**2012/13 LACSEG rates - contingencies**

**Introduction**

1. From 2012/13, expenditure reported under ‘schools specific contingencies’ on a local authority’s section 251 return, will be included within the scope of LACSEG when calculating the LACSEG rates to be paid to Academies.
2. The budgets for schools specific contingencies have risen significantly in recent years (from £351 million in 2008-09 to £545 million in 2011-12 nationally). Some authorities are retaining amounts which go beyond what is intended in the regulations, which relates to the correction of errors, meeting expenditure where it would be unreasonable for this to be met from the budget share and where the budget share is increased under the authority’s formula.
3. Under arrangements for 2011/12, Academies did not receive a share of contingencies in LACSEG; nor did they have any entitlement to access this funding, although we are aware that some authorities did make this available to Academies as well as maintained schools. There is also confusion over whether local authorities or the YPLA should be making additional allocations other than those for SEN Individually Assigned Resources to Academies during the course of the year.
4. We are clear that the direct financial relationship between authorities and Academies should generally be limited to early years (where appropriate) and adjustments for SEN and exclusions. That is why we have included the money that local authorities keep for schools specific contingencies when calculating the LACSEG rates.

**Applications for exclusions from contingencies**

1. The Department wrote to all local authorities to inform them of this in October 2011. We asked local authorities to get in touch if they would like to make a case to have contingency expenditure excluded from the Academies LACSEG calculation. We agreed that this would be considered in certain circumstances, for example, where funding was for named pupils, such as those with SEN individually assigned resources, or for an individual school.
2. We explained that we would consider local authority requests to exclude some elements of their contingencies spend from the LACSEG calculation. Having received and reviewed applications from local authorities, we published a list of examples of accepted exclusions, as well exclusions that we had not accepted. These were set out in the consultation on the Academies Funding Transfer which closed on 12 January.

**Accepted exclusions from contingencies**

1. We accepted requests that met the criteria set out in the Academies Funding Transfer consultation. We said then that contingencies under the following categories would be excluded:

**1. Pupils with high needs, including SEN**

We have accepted applications for exclusions that relate to the costs of provision for pupils with high and additional needs including SEN and alternative provision. Provision for pupils with high needs is outside the scope of LACSEG and Academies will receive funding for high needs pupils under separate arrangements.

**2. Equal pay**

Local authorities are responsible for resolving historic back pay, most of which will have been incurred while the academy was a local authority maintained school. We expect authorities to fund Academies for these liabilities on the same basis as maintained schools.

**3. Rates and rates revaluation**

Rates are already included in academy funding allocations on the basis of actual costs.

**4. Schools in financial difficulties**

Where funding is earmarked for specific schools, this is outside the scope of LACSEG. This category also includes provision for the deficits of closing schools.

**5. Provision for LACSEG recoupment**

Provision for LACSEG recoupment should not be included in the LACSEG paid to academies because this would result in double funding for the academy.

**6. Costs of infrastructure for individual schools**

We have accepted applications for exclusions that relate to the costs associated with school reorganisations, specific school or central services site costs and PFI contracts.

1. **Diploma funding**

The diploma grant is ending in 2012-13 and so special arrangements have been put in place for academies with diploma provision to be funded through their local authorities.

1. We considered requests for exclusions on a case by case basis. Following the responses that we received, we also accepted exclusions which related to the following:
2. **Early years funding**

Funding for early years is outside of the scope of LACSEG.

1. **Insurance costs**

Insurance costs are excluded from LACSEG because Academies receive a separate payment for insurance

1. A number of other contingencies were also accepted. These were:
* Selective schools admissions costs
* DSG overspend
* Non-maintained special school costs
* Carbon reduction commitment – LAs have to pay this on behalf of Academies
* Funding for City Learning Centres
* FSM transport – rural schools without provision for hot meals
* Hospital schools
* Elective home education
* Exit costs following the restructure of central services
* Inflation to central services
* Central services to additional pupils
* Income target for buyback from academies
* Grants to voluntary organisations
* Social care costs
* Schools taking on additional year groups as part of planned expansion of school
1. If you made a request for some elements of your contingencies spend to be excluded from the calculation, you will be able to see which exclusions were accepted in the 2012/13 LACSEG underlying data on the Department for Education’s website. If you have any queries about this, please contact: lacsegteam.academies@education.gsi.gov.uk.

**Types of exclusion that have not been accepted**

1. We have generally not accepted requests for exclusions that fall into the categories below. The funding for these will therefore remain in LACSEG and Academies will receive a proportionate share. These items are all ones that could be delegated to individual schools and thus Academies should receive a share up-front, reflecting their independent status.
* **Funding for additional pupil number growth** - particularly in primary schools where this may have a knock-on impact on class size or configuration through extra reception classes or infant class size adjustments. We will ensure this is consistent with how YPLA fund Academies and that they do not also fund Academies for such in-year adjustments.
* **Behaviour / hard to place pupils**  - the line on section 251 for behaviour support services is already part of LACSEG, so any element of this funding that has been placed in contingencies instead should also be in LACSEG.
* **Funding for extended services**
* **Funding for school support/intervention/schools causing concern** – this is included because it is similar to school improvement which is in LACSEG and which should be devolved to Academies.
* **Funding for mainstreamed grants which has not been delegated to schools**: Academies should get a share of this. We will ensure that the YPLA do not also fund academies for this.
* General in-year allocations relating to formula factors such as NQTs or ASTs.

**Dedicated Schools Grant recoupment**

1. Recoupment of the Dedicated Schools Grant element of LACSEG, including contingencies, will be based on the local authority’s 2012-13 section 251 return. Further guidance will be issued before the start of the financial year, including arrangements for requesting exclusions from contingencies and other lines.
2. As in previous years, we will not recoup funding for SEN support services in 2012-13. We expect authorities to fund Academies for these liabilities on the same basis as maintained schools. Decisions for 2013-14 and subsequent years will be made as part of the wider review of school funding.