

Potential Change to the Schools Finance Regulations (England) in 2011-12 for Carbon Trading

Summary

1. This document is for information only. It is intended to give advance notice of potential changes to the Schools Finance Regulations in 2011-12 as result of the introduction of carbon trading in 2010-11. The proposed changes to the regulations will be consulted upon nearer the time.

Background and Details of Proposal

2. With effect from 1 April 2010 the Government will be introducing a carbon trading scheme for large users of energy, including local authorities. Participants will have to purchase allowances for their energy-related emissions, and will be reimbursed according to their relative position in a league table based on the extent to which emissions have been reduced. Participants who reduce their emissions by more than average will gain money through the recycling process and those who reduce by less than average will lose money. The first sale of allowances will take place in April 2011 and all revenue raised from this sale will be recycled to participants in October 2011.

3. All maintained schools will be included with their maintaining authorities for the purposes of this scheme (technically they will be “associated persons”). Academies will also be included with the local authority in whose area they are situated.

4. Schools have an important role to play as models of good practice for their pupils and the communities in which they live. We know that around 15% of public sector carbon emissions arise from activities in the English school system and about one third of this is from energy use in school buildings. The Government wants all schools to be sustainable schools by 2020 – not just promoting sustainable development through their teaching but also through their management and engagement with local communities. Schools participation in the local authority carbon reduction commitment is an opportunity to work together for mutual benefit. Local authorities will want to support schools to achieve greater energy efficiency, helping schools to save money through reduced energy bills. Sustainable schools, focusing on reducing their use of resources, create a healthier school environment and influence the behaviour of pupils and their families.

5. To incentivize schools to reduce their energy consumption we propose to amend the regulations in 2011-12 to enable local authorities to charge any loss attributable to schools to the Schools Budget. Authorities will be able to treat this sum as centrally held expenditure but will be allowed, if they wish, to use a formula factor to apportion the loss among schools according to their individual performance.

6. Similarly if schools have contributed to an authority gaining money

through the carbon trading scheme local authorities will be encouraged to ensure that the gain due to schools should be added to the Schools Budget and perhaps used to help schools which made the greater savings. However, this money would be outside the Dedicated Schools Grant so that will be a matter for local decision and agreement. The LGA have told us that they agree with the principle of adding money to the Schools Budget in this way.

7. If authorities charge losses and gains to the Schools Budget and apportion them to individual schools through the local formula, then as Academies are funded by formula replication these decisions will feed through to the Academy's funding.

8. We are not proposing to allow local authorities to use the Schools Budget to purchase the allowances and the regulations will be amended to this effect.

Further Information

9. Further details on the carbon reduction scheme can be found at the following web-site:

<http://www.environment-agency.gov.uk/business/topics/pollution/98263.aspx>

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