

## FEDERATIONS

### FINANCIAL IMPLICATIONS

Federation is a governance structure whereby one or more schools share a single governing body under section 24 of the Education Act 2002. Working together through formal shared governance structures enables schools to raise standards, enhance provision by sharing resources, staff, expertise and facilities.

#### Funding Federations

Regulations allow local authorities to calculate a single budget share for schools in a federation with a single governing body. This would mean that the data would be entered into the formula as if they were a single school. This would, however, be conditional on the federation receiving a budget which was **no lower than would have happened if the schools had received separate budget shares**. In other words, any formula savings resulting from paying fewer lump sums would have to be fully compensated by an addition to the budget share. There is no saving to the DSG.

The regulations allow local authorities to have a formula factor within their local funding formula for federations. This could be used to support federations, for example as a temporary pump-priming measure, as well as to ensure a federation with a single budget share was no worse off than if it had received separate budget shares.

#### Financial benefits for schools

The benefit of this arrangement to federations will be in the way they manage and account for the single budget share. The governing body of the federation will be able to plan the use of this budget across the schools within the federation in the way that they see best. This would also be the case if the governing body of the federation were given individual budget shares for each of the schools within the federation. A federation has greater potential to achieve economies of scale savings. Having a single governing body allows any economies of scale saving opportunities to be identified and implemented more easily. Any savings achieved through federation are retained by the federation.

#### Leaving a Federation

The DfE issued guidance to local authorities to amend their scheme for the financing of schools to enable local authorities to charge schools whose withdrawal from a cluster arrangement, into which they entered voluntarily, results in additional costs to other schools in the cluster or to the local authority. This was to remove disincentives to the employment of shared staff in clusters and partnerships.