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Education & Skills Funding Agency

Guidance Academies and dedicated schools grant 2021 to 2022: calculation of recoupment

Published 28 January 2021

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1. Introduction

This guide explains how we, the Education and Skills Funding Agency (ESFA), calculate dedicated schools grant (DSG) schools block recoupment for the financial year 2021 to 2022. This guide is primarily aimed at local authority finance officers and runs alongside the 2021 to 2022 APT guidance.

It does not describe how we deduct funding from the schools block of the DSG for high needs places. That information is available in the dedicated schools grant technical note.

Local authorities provide an individual schools budget (ISB) for each school in their area, in the authority proforma tool (APT) that they submitted to us in January 2021. This includes the notional budgets for all academies and free schools (including university technology colleges and studio schools) in their area. It also shows the funding that academies would have received if they were maintained schools. As local authorities are not responsible for funding mainstream academies or free schools, we will deduct the amount of ISB for those schools from the total DSG allocated to local authorities. We refer to this deduction as 'recoupment'.

Local authorities can only estimate their 2021 to 2022 business rates when they submit their 2021 to 2022 APT. When the actual invoices for their 2021 to 2022 business rates are available during the year, we do not adjust recoupment with this updated information, instead we apply the adjustments retrospectively in the next year's APT. When academies send us their 2021 to 2022 business rates invoices, we will issue that information to local authorities in December 2021. Local authorities must use the data to make an appropriate business rate adjustment on their financial year 2022 to 2023 APT; this will be the difference between the estimated and the actual business rates for academies in 2021 to 2022.

Where authorities made growth fund payments to academies in 2020 to 2021 for basic need, they should continue to provide these until the academies receive their new budgets from September 2021. We adjust recoupment accordingly in these cases to provide authorities with the funding to continue these payments. We do not adjust recoupment for diseconomy of scale or start-up funding as published in the school revenue funding operational guide. Local authorities should continue to meet the cost of these elements from their growth funds.

2. New free schools

We will continue to recoup for all free schools from the date they opened for the financial year 2021 to 2022.

To help local authorities estimate the recoupment amounts for new free schools, we included details of the expected pupil numbers for those they predicted to open in the next year when we sent the APT in December. We request local authorities to combine this data with their own local knowledge when submitting their financial year 2021 to 2022 APT, to determine the most accurate estimate of the number of pupils for new free schools.

The ISB should reflect the funding for the period in the year that the new academies are open, we will recoup the figure shown. We will not pro-rata the calculation for these academies.

Local authorities may need to adjust these estimates, therefore you should reflect any differences that you identify in the financial year 2022 to 2023 APT.

We expect local authorities to provide estimates for all new free schools. In rare cases where a school has opened and it was not possible to provide data in the APT, we will accept an estimate in-year to avoid delaying recoupment. This helps reduce the adjustment in the financial year 2022 to 2023 APT.

3. New provision academies

We asked local authorities to include any new provision academies on the APT that they submitted in January 2021.

This meant that local authorities had to estimate pupil numbers and characteristics for all these schools. This is the same as those opened under the new presumption free school arrangements.

The regulations allow retrospective adjustments in the following financial year, so that we fund schools appropriately if the actual numbers are different from the estimated numbers. Although this is a decision for the local authorities, we would generally expect to see these adjustments. It is up to the local authority to decide whether to use a threshold for these adjustments.

4. Recoupment calculation

We use the data provided by local authorities on their APTs to calculate recoupment.

For converting academies that opened after 11 January 2021, we asked authorities to show these schools as maintained schools on the APT. In most cases, this will mean that the estimated business rates submitted in the APT will not include rates relief. We therefore reduce the amount we recoup to include rates relief. Specifically, we will recoup 20% of column AL on the 'New ISB' tab of the APT.

The date that a school converts to academy status depends on whether we allow dedelegation:

- where a school converts to academy status on or before 1 April 2021, no dedelegation can happen
- where a school converts between 2 April 2021 and 1 September 2021 (inclusive), the authority can retain any de-delegated funding until 1 September 2021
- where a school converts to academy status between 2 September 2021 and 31 March 2022 (inclusive), the local authority can retain any de-delegated funding for the remainder of the 2021 to 2022 financial year: this will help service providers plan their future operations

The following table shows the columns in the APT that we use in the recoupment calculations.

4.1 Table 1: APT columns used in the recoupment calculations

Date of opening	Calculation (from the APT)
Free schools open in September 2020 and on the October 2020 census	Column BP from the 'New ISB' sheet
Academies open by 11 January 2021	Column BP from the 'New ISB' sheet, minus column H or I from the 'Recoupment' sheet
Academies open from 11 January to 1 April 2021	CColumn BP from the 'New ISB' sheet, minus column AL from the 'New ISB' sheet plus 20% of column AL from the 'New ISB sheet'
Converter academies open from 2 April to 1 September 2021	Column BU from the 'New ISB' sheet, minus column AL from the 'New ISB' sheet plus 20% of column AL from the 'New ISB' sheet pro rata for the period that the academy is open plus 7/12 of column BV from the 'New ISB' sheet
Converter academies open from 2 September to 31 March 2022	Column BU from the 'New ISB' sheet minus column AL from the 'New ISB' sheet plus 20% of column AL from the 'New ISB' sheet pro rata for the period that the academy is open
New free schools	Column BP from the 'New ISB' sheet

5. Examples of recoupment calculations

This section gives some examples of our calculations. We use the data in table 2 below for all the various scenarios (see sections 5.1 to 5.6) for when a free school or academy opens.

5.1 Table 2: examples of relevant data on the APT

APT information	APT data source	Budget
Post MFG budget	Column BP from the 'New ISB' sheet	£4,500,000
Rates	Column AL from the 'New ISB' sheet	£4,000
De-delegation	Column BV from the 'New ISB' sheet	£20,000
Post de-delegation budget	Column BU from the 'New ISB' sheet	£4,480,000
Growth funding adjustment for April 2021-August 2021	Column H or I from the 'Recoupment' sheet	£12,000

The following examples show the differences in the recoupment calculation depending on when the free school or academy opens in the academic year (using the illustrative figures in table 2 above):

5.2 Example 1: for free schools open by September 2020

Using the figures from Table 2, we will recoup the figure shown on the 'Post MFG budget' of the APT data source which is £4,500,000.

5.3 Example 2: for academies open up to 11 January 2021 (inclusive)

We will recoup the figure shown on the post MFG budget of the APT minus growth fund (for the period April 2021 to August 2021) if a local authority provided appropriate justification. Using the figures from Table 2 the recoupment calculation is:

 $\pounds4,500,000 - \pounds12,000 = \pounds4,488,000$

5.4 Example 3: for academies opening from 11 January 2021 up to 1 April 2021 (inclusive)

The calculation in this example allows for business rates adjustments. This is the post MFG budget of the APT minus rates, plus 20% rates relief. The calculation is using the figures from Table 2 is:

(£4,500,000 - £4,000) + £800 (this is 20% of the full rates of £4,000) = £4,496,800

5.5 Example 4: for academies opening from 2 April 2021 up to 1 September 2021 (inclusive)

Where a maintained school converts to an academy during this period, we pro-rata the recoupment calculation for the days that the academy is open. We will recoup the dedelegated funding for the period September 2021 to March 2022.

For this example, the academy converted on 1 May 2021. The calculation using the figures from Table 2 is:

(£4,480,000 - £4,000) + £800 (this is 20% of rates) = £4,476,800 for the full year.

We then pro-rata this into days that the academy is open. In this example it is open for 335 days between 1 August 2021 and 1 May 2022 so (£4,476,800 / 365) × 335 = £4,108,844

We finally add the de-delegated funding pro-rata, which is (7/12 of £20,000) + £4,108,844 = £4,120,511

5.6 Example 5: for academies opening from 2 September 2021 up to 31 March 2022

Where a maintained school converts to an academy during this period, we pro-rata the recoupment calculation for the days that the academy is open. We will not recoup the de-delegated funding for the financial year.

For this example, the academy opened on 1 March 2022. The calculation using the figures from Table 2 is:

(£4,480,000 - £4,000) + £800 (this is 20% of rates) = £4,476,800 for the full year.

We then pro-rata this into days that the academy is open. In this example it is open for 31 days between 1 March 2022 and 31 March 2022, so (£4,476,800 / 365) × 31 = £380,221

5.7 Example 6: for new free schools opening from 1 September up to 31 March 2022

For new free schools opening during this period, we will recoup the figure shown on the 'Post MFG budget' of the APT. We will not pro-rata the figure.

6. Recoupment adjustments

We expect recoupment to remain throughout the financial year as we originally calculated based on the APT.

However, it may be necessary to apply adjustments to the level of recoupment on a case-by-case basis in exceptional circumstance. The most common reasons for recoupment adjustments are set out below.

6.1 Rates

In a small number of cases, the business rates paid by predecessor schools may unknowingly already be at 20%, for example, some voluntary aided schools. In these cases, we will initially recoup 20% of the business rates estimate shown in the APT. If the predecessor school was already paying business rates at 20%, local authorities can contact us and request that we recoup for the full amount of business rates shown in the financial year 2020 to 2021 APT. Alternatively, we can make a retrospective adjustment for 2021 to 2022 business rates within the financial year 2022 to 2023 APT.

6.2 Growth

Where local authorities have provided growth fund payments to academies in the 2020 to 2021 academic year, they must continue these payments to the end of August 2021. To provide the authority with the funding to make these payments, we will provide a recoupment adjustment for the amount entered to the "Recoupment" tab of the APT, provided the value shown is supported by the appropriate justification.

If an academy converts in year, and the local authority has been unable to show growth figures for April 2021 to August 2021 on the APT due to it being classed as a maintained school, we will adjust recoupment to reflect the growth. We adjust this through the anomalies process once the financial year has started if you provided the appropriate calculation and justification to support this.

6.3 Private Finance Initiative (PFI)

Where local authorities delegate PFI funding to academies for the first time, we will automatically adjust recoupment for the period April to August 2021. This is so that local authorities do not need to begin invoicing academies for the financial year 2021 to 2022 until September, as this is when the academies start to receive the funding needed to pay PFI costs. Local authorities must not invoice academies in the period that the costs are covered by recoupment adjustment.

If a significant increase in existing PFI delegation occurs between 2020 to 2021 and 2021 to 2022 we will not adjust recoupment automatically. However, if the increase in the amount invoiced from April causes financial difficulty for the academy (because the corresponding additional funding does not start until September), we will consider a request to make a similar April to August adjustment on a case-by-case basis.

6.4 Academy closures and infrastructural changes

If an academy closes, we will usually stop recoupment at the point of closure, pro-rata for the number of days remaining in the financial year. However, we will continue the original recoupment if all pupils are placed in another recoupable academy in the local authority area. We will adjust recoupment if some or all the pupils from the closed academy are placed in a maintained school in the local authority.

If an academy closes and some or all the pupils are placed in another academy outside of the local authority area, we will continue to recoup from the local authority against the original academy for the remainder of the financial year, reflecting that we do not adjust the starting DSG allocation either.

A closed academy will not feature in the local authority's recoupment reports in the financial year following the closure.

Where there are mergers or demergers that affect academies within a local authority, we will not change recoupment for the remainder of the financial year. The changes will take effect from the following financial year, for example, academy names changes, LA codes, and any split recoupment values following a de-merger, or joined up recoupment values following a merger.

7. Recoupment timetable

We'll write to each authority several times during the year to provide their recoupment calculations. These dates are:

- April 2021
- July 2021
- September 2021
- November 2021
- January 2022
- March 2022

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