area.

The total amount local authorities receive is determined by the DfE.

The Education Funding Agency has the powers to check and ensure that the local authority's schools funding formula is fully compliant with the criteria specified by the DfE.

Therefore the opaqueness and complexities of schools' funding are entirely of the DfE's making.

- 6) The Education Minister wants the future schools national funding formula to be fair, transparent and based on pupil needs.

Fact

Currently there are 150 multi-school local authority funding formulae which will be replaced by potentially well over 1,000 inconsistent systems when all schools become academies.

Multi-academy trusts are allowed to switch resources between the academies they manage.

Although there may be valid reasons why some schools gain and some schools lose funding, but these are decisions that are taken within the Trust and therefore there is a lack of transparency.

Local authorities have to be transparent when constructing their schools funding formula and actively involve local Headteachers and Governors in its design before being scrutinised by the Education Funding Agency.

There is no requirement or scrutiny of how each individual MAT will allocate the funding of its academies once the national funding formula has been determined.

- 7) The Chancellor in his latest Budget stated that the Government is committed to “phase out the arbitrary and unfair school funding system that has systematically underfunded schools in whole swathes of the country”

Fact

The national funding formula will still see regional differences and between neighbouring areas as the NFF has in-built geographical variations.

There is recognition within the NFF to address the cost of employment in London and some large cities. In addition, there is recognition of funding issues of schools in rural areas.

There are also differing levels of deprivation amongst the country and therefore there will still be different funding levels between schools and academies even in the same locality.

The only potential change is the size of the variation between schools.

- 8) The Education Minister states that he wants a system of high needs funding that means parents know their child will have funding that properly reflects their needs

Fact

The DfE's proposals to use proxy indicators for High Needs pupils and students with Learning Difficulties and Disabilities will create substantial problems for authorities with much higher spending levels.

Proxy indicators do not fully reflect the needs of vulnerable children and young people and it will be necessary to put forward alternative proposals based on assessments of the needs of the pupil and student as well as recognition of the growth in numbers.

Therefore there will be little connection between the allocation of resources for high needs to individual local authorities and the individual needs of each child and young person with high needs.

- 9) The Education Minister has clearly stated that it is Government's intention to move toward a formula that funds schools directly and "removes the local authority middle man"

Fact

The DfE's proposals still mean that local authorities will still be responsible for spending more than £8 billion in schools, academies and other educational institutions, which is about 20% of the overall total.

Local authorities will determine and distribute these resources that meet the needs of vulnerable young people in their locality as well as funding early years' provision in schools, academies and other providers.

- 10) The Government have clearly stated that local authorities will no longer be involved in the running of schools

Fact

Headteachers are beginning to realise that multi-academy trusts will effectively be mini-local authorities, each with their own management and organizational structures, i.e. bureaucracy.

Under the current system local authorities provide significant economies of scale that are generally funded by the local taxpayer. These 'bureaucratic' costs do not directly impact on schools and academies budgets.

The management and organizational costs of the multi-academy trusts will have to be met from each academy's funding, thereby increasing their costs and reducing the amount of money available to educate pupils and young people in each academy.