

Advice on funding for Academies that form part of A PFI scheme

It is the Department's policy that following conversion neither the Academy nor local authority (LA), which is bound by the PFI contract, should be better or worse off financially than if the Academy had remained an LA maintained school.

LAs and schools are expected to honour the payment commitments that were agreed at the time that the PFI contract was signed. The contract remains between the LA and the contractor, regardless of the number of schools within that contract converting to become Academies.

The LA remains responsible for making payments (the unitary charge) to the PFI contractor. To pay the unitary charge, the LA receives:

- Revenue Grant
This is funding from the Department to support PFI projects agreed at the outset of the contract for the lifetime of the contract.
- Schools contributions from each of the schools in the contract
These contributions are agreed at the outset of the contract, calculated as set out in the Governing Body Agreement. Academies within a PFI contract will pay the schools contribution from their General Annual Grant (GAG). Academies that form part of a PFI scheme are funded in the same way as other Academies for their GAG.

In most cases there is a planned shortfall between the unitary charge and the amounts received from Departmental Revenue Grant and school contributions. The process for funding any shortfall post-conversion depends upon whether the Academy's proportion of the shortfall is delegated to them as part of their school budget share. If it is delegated, the money is recouped by the Department and then paid back to the LA via the Academy. If it is not delegated, the LA continues to meet the shortfall as it did before the conversion. This ensures that the LA is in the same financial position as it would have been had the school not converted.

LAs should already be delegating the PFI shortfall in funding. Those that are not currently doing so should be moving to a position of delegation. From 2013-14, LAs should make use of the PFI factor within their formula funding to transparently show the funding given to PFI schools including, for example, any subsidies given to PFI schools in relation to utilities. Such subsidies are included when considering parity of funding with LA maintained schools within the PFI scheme and it is better if they are shown explicitly.

The arrangement described above for meeting the shortfall in funding applies whilst the Dedicated Schools Grant (DSG) received by the LA includes pupil numbers in that Academy. If the process changes and pupil numbers are no longer included in the DSG received by the LA, the Department has committed to meet the Academy's share of the shortfall (as reasonably calculated by the LA).