

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

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

Introduction

1. The Secretary of State for Education, in consultation with the Secretary of State for Communities and Local Government (the Secretary of State), has agreed to reconsider the reduction to local authority funding, and transfer of resources to the Department for Education (DfE) that was made as part of the two year local government settlement for 2011-12 and 2012-13 to reflect the transfer of central services from local authorities to Academies and Free Schools¹. This consideration is of the transfers for both the 2011-12 and 2012-13 financial years. This consultation aims to respond to the challenges made by local authorities regarding the basis on which the original decision was made.

2. We want to ensure that Academies and maintained schools are funded fairly and equitably. This reconsideration will take into account views of local authorities and will be made in light of updated Academy numbers.

3. The purpose of this consultation document is to set out the evidence the Secretary of State will use to consider the appropriate level of transfer and the proposed basis for calculation of the transfer. It seeks views and contributions from local authorities to inform that decision. The estimate of the costs of LACSEG set out here should not be seen as predetermining the decision on the level of reduction in local government funding or how this should be done.

4. Given the limited focus of the consultation and the need for an early decision on the amount to be transferred, the consultation will run for four weeks.

5. The consultation is taking place with all Unitary and County local authorities with responsibility for Education Services and their representatives, the Local Government Association (LGA) and London Councils. It will be open to local authorities to respond individually or through the Local Authority Associations.

Background

6. Prior to 2011-12, the funding system for education meant that local authorities were still being partly funded for the central services that they had previously provided to Academies when they were maintained schools. This had meant that the taxpayer was paying twice for the same service which was clearly not good value for money and highlighted the need to change the system.

7. When a school becomes an Academy, it moves out of local authority control. One effect of this is that it ceases to receive, as a matter of course, a range of services from the local authority which it used to receive without being charged. Those services range from educational support such as school improvement, to administrative support such as legal or statutory accountancy services.

¹ References in this document to “Academies” include all types of Academies including sponsored, converters, free schools, University Technical Colleges and Studio Schools.

8. Since the beginning of the Academy programme, there has been a principle that Academies should be funded on the same basis as maintained schools. Therefore the Department for Education (DfE) has provided Academies with a grant (LACSEG – Local Authorities Central Services Equivalent Grant) to cover the costs of those services that were previously provided by the local authority. A table setting out the LACSEG relevant services in the schools and local authority budgets is attached at Annex A.

9. The amount of LACSEG paid to Academies is currently based on how much the Academy's local authority spends on relevant services as set out in its annual section 251 budget statement (filed under section 251 of the Apprenticeships, Skills, Children and Learning Act 2009). The Academy is paid a sum calculated according to a proportionate share of this spend based on its pupil numbers, with the exception of special educational needs support services, where the share is based on the number of pupils it has on School Action or School Action Plus.

10. The services local authorities provide without charge for maintained schools, and for which Academies are compensated through LACSEG, are funded in two different ways. The Dedicated Schools Grant, which local authorities receive through the DfE, makes up one element of this funding. The other source is Formula Grant which local authorities receive through the Department for Communities and Local Government (DCLG). The subject of this consultation is the element of central services that are funded via DCLG's Formula Grant.

Dedicated Schools Grant (DSG) - this sits within the DfE's Departmental Expenditure Limit (DEL). It goes to local authorities and funds individual school budgets as well as some centrally provided services such as school admissions.

Formula Grant - this is the main source of funding from central government to local government and is distributed by formula through the Local Government Finance Settlement. It is administered by the DCLG and sits in the Local Government DEL. This source of funding provides central services for such things as premature retirement costs / redundancy costs.

Broadly speaking, the element of central services funding that sits in the DSG is aimed towards providing services for individual pupils and the Formula Grant element of the funding provides whole school / administrative services.

11. On the basis that when a school becomes an Academy and the local authority no longer has to provide services to the school which it used to, DfE has always reduced the local authority's funding from DSG for those services funded by it. This aspect of LACSEG is recouped on a cost to Government basis.

12. In this respect, the full cost to DfE of funding Academies to provide services which are no longer provided to them by local authorities is recouped from local authorities.

13. However, before 2011-12, a similar approach was not taken in relation to the central education services which are funded by formula grant and council tax. The authority kept the same level of formula grant to fund services to schools even when it had fewer schools to support because one or more of its schools had become an Academy.

14. Instead, DfE has historically funded this element of LACSEG, for all Academies which opened prior to March 2011, from within its own budget. This meant that the services for which LACSEG was paid were being double-funded: Academies were funded by DfE to provide them, via LACSEG, yet local authorities continued to receive full funding for the same services, which they were no longer providing, in formula grant from DCLG. In the 2010-11 financial year, this double funding represented a cost to DfE of approximately £151m a year and the cost would increase as numbers of Academies increased. This was clearly an unsustainable situation which needed to be addressed.

The Academies Act

15. The Academies Act was passed in July 2010. This enabled schools voluntarily to convert to Academy status. In addition, it enabled the Secretary of State for Education to require conversion to Academy status in cases of underperformance.

16. The Act marked a significant change in policy. Previously, Academy status was only granted to schools which were failing, in order to improve the school by providing extra support through sponsorship by an external body, and by giving it freedoms to innovate – so-called “traditional” or “sponsored Academies”. The new policy was instead about enabling schools to convert voluntarily, without a sponsor and not as a result of any underperformance.

17. The Impact Assessment that was published when the Bill was introduced into the House of Lords on 26 May 2010 assumed that around 200 schools per year would achieve Academy status. This was based on the best estimates of Academy numbers available at the time. However, as large numbers of head teachers recognised the benefits of the freedoms associated with becoming an Academy, initial estimates of Academy numbers needed to be revised due to the success of the programme. The Impact Assessment estimated the impact of the Bill on the costs to Government of LACSEG and also the savings that local authorities could make. Those estimates have proven to be significant underestimates of the numbers of schools which would convert to become Academies. The policy’s success has meant that both the costs to Government and the savings to local authorities estimated in the Impact Assessment were considerably less than the actual costs and savings which have and are expected to be incurred.

Overall approach towards calculating the level of transfer

18. In order to address the growing extent of double funding in the system, Ministers decided, in the context of the Spending Review, that a transfer should be made from formula grant to the DfE budget in respect of DfE’s LACSEG commitments. It was considered that continued double funding was indefensible in the current public sector financial climate. The question then arose as to how to

quantify the amount of the transfer and how this would be reflected in local authority budgets.

19. It is clear that the demand-led nature of the Academies programme means that a wholly accurate prediction of the numbers of schools that may convert, in which local authorities they are located and when the conversion of a school to Academy status will take place cannot be made. Given this, there is a need to come up with a mechanism for establishing funding requirements that appropriately funds both local authorities and Academies for the services for which they are responsible. In line with the New Burdens Doctrine, which is usually applied in the case of a transfer of responsibility between central and local government, and vice versa, we have undertaken calculations based on a national approach. We recognise, however, that this approach does not sit well with the way in which the Academies programme has developed as it is demand led and, by its nature, very variable from local authority to local authority.

20. Further information is set out later in the document on the numbers of schools which we expect to become Academies during financial year 2011-12 and the basis on which further estimates could be made for 2012-13. These will inform the estimate which will be as to the amount that should be transferred from the local government budget.

21. The need to provide certainty and stability for local authorities in relation to the budgets available to them in 2011-12 and 2012-13 was a key consideration when making the original decision about the transfer of funding. Since we are only able to make estimates about the growth in the number of Academies at a national level, and given the objective of providing certainty of funding, it was not possible to make deductions in local authority budgets other than on a pro-rata national basis through the Local Government Finance Settlement over the period 2011-2013. This meant that an amount was topsliced from each local authority's relative needs formula for central education functions on a pro-rata basis. The topslice was not related to the current pattern of Academy schools; nor did it reflect the pattern of growth in Academy numbers which could take place over the next two years.

22. As the above makes clear, the approach we have taken to date reflects the fact that we are only able to make estimates about the growth in the number of Academies at a national level. Given this, it was not possible to make deductions in local authority budgets other than on a pro-rata national basis in order to provide certainty of funding through the Local Government Finance Settlement over the period 2011-2013.

23. It would however be possible to take a different approach which more accurately relates to the actual pattern of where Academies are located but this would not provide the same level of certainty in respect of local authority budgets. It would potentially involve much more regular and variable transfers of funding from local authorities to reflect the growth in Academy numbers.

24. It would be helpful to receive views from local authorities in relation to the relative merits of certainty of funding compared with uncertainty of funding but with a distribution mechanism that more accurately reflects the numbers, location and

growth of Academies and Free Schools.

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

25. The below sections set out the basis on which the cost of LACSEG to DfE will be calculated, which will inform the Secretary of State's estimate of the appropriate level of reduction to local government funding. The question however remains as to how the reduction should be calculated and, in particular, whether this should be done on the basis of the cost to central government of providing LACSEG funding, or on a different basis.

26. In determining that question, the Department will have regard to, and seek to apply, the New Burdens Doctrine, available at <http://www.communities.gov.uk/publications/localgovernment/newburdens2011>. It contains long-standing principles for application where the responsibilities of local government are changed as a result of decisions made by central government. The process of schools converting to Academy status, and pupils moving from maintained schools to Free Schools, represents a transfer of responsibility from local government to central government in funding terms.

27. The main focus of the New Burdens Doctrine is on the transfer of responsibilities from central to local government rather than the burden shifting from local government to central government, as is the case when schools convert to become Academies. It does however make clear that where a function is transferred from local authorities to central government a financial transfer may be made to the relevant Department. It also makes clear that Departments should discuss any transfers relating to changes in responsibilities between local and central government with the local authority associations.

28. In considering the appropriate basis for calculating the amount that should be transferred from local government, to reflect the transfer of services, we intend to take account of the extent to which the costs to Academies, who have to undertake the transferred functions without support from local authorities, are analogous to the savings which can be made by local government through no longer having to provide those functions to Academies, and the income which can be generated by local authorities through selling their services to Academies.

29. Local authorities are funded for education services predominantly on the basis of local pupil numbers and populations with only a very small element for fixed costs. In making the calculations for the amount of LACSEG grant to pay to Academies we have adopted the same unit cost basis on which the relative needs assessment that feeds into the local government formula grant in this area is calculated. The local government formula takes account of all pupils in an area in calculating the funding for a particular authority irrespective of whether that pupil attends an Academy, Free School or local authority maintained school. This means that authorities are funded on broadly the same basis whether they have 10,000 or 200,000 pupils in their area.

30. In addition to this, there is very little evidence of a direct link between pupil numbers and spend per pupil, as reported by local authorities in the section 251

budget return. For example in relation to spend on statutory and regulatory duties and asset management, the size of a local authority explains only 3% and 1% of the variance in spend per pupil respectively. This indicates that there are not necessarily diseconomies of scale in practice as pupil numbers fall – and that a local authority can be expected to reduce its own expenditure on central services as numbers of pupils for which it is responsible are reduced.

31. It would also seem to indicate that a reduction in the funding that is paid to a local authority in order to reflect the transfer of responsibilities to Academies should not necessarily impact on the ability of the local authority to continue to provide central services to the schools which remain within its responsibility. In the Department's view, the significantly greater than anticipated numbers of schools converting to Academies tends to support that assumption, since it is reasonable to expect greater savings as greater numbers of schools convert.

32. As well as every school that becomes an Academy reducing the call on the local authority's resources, it is also important to remember that it is open to the relevant local authority to generate income from the marketing and provision of central services to Academies. If a local authority provides a high quality of services at a competitive rate, an Academy may choose to buy back those central services from the local authority. The Department proposes to take into consideration that opportunity for additional income when estimating the savings which local authorities will make from no longer being required to provide central services to converting schools.

33. The Department has considered other methods of calculating savings to local authorities, such as assessing changes in spending patterns which may have taken place in local authorities with larger numbers of Academies. Central government does not however hold sufficient appropriate objective data which would enable this to be done in a straightforward way. Also the estimates which need to be made are almost entirely based on future growth in the Academies programme. Whilst estimates can be made of total numbers of converting schools, there is great uncertainty about where these schools will be located, which makes it impossible to make any detailed calculation of specific savings which specific local authorities could make from the transfer of responsibilities from them to Academies.

34. Given the above, the Department's provisional view is that it is reasonable to conclude that local authorities should be able to make savings which are commensurate with the reduction in responsibilities which a transfer of schools to Academy status entails, and which is commensurate with the cost to DfE of providing LACSEG. Alternative bases for calculation of the transfer are, in any event, problematic. Therefore, the Secretary of State proposes to calculate the appropriate reduction to local authority funding in respect of transfer of services to Academies on the basis that it should reflect the cost to the DfE of providing LACSEG. This would be in line with the approach taken in relation to the proportion of LACSEG which is part of the DSG whereby DfE recoups from local authorities the full cost of the schools budget element of LACSEG. However, for 2011-12, the calculation of what would be the appropriate reduction in local authority funding will not necessarily determine whether any additional reduction in local authority funding will be effected or, if so, how this should be done.

Basis on which the original estimate for the transfer of funding from Formula Grant to the DfE Budget announced in December 2010 was made

35. The original estimate for the amount to be transferred from the local government formula grant to the schools budget was developed during the Summer and Autumn of 2010. It was based on the estimated cost to DfE of LACSEG, which was itself made up of two principal elements: the estimated number of relevant Academies and Free Schools open in 2011-12 or 2012-13 and the average per pupil amount of LACSEG paid to Academies in respect of relevant services which are part of the local authority budget and funded by formula grant.

36. The estimate of schools relevant to the 2011-12 calculation was comprised of: the estimated number of schools converting to Academy status between September 2010 and March 2011, the estimated number of schools converting between April 2011 and March 2012 and the number of Free Schools estimated to open between April 2011 and March 2012.

37. For 2012-13, the estimate of schools relevant to the calculation were: the estimated number of schools converting to Academy status between September 2010 and March 2011, the estimated number of schools converting between April 2011 and March 2012, the estimated number of schools converting between April 2012 and March 2013, and the number of Free Schools estimated to open between April 2011 - March 2012 and April 2012 - March 2013.

38. The average amount per pupil of LA LACSEG² was calculated by dividing the total national relevant spend on LA LACSEG services, as provided by local authorities through the Section 251 return, by the total number of pupils which are used as a factor for determining formula grant distributions between authorities. These pupil numbers include all school age pupils in local authorities irrespective of whether they attend an Academy or maintained school. In relation to section 251 the calculation was based on the returns made by local authorities in respect of their planned spend on relevant services in 2009-10.

39. The detailed national level assumptions which underpinned the calculations are set out below:

LACSEG per pupil

| | |
|--|------|
| LA Budget LACSEG per Primary FTE Pupil | £304 |
| LA Budget LACSEG per Secondary FTE Pupil | £306 |
| LA Budget LACSEG per Special FTE Pupil | £306 |

² LA LACSEG is the element of the LACSEG grant which relates to local authority education services funded by local government.

Average number of FTE pupils per school

| | |
|---|-----|
| Maintained Primary schools converting | 231 |
| Maintained Secondary schools converting | 973 |
| Maintained Special schools converting | 86 |
| Free Schools Primary | 200 |
| Free Schools Secondary | 850 |

Overall Estimated Cost of LACSEG= LACSEG per pupil x average pupil numbers x number of schools.

40. The cost to DfE of LACSEG for each year was calculated by using the calculation mechanism above. In addition, the total estimated costs for each year were reduced to reflect the overall reduction in grant to local authorities in each of those years as a result of the Spending Review. The amount of reduction compared to 2010-11 was 9% for 2011-12, and 15% for 2012-13

41. The estimate, calculated in Summer and Autumn 2010, for 2011-12 took the anticipated full year cost for schools converting to Academy status in the seven months between 1 September 2010 and March 2011 and added this to 7/12 of the full year costs of all converter Academies, sponsored Academies and Free Schools projected to open in 2011-12. It was assumed that all schools would open in September 2011.

42. For 2012-13, the calculation took the anticipated full year cost for all schools converting to Academy status and Free Schools opening by March 2011 and added this to 7/12 of the full year costs of all converter Academies, sponsored Academies and Free Schools projected to open in 2012-13. Again it was assumed that all schools would open in September. The assumptions in relation to average pupil numbers per school and LACSEG amounts per pupil were the same for both years.

43. Since the original estimate, some changes have been made to the 2011/12 LACSEG allocations to make them more accurately reflect the transfer of responsibilities to Academies. These changes are reflected in calculating the unit costs which underpin the consideration of the transfer. The changes are:

- Traditional Academies had previously been funded wholly on the basis of local authorities' gross expenditure. This resulted in them being double funded for income which comes from schools and parents (for example for outdoor education), and which the Academy would, therefore, have been able to generate as well. The 2010/11 rates for new converters had already been based on the net figures for relevant budget lines, and this was applied to traditional Academies as well from 2011/12;
- There was a reduction on the LA budget LACSEG elements in line with the reduction in the Formula Grant from the DCLG to local authorities between 2010-11 and 2011-12. In previous years, the LA budget element of LACSEG was adjusted by the change in DSG and not CLG funding;

- Centrally retained school improvement grants were excluded from LACSEG. These ended after 2010-11, but would still have been built into 2011-12 LACSEG otherwise because of the time lag. It would have been inequitable to continue to include these in the circumstances.

Current numbers of converter Academies and estimated trajectory for Converter Academies, Sponsored Academies and Free School in 2011-12 and 2012 -13

44. In reconsidering the amount to be transferred from local government on the basis of the approach proposed above we need to estimate the total amounts which will be paid by DfE in LACSEG in 2011-12 and 2012-13. Since the original estimates of LACSEG costs were calculated, more information has become available which is relevant to that calculation. For instance, there is more accurate information regarding numbers of converters during the 2011-12 financial year and we have much clearer information about the applications for Free Schools. The Secretary of State proposes to take this and other information, as set out in paragraphs 55-59, into account when estimating the total cost of LACSEG to DfE, and therefore the total amount of the transfer.

45. Where available, such as for schools which converted to Academy status between September 2010 and March 2011, we intend to use the actual costs of LACSEG paid for the overall estimates of LACSEG costs. For all other schools the only sensible approach in calculating national costs is to use national averages for pupil numbers and average LACSEG per pupil, which will vary over the period depending on the section 251 returns which apply. We have also applied an uplift factor of 4.25 for special schools to recognise the additional costs which they incur. Details of the methodology for calculating the LACSEG per pupil unit costs are set out in the next section of this document. The values which we propose to use are set out below:

LACSEG per pupil for the period April 2011 – August 2011 (based on 2009-10 section 251 returns)

| | |
|--|-------|
| LA Budget LACSEG per Primary FTE Pupil | £304 |
| LA Budget LACSEG per Secondary FTE Pupil | £306 |
| LA Budget LACSEG per Special FTE Pupil | £1301 |

LACSEG per pupil for the period August 2011 – August 2012 (based on 2010-11 section 251 returns)

| | |
|--|------|
| LA Budget LACSEG per Primary FTE Pupil | £219 |
| LA Budget LACSEG per Secondary FTE Pupil | £220 |
| LA Budget LACSEG per Special FTE Pupil | £935 |

LACSEG per pupil for the period August 2012 – March 2013 (based on 2010-11 section 251 returns less an estimated reduction in local authority spend)

| | |
|--|-----------|
| LA Budget LACSEG per Primary FTE Pupil | £219 – 6% |
| LA Budget LACSEG per Secondary FTE Pupil | £220 – 6% |
| LA Budget LACSEG per Special FTE Pupil | £935 – 6% |

Average number of FTE pupils per school

| | |
|---|-----|
| Maintained Primary schools converting | 231 |
| Maintained Secondary schools converting | 973 |
| Maintained Special schools converting | 86 |
| Free Schools Primary | 200 |
| Free Schools Secondary | 850 |
| UTCs | 700 |
| Studio School | 300 |

Overall Cost of LACSEG = LACSEG per pupil x average pupil numbers x number of schools.

46. The paragraphs below set out the actual numbers of schools which have converted to Academy status to date, the numbers of converter applications that are in the pipeline and the estimates of the number of schools expected to convert by the end of March 2012 and how we propose to approach the period April 2012 – March 2013.

47. In addition to these schools, our costs estimates for both 2011-12 and 2012-13 also take account of the LACSEG costs associated with the 273 sponsored Academies open prior to March 2011. For unit costs purposes all of these are deemed to be secondary, we will though use the actual LACSEG costs for these schools where they are available.

48. Between September 2010 and March 2011, 195 schools converted to Academy status, of which 146 were secondaries and 49 primaries. The average size of these schools is above national averages at 1146 pupils per secondary school and 356 per primary school.

49. Since April 2011 a further 332 schools have converted to Academy status, 75 primary and 257 secondary. In addition, the Department has, to 1 July 2011, received 826 applications of which 278 are primary, 517 are secondary and 31 are special schools. Based on the current timescales for conversion, we would expect the vast majority of these schools to have converted to Academy status by the beginning of October 2011.

50. The table below sets out our current estimated range for the numbers and types of Academies, Free Schools and UTC (University Technical Colleges /Studio Schools which we envisage may be open by the end of the 2011-12. It is important to point out that these are the best estimates which we can make at this time and that given the demand led nature of much of the Academies programme there remains a degree of uncertainty as to what the final numbers will be. They should

not therefore be regarded as a target but as the best assessment that can be made at the present time about how the expansion in the numbers of Academies may develop.

2011-12

| | |
|---|--|
| School converting to Academy status between September 2010 and March 2011 (full year cost) | Primary - 49 Secondary - 146 Special - 0 |
| Schools converting to Academy status between April 2011 and March 2012 (estimated costs will be built up over the year to reflect the monthly pattern of Academy opening) | Primary - 399 to 922 Secondary - 1151 to 1191 Special - 57 |
| Sponsored Academies opening between April 2011 and March 2012 (estimated costs will be built up over the year to reflect the monthly pattern of Academy opening) | Primary - 12 Secondary - 71 Special - 3 |
| Free Schools opening between April 2011 and March 2012 (60% year costs as Free Schools open only in September) | 10 to 20 |
| UTCs and Studio Schools opening between April 2011 and March 2012 (60% year costs as UTCs/Studio Schools open only in September) | 2 to 5 |

51. Given the above we would estimate that the costs of LACSEG in 2011-12 will be between £360m and £375m.

52. In relation to 2012 -13, it is clearly more difficult to make a precise estimate about how the numbers of Academies and Free Schools are likely to grow. The table below sets out a range of the numbers of schools we estimate may convert to Academy status in each category.

2012-13

| | |
|---|--|
| School converting to Academy status between September 2010 and March 2011 (full year cost) | Primary - 49 Secondary - 146 Special - 6 |
| Schools converting to Academy status between April 2011 and March 2012 (full year cost) | Primary - 399 to 922 Secondary - 1151 to 1191 Special - 57 |
| Sponsored Academies opening between April 2011 and March 2012 (full year cost) | Primary - 12 Secondary - 71 Special - 3 |
| Free Schools opening between April 2011 and March 2012 (full year cost) | 15 to 24 |
| UTCs and Studio Schools opening between April 2011 and March 2012 (full year cost) | 2 to 5 |
| Schools converting to Academy status between April 2012 and March 2013 (estimated costs will be built up over the year to reflect the monthly pattern of Academy opening) | Primary - 737 to 1853 Secondary - 737 to 857 Special - 75 |
| Sponsored Academies opening between April 2012 and March 2013 (estimated costs will be built up over the year to reflect the monthly pattern of Academy opening) | Primary - up to 283 Secondary - up to 44 |
| Free Schools opening between April 2012 and March 2013 (60% year costs as Free Schools open only in September) | 25 to 100 |
| UTCs and Studio Schools opening between April 2012 and March 2013 (60% year costs as UTCs/Studio Schools open only in September) | 12 to 30 |

53. Given the above we would estimate that the cost of LACSEG in 2012-13 will be between £580m and £680m. In calculating the above estimates it is important to be aware that we have taken account of the specific information set out below.

54. In relation to schools converting to Academy status, the current number of applications ranges from around 115 to 170 per month and the average length of time from schools submitting their application to conversion is around 4 months. In 2011-12 we have anticipated broadly that 75% of converters will be secondary schools and 25% primary. In 2012-13 we think it is likely that this will shift to broadly 50% secondary and 50% primary as a large proportion of secondary schools will have already converted by March 2012. In each year we anticipate that there will be a relatively small number of special school converters.

55. We have also taken account of discussions which have been taking place with Diocese about the ambitions that their schools have to convert to Academy status. In the light of feedback which we have received, we estimate that a significant proportion of Diocesan schools will have converted to Academy status by the end of the 2012-13 financial year.

56. In relation to sponsored Academies, we will take account of the planned approach to primary and secondary school improvement over the next few years. This envisages that in 2011-12 86 sponsored Academies will open 12 primary, 71 secondary and 3 special and in 2012-13 a further 327 sponsored Academies will open 283 primary and 44 secondary.

57. In relation to Free Schools, the estimate above reflects both the level of applications received and the policy approach which is being taken in this area.

58. The number of UTCs and Studio Schools projected to open in each year reflect the policy approach which is being taken and the number of applications which we have received for these school types.

Equalities Issues

60. A full Equalities Impact Assessment was undertaken by the Department for Communities and Local Government in respect of the overall Local Government Finance Report for 2011-12. The text of this impact assessment can be found at: <http://www.local.communities.gov.uk/finance/1112/LGFREqIA.pdf>.

61. The Department's provisional view is that the reconsidered decision is unlikely itself to have equalities implications, for two reasons. First, because for the great majority of authorities, the amount of the reduction in funding will be less than the total of savings made from no longer providing central services to Academies and the total of additional income generated from selling services to Academies. Second, for those authorities which do overall suffer a loss of funding, this is not ring-fenced and it will be up to each local authority to decide how to allocate any shortfall as between the various services which they provide. Those decisions will have to have regard to the equalities duties of local authorities. Nevertheless, in performing its duties under s. 149 of the Equality Act 2010, the Department will take into

consideration any information which is provided regarding the potential equality impact of his decision with regard to the reduction in local authority funding in respect of local authority central services. Local authorities are asked to provide details of any alleged impact, including relevant evidence, for the Department to consider.

Timescales and Arrangements for Consultation

62. The consultation will run for four weeks and **will close on Tuesday 16th August**. The consultation is with all Unitary and County Authorities providing education services and the relevant Local Authority Associations (the Local Government Association and London Councils). Contributions in writing are invited from all local authorities and the relevant Local Authority Associations. In addition to this we plan to offer to hold discussions at official level with the relevant Local Authority Associations and to make use of the meeting of the Department for Education's Service Working Group on Education and Children's Services which will take place during the course of the consultation.

Please send your comments and contributions to:
Laura Street
Funding Policy Unit
Department for Education
Sanctuary Buildings
Great Smith Street
London SW1P 3BT
Email: laura.street@education.gsi.gov.uk

ANNEX A – FY10-11 Section 251 Budget Table 1 Lines

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|----------|---|-----------------|-------------------------|---|---------------------------------------|---|
| 1 | SCHOOLS BUDGET | | | | | |
| 1.0.1 | Individual Schools Budget | N | | SB | | Academies receive an equivalent School Budget Share. |
| 1.0.2 | School Standards Grant - Maintained Schools | N | | SB | | Paid separately to academies in 2011-12 as a transitional year. |
| 1.0.3 | School Standards Grant - Pupil Referral Units | N | | SB | | For PRUs only. |
| 1.0.4 | School Standards Grant (Personalisation) - Maintained Schools | N | | SB | | Paid separately to academies in 2011-12 as a transitional year |
| 1.0.5 | School Standards Grant (Personalisation) - Pupil Referral Units | N | | SB | | For PRUs only. |
| 1.0.6 | School Development Grant | N | | SB | | Paid separately to academies in 2011-12 as a transitional year |
| 1.0.7 | Other Standards Fund Allocation - Devolved | N | | SB | | Paid separately to academies in 2011-12 as a transitional year |
| 1.0.8 | Threshold and Performance Pay (Devolved) | N | | SB | | Now included in the School Budget Share or paid separately within GAG depending on how LA allocates it to its maintained schools. |
| 1.0.9 | Expenditure on the Free Entitlement in PVI providers (funded by the LA) | N | | SB | | |
| 1.0.10 | Central expenditure on education of children under 5 | N | | SB | | LA function. |
| 1.1.1 | Support for schools in financial difficulty | N | | SB | | Arrangements for academies in financial difficulties would be subject to individual consideration. |

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|-------|---|-----------------|-------------------------|---|---------------------------------------|---|
| 1.1.2 | School-specific contingencies | N | | SB | | Not applicable for academies. |
| 1.1.3 | Early Years contingency | N | | SB | | |
| 1.2.1 | Provision for pupils with SEN (including assigned resources) | N | | SB | | Paid directly to academies by local authorities for pupils with individually assigned resources. |
| 1.2.2 | Provision for pupils with SEN, provision not included in line 1.2.1 | Y | Gross | SB | 100% | This is non-delegated centrally retained funded for support services for statemented and non-statemented pupils whether supported by the LA or commissioned externally and planned expenditure funded by YPLA and is therefore relevant to academies. |
| 1.2.3 | Support for inclusion | N | | SB | | Support for inclusion between maintained and specialist schools, not relevant to academies. |
| 1.2.4 | Fees for pupils with SEN at independent special schools & abroad | N | | SB | | Expenditure on the payment of fees in respect of pupils with special educational needs at independent schools or non-maintained special schools, academies cannot charge fees so not relevant. |
| 1.2.5 | SEN transport | N | | SB | | An LA function/ responsibility. |
| 1.2.6 | Fees to independent schools for pupils without SEN | N | | SB | | Expenditure on the payment of fees in respect of pupils at independent schools. Academies cannot charge fees so not relevant. |
| 1.2.7 | Inter-authority recoupment | N | | SB | | Estimated expenditure and income received in relation to transactions between authorities in accordance with regulations made under sections 493 or 494 of the 1996 Act or section 207 of the 2002 Act (recoupment between authorities). Not relevant to academies. |
| 1.2.8 | Contribution to combined budgets | N | | SB | | Contribution to pooled budgets eg social services; N/A to academies. |

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|-------|---|-----------------|-------------------------|---|---------------------------------------|--|
| 1.3.1 | Pupil Referral Units | N | | SB | | Academies do not provide for education at Pupil Referral Units. |
| 1.3.2 | Behaviour Support Services | Y | Gross | SB | 100% | Academies can buy back from the LA service. The cost of providing or purchasing specialist behaviour support services, both advisory and teaching. |
| 1.3.3 | Education out of school | N | | SB | | LA covers the cost of education out of school. |
| 1.3.4 | 14 - 16 More practical learning options | Y | Gross | SB | 100% | Relevant to academies as they are likely to incur expenditure in this area. |
| 1.4.1 | School Meals - nursery, primary and special schools | Y | Net | SB | 100% | Funding outside of the SBS for primary or Nursery Meals. |
| 1.4.2 | Free school meals - eligibility | Y | Gross | SB | 100% | Relevant as academies need to be able to assess eligibility or buy in from LA. |
| 1.4.3 | Milk | Y | Net | SB | 100% | Relevant for academies with a Primary Phase. |
| 1.4.4 | School kitchens - repair and maintenance | Y | Gross | SB | 100% | Relevant, all academies have a Kitchen. |
| 1.5.1 | Insurance | N | | SB | | Paid separately within GAG. |
| 1.5.2 | Museum and Library Services | Y | Gross | SB | 100% | Academies should receive funding for museum and galleries and Primary Libraries services on same basis as LA-maintained schools. |
| 1.5.3 | School admissions | Y | N/A | SB | N/A | Academies incur costs on the admissions process. |
| 1.5.4 | Licences/subscriptions | Y | Gross | SB | 100% | Academies incur costs, like LA-maintained schools, on software licences, etc. |
| 1.5.5 | Miscellaneous (not more than 0.1% total of net SB) | Y | Gross | SB | 100% | Same entitlement as LA-maintained schools for funding to meet any other costs. |

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|-------|---|-----------------|-------------------------|---|---------------------------------------|--|
| 1.5.6 | Servicing of schools forums | N | | SB | | LA Responsibility. |
| 1.5.7 | Staff costs - supply cover (not sickness) | Y | Gross | SB | 100% | Included for academies. |
| 1.5.8 | Supply cover - long term sickness | Y | Gross | SB | 100% | Included for academies. |
| 1.5.9 | Termination of employment costs | Y | Gross | SB | 100% | Included for academies. |
| 1.6.1 | School Development Grant - Non-Devolved | Y | Gross | SB | 100% | Included because School Development Grant has been mainstreamed into DSG. |
| 1.6.2 | Other Standards Fund Allocation - Non-Devolved | N | | SB | | Excluded because DfE central school grants have ended. |
| 1.6.3 | Other Specific Grants | N | | SB | | Excluded because DfE central school grants have ended. |
| 1.6.4 | Performance Reward Grant | N | | SB | | Grant has ended. |
| 1.7.1 | Capital Expenditure from Revenue (CERA) (Schools) | N | | SB | | This is the LA's Capital expenditure from revenue account and not relevant to academy funding. |
| 1.7.2 | Prudential borrowing costs | N | | SB | | Not relevant to academies as not allowed to borrow. |
| 1.8.1 | TOTAL SCHOOLS BUDGET | | | | | |
| 2 | OTHER EDUCATION AND COMMUNITY BUDGET | | | | | |
| | SPECIAL EDUCATION | | | | | |
| 2.0.1 | Educational Psychology Service | N | | LA | | Not included as the provision of an educational psychology service is a statutory responsibility of the Local Authority. |
| 2.0.2 | SEN administration, assessment and co-ordination | N | | LA | | Expenditure on identification and assessment of children with SEN and the making, maintaining and reviewing of statements under sections 321 to 331 of the 1996 Act, which is a LA responsibility. |

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|-------|---|-----------------|-------------------------|---|---------------------------------------|---|
| 2.0.3 | Therapies and other health related services | Y | Gross | LA | 90% | LA meets cost of any additional special medical support needed at LA-maintained schools - academies usually need to meet such costs themselves. |
| 2.0.4 | Parent partnership, guidance and information | N | | LA | | Expenditure in connection with the provision of parent partnership services or other guidance and information to the parents of pupils with special educational needs which, in relation to pupils at a school maintained by the authority, is in addition to the information usually provided by the governing bodies of such schools. Also arrangements made by the authority with a view to avoiding or resolving disagreements with the parents of children with special educational needs. |
| 2.0.5 | Monitoring of SEN provision | N | | LA | | LA expenditure on the monitoring and accountability functions of the SEN core teams and support services, including support for school self-evaluation. Also the proportion of time devoted to SEN and other inclusion activities by inspectors and advisers in the LA's school improvement team. |
| 2.0.6 | Total Special Education | | | | | |
| | Learner Support | | | | | |
| 2.1.1 | Excluded pupils | N | | LA | | An LA responsibility. |
| 2.1.2 | Pupil support | Y | Gross | LA | 90% | Provision and administration of clothing grants and board and lodging grants, where such expenditure is not supported by grant. |
| 2.1.3 | Home to school transport: SEN transport expenditure | N | | LA | | An LA statutory responsibility. |
| 2.1.4 | Home to school transport: other home to school transport expenditure | N | | LA | | An LA responsibility. |
| 2.1.5 | Home to post-16 provision transport: SEN/ LLDD transport expenditure (aged 16-18) | N | | LA | | N/A. |

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|--------|--|-----------------|-------------------------|---|---------------------------------------|---|
| 2.1.6 | Home to post-16 provision transport: SEN/ LLDD transport expenditure (aged 19-25) | N | | LA | | N/A. |
| 2.1.7 | Home to post-16 provision transport: other home to post - 16 transport expenditure | N | | LA | | N/A. |
| 2.1.8 | Education Welfare Service | Y | Gross | LA | 90% | Academies are funded to give them the option of providing such services in house, buying in services or using the LA services in this area. |
| 2.1.9 | School improvement | Y | Gross | LA | 90% | |
| 2.1.10 | Total Learner Support | | | | | |
| | ACCESS | | | | | |
| 2.2.1 | Asset management - education | Y | Net | LA | 90% | Academies incur costs like LA-maintained schools on the planning and maintenance of their capital programmes. |
| 2.2.2 | Supply of school places | N | | LA | | A LA responsibility - Expenditure on planning and managing the supply of school places, including the preparation of School Organisation Plans pursuant to section 26 of the 1998 Act and expenditure in relation to the establishment, alteration or discontinuance of schools pursuant to Chapter II of Part II of the 1998 Act and section 70 of the 2002 Act, or section 113A of the 2000 Act (section 72 of 2002), and schedule 7A to, the 2000 Act; school organisation committees. |
| 2.2.3 | Music services (not Standards Fund supported) | Y | Net | LA | 90% | Academies are funded to give them the option of providing such services in house, buying in services or using the LA services in this area. |
| 2.2.4 | Visual and performing arts (other than music) | Y | Net | LA | 90% | Academies are funded to give them the option of providing such services in house, buying in services or using the LA services in this area. |
| 2.2.5 | Outdoor Education including Environmental and Field Studies (not sports) | Y | Net | LA | 90% | Academies are funded to give them the option of providing such services in house, buying in services or using the LA services in this area. |
| 2.2.6 | Total Access | | | | | |

| Item | Section 251 Budget Table 1 2010-11 | LACSEG Relevant | Gross/Net if Applicable | School Budget (SB)/LA Budget (LA) Split | Percentage of Line Used if Applicable | Academy notes |
|--------------|---|-----------------|-------------------------|---|---------------------------------------|---|
| 7 | Local Authority Education Functions | | | | | |
| 7.0.1 | Statutory / Regulatory Duties | Y | Net | LA | 90% | Some costs incurred by Academies under this heading. |
| 7.0.2 | Premature retirement costs / Redundancy costs | Y | Gross | LA | 90% | Costs may be incurred by academies under this heading. |
| 7.0.3 | Existing Early Retirement Costs (commitments entered into by 31/3/99) | N | | LA | | No such agreements exist in academies. |
| 7.0.4 | Residual pension liability (e.g. FE, Careers Service, etc.) | N | | LA | | For ex-FE college staff; ex-career service staff; ex-teacher training institute staff; and the London Pensions Fund Authority levy. N/A to academies. |
| 7.0.5 | Joint use arrangements | N | | LA | | Any funding for Joint use arrangements involving academies is funded separately. |
| 7.0.6 | Insurance | N | | LA | | Paid Separately within GAG. |
| 7.0.7 | Monitoring national curriculum assessment | Y | Gross | LA | 90% | Academies must cover costs arising from an obligation under Funding Agreement to undertake National Curriculum Assessments. |
| 7.0.8 | Total Local Authority Education Functions | | | | | |
| | Specific Grants | | | | | |
| 7.1.1 | School Development Grant - non-devolved | N | | LA | | Excluded because DfE central school grants have ended. |
| 7.1.2 | Other Standards Fund Allocation - non-devolved | N | | LA | | Excluded because DfE central school grants have ended. |
| 7.1.3 | Other Specific Grant | N | | LA | | |
| 7.1.4 | Total Specific Grants | | | | | |
| 7.2.1 | Capital Expenditure from Revenue (CERA) (LA Education Functions) | N | | LA | | This is the LA's Capital expenditure from revenue account and not relevant to academy funding. |

© Crown copyright 2011

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is also available for download at www.education.gov.uk/publications