

**Consultation on the basis for the decision on
the appropriate amount of Academies Funding
Transfer for 2011-12 and 2012-13**

19 July 2011 to 16 August 2011

Summary of Consultation Responses

Introduction

On 19 July 2011, the Department for Education published a consultation on the basis for the decision on the appropriate amount of Academies Funding Transfer for 2011-12 and 2012-13. The consultation ran for 4 weeks and closed on 16 August. The consultation sets out the basis for the calculation of the transfer and estimated numbers of Academies and Free Schools for 2011-12 and 2012. We have consulted local authorities, the Local Government Association and London Councils.

This is a summary of responses to that consultation and is being published to accompany the second consultation on 'the proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13'.

A total of **140** responses have been received:

- Individual local authorities: **125**
- Local authority organisations: **7**
- Other organisations e.g. Teacher Unions / SEN interest groups: **6**
- Other: **2**

A list of the organisations that have responded can be found at **Annex A**.

Overview

An overview of the main points raised in the responses to the consultation is set out below:

- The vast majority of respondents agreed with the stated principle set out in the consultation that Academies should be funded on the same basis as maintained schools.
- Most respondents also agreed that double-funding is not desirable within public services although did not agree with the extent to which the consultation assumes that double-funding is taking place.
- Responses varied around the issue of stability of funding and the distribution mechanism of the transfer although a higher number of authorities thought that a fairer distribution, based on actual Academy numbers, would be more desirable than the current national topslice. Generally the number of Academies already open in individual areas influenced how local authorities responded to this issue.
- Most respondents did not think that the New Burdens principles had been fully taken into account in the proposals set out in the consultation. Specifically, respondents felt that the DfE had not done enough to assess the actual savings that local authorities are able to make on central education services when a maintained school converts to an Academy.
- A significant number of respondents thought that the Section 251 return, in its current form, is not an accurate tool for measuring spend on central education services.
- A number of local authorities did not think that some of the lines included in Section 251 reflected the actual transfer of responsibility from LAs to Academies when a school converts.
- Some respondents were concerned that any further transfer of funding for central education services for Academies or Free Schools will have a negative impact on maintained schools in their area.

Summary of Consultation Responses

Stability of budgets and distribution methodology:

The consultation asked for views from local authorities in relation to the merits of stability of funding compared with uncertainty of funding and a distribution mechanism that more accurately reflects the numbers, location and growth of Academies and Free Schools. There was a mixed response to this issue but a greater number of authorities preferred a more accurate distribution mechanism.

The number of Academies already open in individual local authorities generally influenced how local authorities responded to this issue. Those with fewer Academies preferred a methodology that reflected the number of Academies in each area and felt that the current national topslice methodology is too crude. Some of these respondents felt that in-year adjustments, whilst not a perfect solution due to the potential instability it could cause, would be a compromise worth making in order to ensure that the transfer of funding is made fairer and more accurate.

Local authorities with larger numbers of Academies highlighted that they had planned budgets in accordance with the original topslice and therefore it would be preferable not to make any further adjustments to the transfer for 2011-12 and 2012-13.

There was support for an option that would allow stability and also an accurate reflection of the number of Academies in each area – an approach involving a retrospective adjustment was suggested meaning that LA LACSEG would be reduced for local authorities a year in arrears i.e. the Academies funding transfer would reflect those Academies that opened in the previous financial year.

The relationship between costs of funding Academies and funding for Local Government

Respondents did not feel that the New Burdens doctrine has been taken into account properly in the proposals set out in the consultation. In particular, authorities felt that there had not been a proper assessment of the actual savings that individual local authorities are able to make when schools convert to become Academies.

The Local Government Association has undertaken a survey of local authorities and actual savings that they have been able to make – this estimated savings per pupil at an average of £15 rising to £70 per pupil in areas with high numbers of Academies. One respondent estimated that savings could be up to £131 per pupil.

Many local authorities disagreed with the argument that there are not economies of scale as pupil numbers fall i.e. that the size of a local authority explains only 3% or 1% of the variance in spend per pupil respectively. There was a strong feeling that some costs, such as the Director of Children's Services salary, are fixed and it is therefore not possible to make proportionate savings when schools convert.

Proposed Methodology for the Transfer

The vast majority of respondents raised concerns about the methodology being used to calculate the level of the transfer.

The use of the Section 251 return was a particular issue for local authorities, both in its potential for an inaccurate assessment of costs, its inappropriateness as a methodology as it was not designed for the purpose of calculating LA LACSEG and the unsuitability of some elements of some lines included in the calculation.

Respondents felt that S251 was not designed for the purpose of calculating LACSEG which can potentially lead to the data being variable and inconsistent across local authorities. Concerns were raised about the clarity of S251 guidance which could exacerbate this issue.

A major issue with the use of S251 for calculating LA LACSEG is the inclusion of certain lines within this and the proportions of funding that is transferred under these lines to Academies. Respondents argue that some of the costs do not transfer to Academies and that they are unable to make the assumed savings. Lines frequently raised as an issue were: statutory and regulatory duties, asset management and education welfare services. Examples were provided to demonstrate that some of these costs relate to wider children's services and therefore should not transfer to Academies e.g. legal costs of prosecutions for non attendance.

Some local authorities raised the issue of some LA LACSEG lines being recovered on a gross basis rather than a net – they felt that this is a disincentive for them to raise income by selling services to Academies in their areas.

Local authorities felt that reductions in local government funding have not been properly reflected in the LACSEG calculations due to the time lag of the data used.

Another major issue that was raised in the consultation responses was the unfairness of calculating LACSEG on a national average rate – there was a strong feeling that this does not recognise the impact of the transfer at a local level and disadvantages those authorities with low levels of spend on central education services.

Some local authorities would appreciate clarification around the 4.25 unit rates uplift for LACSEG rates for special schools. There was confusion over how this figure had been arrived at and some respondents felt that the uplift is not justified.

Local authorities also argued that it was not appropriate to include any potential income from Academies for selling central education services citing that a reduced budget also reduces the ability to market and sell services to schools that have converted.

Equality Issues

The revised estimates on the level of the transfer raised concerns from local authorities that an increased transfer would have a negative impact on the services that they are able to provide for their maintained schools. Areas with high numbers of Academies who have recently converted felt that the outstanding and good schools which are now Academies have historically had less need for central services. They argue that an equivalent transfer of funding for central services results in Academies receiving a higher level of funding for central services than they have a need for. School improvement services were specifically cited as an example of this.

Suggested alternative approaches

Below is a sample of some of the suggestions for alternative approaches to the transfer:

Local Government Association Unit Costs Based on Actual Savings:

The LGA suggest that the DfE should calculate the average national unit cost saving taking into account the New Burdens Doctrine. This could be done using a sample of local authorities and making an assessment of the actual savings they are able to make through schools converting to Academies. This should be verified independently. The national unit cost would then be multiplied by the number of pupils in Academies to calculate the amount needed for the transfer per local authority.

To inform their response to the consultation, the LGA took a sample of 32 local authorities and asked them to calculate their actual savings from no longer having to provide central education services to Academies. They state that the savings LAs can make, depending on the number of Academies in their areas, range from £15 - £70 per pupil.

Some local authorities also showed support for this approach.

ADCS Partnership Model:

Local authorities, operating within a framework agreed between local and central government, should consult with their Schools Forums as to the basis of a calculation of central spend between maintained schools / Academies and Free Schools. ADCS argue that this would mean local authorities would be able to plan service provision in a considered and rationale way. This approach would require input from the DfE, LA officers and Schools Forums – it would also mean a degree of 'lag' in the process.

Individual local authority responses:

A significant number of local authorities suggested that LA LACSEG ought to be taken a year in arrears which would allow numbers of Academies to be reflected and would allow local authorities some stability in their budgets.

Additional Comments

The timing and length of the consultation was raised as a concern by the Local Government Association and by individual local authorities. It was felt that four weeks over the summer holidays was not sufficient time to engage with the consultation and ensure that schools could also be involved in the process.

Many respondents raised the issue of cost to a local authority when a school converts to become an Academy. The LGA estimate that this cost is between £10,000 - £15,000 per school taking into account legal costs, staffing issues, land and legal matters / contracts issue.

Next Steps

The Government has announced the response to the outcome of the consultation alongside the publication of this summary of responses. The announcement responds to the concerns raised following the publication of the first consultation.

We are launching a second consultation on our proposals for the level and methodology of the transfer today – this consultation will run for four working weeks and will close on Thursday 12 January.

We need to ensure that both Academies and local authorities are funded fairly and we will continue to work with local government representatives on this issue. We are grateful to local government for their continued involvement in this area.

The second consultation can be found on the Department's website at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeofficernews/a00200594/consultation-on-the-minded-to-decision-for-the-academies-funding-transfer-for-2011-12-and-2012-13>.

Annex A

Individual Local Authorities:

Barnsley Metropolitan Borough Council
Bath and North East Somerset
Bedford Borough Council
Birmingham City Council
Blackpool Council
Borough Council of Gateshead
Borough of Poole
Bracknell Forest Council
Brighton and Hove City Council
Bristol City Council
Buckinghamshire County Council
Bury Council
Calderdale Metropolitan Borough Council
Cambridgeshire Council
Central Bedfordshire Council
Cheshire East Council
Cheshire West and Chester Council
Cornwall Council
Coventry City Council
Cumbria County Council
Derby City Council
Derbyshire County Council
Devon County Council
Doncaster Metropolitan Council
Dorset County Council
Dudley Metropolitan Borough Council
Durham County Council
East Riding of Yorkshire Council
East Sussex Council
Essex County Council
Gloucestershire County Council
Halton Council
Hampshire County Council
Haringey Council
Harrow Council
Hartlepool Borough Council
Herefordshire Council
Hertfordshire County Council
Hull City Council
Kent County Council
Knowsley Metropolitan Borough Council
Lancashire County Council

Leeds City Council
Leicester City Council
Leicestershire County Council
Lincolnshire County Council
Liverpool City Council
London Borough of Barking and Dagenham
London Borough of Bexley
London Borough of Bromley
London Borough of Camden
London Borough of Croydon
London Borough of Ealing
London Borough of Enfield
London Borough of Greenwich
London Borough of Havering
London Borough of Hillingdon
London Borough of Hounslow
London Borough of Islington
London Borough of Lambeth
London Borough of Lewisham
London Borough of Merton
London Borough of Redbridge
London Borough of Richmond
London Borough of Tower Hamlets
London Borough of Waltham Forest
Luton Borough Council
Manchester City Council
Medway Council
Middlesbrough Council
Milton Keynes Council
Norfolk County Council
North Lincolnshire Council
North East Lincolnshire Council
North Somerset Council
North Tyneside Council
North Yorkshire County Council
Northamptonshire County Council
Northumberland County Council
Nottingham City Council
Oldham Council
Oxfordshire County Council
Peterborough City Council
Plymouth City Council
Reading Borough Council
Redcar & Cleveland Council
Rochdale Metropolitan Borough Council
Rotherham Metropolitan Borough Council
Royal Borough of Kensington and Chelsea
Rutland County Council
Salford City Council
Sandwell Metropolitan Borough Council

Sheffield County Council
Shropshire Council
Solihull Metropolitan Borough Council
Somerset County Council
South Gloucestershire
South Tyneside Council
Southampton Council
Southend-on-Sea Borough Council
St Helens Council
Staffordshire County Council
Stockport Metropolitan Borough Council
Stockton-on-Tees Borough Council
Stoke-on-Trent
Suffolk County Council
Sunderland City Council
Surrey County Council
Swindon Borough Council
Telford and Wrekin Council
The Council of the City of Newcastle upon Tyne
The Council of the City of Wakefield
Thurrock Council
Torbay Council
Wandsworth Council
Warrington Borough Council
Warwickshire County Council
West Berkshire Council
West Sussex Council
Westminster Council
Wigan Council
Wiltshire Council
Wirral Borough Council
Wokingham Borough Council
Worcestershire County Council

Local Authority Organisations:

Association of Directors of Children's Services
Association of North East Councils
County Councils Network
London Councils and the Association of London Directors of Children's Services
Local Government Association
Society of County Treasurers
Society of London Treasurers

Other organisations:

Association of School and College Leaders
Catholic Education Service for England and Wales
National Association of Schoolmasters / Union of Women Teachers

National Deaf Children's Society
National Sensory Impairment Partnership
The Chartered Institute of Public Finance and Accountancy

Others:

Other responses were sent from individuals, not on behalf of an organisation.