



Department  
for Education

# **Consultation on the proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13**

**Government response**

# **Consultation on the proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13**

## **Government response**

**17 July 2012**

## **Introduction**

1. When a maintained school converts to Academy status, the Academy takes on a much broader range of responsibilities. Academies, for instance, are responsible for asset management, financial audit and HR functions, whereas local authorities have responsibility for these on behalf of the schools they maintain. The Local Authority Central Spend Equivalent Grant (LACSEG) is paid to Academies to cover the cost of those services and functions that local authorities provide to maintained schools without charge but which Academies must secure independently.
2. Local authorities receive funding for the services and functions included in LACSEG from two sources: the Dedicated Schools Grant (known as Schools Block LACSEG) and formula grant (known as LA Block LACSEG). The money paid to Academies for the services included in Schools Block LACSEG is recouped from local authorities via the Dedicated Schools Grant recoupment process.
3. Until 2011-12, no money was recouped for the functions and services included in LA Block LACSEG. Local authorities receive the education element of formula grant for all the pupils in the local authority area and until 2011-12 no reduction was made for pupils educated in Academies. This meant that local authorities kept the same level of formula grant to fund services for schools even when they had fewer pupils to support because one or more maintained schools had converted to Academy status.
4. In order to address the growing extent of double funding in the system, Ministers decided, at the 2010 Spending Review, that in 2011-12 and 2012-13 a transfer should be made from formula grant to the Department for Education for the central education functions included in LA Block LACSEG. It was considered that continued double funding was indefensible in the public sector financial climate.

5. The Government was only able to make estimates about the growth in the number of Academies at a national level when the top-slice needed to be calculated in December 2010. This meant that, in order to provide certainty for local authorities about overall levels of funding, the deductions to formula grant for 2011-12 and 2012-13 were made on a pro-rata national basis.

6. An amount was top-sliced from each local authority's relative needs formula for central education functions according to the proportion of formula grant allocated to that local authority. The top-slice did not reflect the actual number of open Academies in each local authority, nor did it reflect the pattern of growth in Academy numbers which could take place over the following two years.

7. In December last year we published a consultation setting out the Government's proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13. This document sets out the decisions we have taken following careful consideration of the responses we received.

## Response

8. The Government will take the following steps to ensure that the deductions to local authority formula grant for 2011-12 and 2012-13 better reflect the pattern of Academy provision across the country:

- As set out in the December consultation, we will refund any local authority where the amount deducted in 2012-13 was greater than it would have been had the deduction been based on the number of pupils in Academies during that financial year. Where the amount deducted was insufficient, no additional money will be recouped. This will help to ensure stability in local authority budgets;
- In response to the majority of consultation responses, we have also decided to refund any local authority where the amount deducted in 2011-12 was greater than it would have been had the deduction been based on the number of pupils in Academies during that financial year. As for 2012-13, there will be no further recoupment where the amount deducted was insufficient; and
- As set out in the consultation, we will only include pupil numbers for Academies and Free Schools opening after 31 August 2010. Pupil numbers will be based on January School Census data from the relevant year (see Annex A for a detailed explanation of the refund calculation).

## How the refunds will be calculated

9. For each local authority, the number of pupils in Academies, pro-rated during the relevant financial year, will be multiplied by the recoupment unit rate for that authority. Where this is less than the amount deducted, the difference will be refunded.

10. The recoupment unit rate for each year has been calculated based on each local authority's section 251 budget statement for the previous financial year. The recoupment unit values for each local authority for 2011-12 and 2012-13 have been published on the Academy funding pages of the Department for Education's website. For a full explanation of the refund calculation see Annex A.

11. As set out in the December consultation, in calculating the 2012-13 refund, we will include only a proportion of the expenditure recorded against

three lines on the 2011-12 section 251 budget statements. This recognises that the local authority retains some responsibilities on behalf of all pupils in Academies and maintained schools. These lines are: statutory and regulatory duties (7.0.1), asset management (2.2.1) and education welfare services (2.1.8).

12. Many respondents to the consultation were unhappy with the method used to calculate the proportion of expenditure to be included in the calculation of the recoupment unit values for each local authority in 2012-13. We have therefore changed the method used to calculate the percentages for 2012-13.

13. The Government believes that the proportions set should be an incentive to local authorities to improve the efficiency of their centrally retained services. As such, we have used the data we collected from the 16 local authorities that responded to our survey last year, removed the outliers (authorities delegating all or none of the line) and taken the 75th percentile. The revised percentages are: asset management - 60%; education welfare services - 83%; and statutory and regulatory duties - 62%.

14. In 2011-12, local authorities had less time to adapt to the Academies Programme. We have therefore applied lower percentages to these three lines on the 2010-11 section 251 statement when calculating the recoupment unit values for 2011-12. We have used the data we collected from last year's survey of local authorities, removed the outliers (authorities delegating all or none of the money recorded against the line) and taken the median. The percentages for 2011-12 are: asset management - 41%; education welfare services - 49%; statutory and regulatory duties - 49%.

15. Local authorities were also concerned about the 'premature retirement costs/ redundancy costs' line (7.0.2) on the 2010-11 section 251 statement. In 2010-11, the section 251 budget statement contained two lines relating to premature retirement costs and redundancy. One line was for commitments entered into after 31 March 1999 (line 7.0.2) which was included in LACSEG. Another line was for commitments entered into before that date (line 7.0.3) which was not included in LACSEG.

16. We recognise that only costs relating to the forthcoming financial year are relevant to Academies and so, for 2011-12, we made changes to these lines on the section 251 budget statement before it was issued to local authorities. On the 2011-12 section 251 statement, line 7.0.2 was for all costs relating to the forthcoming financial year and was included in LACSEG. Line 7.0.3 was for all existing commitments and was not included in LACSEG.

17. We have therefore decided to include only a proportion of the expenditure recorded on the premature retirement and redundancy costs line in 2010-11 (line 7.02) because not all of this expenditure would have related to the forthcoming financial year. We looked at the split in spend across the two lines on the 2011-12 section 251 (new commitments and existing commitments) and we applied this split to the 2010-11 section 251 budget statement. As a result, the percentage that has been used to calculate the 2011-12 recoupment unit values for each local authority is 67%. For a full explanation of the way this was calculated see Annex B.

18. We have also decided to proceed with the other proposals set out in the consultation:

- To use net rather than gross expenditure on all lines when calculating the recoupment unit values – this was a move widely welcomed in consultation responses; and
- To apply multipliers of 4.25 and 3.75 respectively to pupils in special schools/Special Academies and Pupil Referral Units/Alternative Provision Academies. This recognises the greater staffing and premises costs of these institutions because of the more intensive support that they provide.

## **Further details of the 2011-12 and 2012-13 refunds**

19. Alongside this document, we have published the recoupment unit values and final refund amounts (where applicable) for each local authority for the 2011-12 financial year. We plan to make these payments by the end of July 2012.

20. We have also published the recoupment unit values for the 2012-13 financial year. The refund will be based on the number of pupils in Academies in each local authority pro-rated throughout the year. The final 2012-13 Academies will open at the beginning of March 2013 and so the refund will be calculated in March 2013 and, where applicable, will be paid as soon as possible after that.

21. There may be a small number of local authorities where Academies open after the October census and do not have predecessor institutions. We would therefore need to use the January 2013 school census data, which will mean that the refund would not be made until summer 2013. We will keep local authorities informed where this is the case and will write to all local authorities in January 2013 to give them an indicative calculation of the refund they may receive to assist them in their financial planning.

22. A detailed explanation of the calculation method is included at Annex A. The 2011-12 recoupment unit values, 2011-12 refunds and 2012-13 recoupment unit values can be accessed on the Department for Education's website.<sup>1</sup>

## **Consultation on replacing LA Block LACSEG from 2013-14**

23. In *Replacing LACSEG: funding Academies and local authorities for the functions that devolve to Academies*, published on 17 July 2012, the Government has set out proposals for changes to the way that Academies and local authorities are funded for the functions currently included in LA Block LACSEG. From 2013-14, the funding for these functions will be transferred to the Department for Education. This money will then be distributed as a separate un-ringfenced grant to local authorities and Academies on a national basis proportionate to the number of pupils for which they are responsible.

24. We are seeking responses to the proposals set out in the consultation which can be accessed on the Department for Education's website.<sup>2</sup> The consultation closes on 24 September and it should be read alongside the Department for Communities and Local Government's consultation on the business rates retention scheme<sup>3</sup>.

---

<sup>1</sup> [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](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)

<sup>2</sup> [www.education.gov.uk/aboutdfe/departamentalinformation/consultations](http://www.education.gov.uk/aboutdfe/departamentalinformation/consultations)

<sup>3</sup> [www.local.communities.gov.uk/finance/brr/sumcon/index.htm](http://www.local.communities.gov.uk/finance/brr/sumcon/index.htm)

## Contact details

For further information, please see the Finance Officer News section of the Department for Education's website:

**[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](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)**.

Alternatively you can email

**[LACSEGTeam.Academies@education.gsi.gov.uk](mailto:LACSEGTeam.Academies@education.gsi.gov.uk)**.

For queries on recoupment of the Dedicated Schools Grant, please email **[academies.recoupment@education.gsi.gov.uk](mailto:academies.recoupment@education.gsi.gov.uk)**.

Guidance on the 2012-13 Dedicated Schools Grant recoupment process can be accessed on the Department's website at:

**[www.education.gov.uk/b00204848/academy-funding/acadrecoupment201213](http://www.education.gov.uk/b00204848/academy-funding/acadrecoupment201213)**.



# ANNEX A: Methodology note for refund calculation

The refund calculation is:

The amount deducted from the local authority in the relevant FY	minus	The local authority's recoupment unit value for the FY multiplied by the number of pupils in Academies pro-rated across the FY	equals	Refund (if applicable)
---	-------	--	--------	------------------------

This note sets out how we calculate:

- the recoupment unit value for each local authority; and
- the pro rata pupil numbers for the refund.

## The per pupil recoupment unit value:

Recoupment unit values for 2011-12 and 2012-13 are determined for each local authority by dividing total relevant expenditure by the total number of pupils in maintained schools during the financial year:

### (a). Determine the relevant expenditure for each local authority:

- I. The net expenditure recorded on each of the 11 relevant lines on the local authority's relevant section 251 budget statement is used to calculate the total amount of relevant expenditure.
- II. Each relevant section 251 line is reduced by 10% for 2011-12 and 3.3% for 2012-13. This reflects the reduction in local authority spending power in both years. In addition, as set out above, some of these lines are reduced further, to reflect the fact that some responsibilities stay with the local authority. The proportion of expenditure included in the calculation after the spending power reductions are applied are as follows:

	Statutory and regulatory duties	Asset management	Education Welfare services	Premature retirement
2011-12 refund	49%	41%	49%	67%
2012-13 refund	62%	60%	83%	N/A

- III. For the 2012-13 refund only, the local authority's 2011-12 top-slice is added to the total amount of relevant expenditure. This is because local authorities would have allocated their planned expenditure expecting a number of the pupils in the January 2011 census to move to Academies in 2011-12.

### (b). Determine the correct number of pupils in maintained schools for the local authority:

- IV. The January School Census data is used to determine the total number of pupils in maintained schools during the financial year.
- V. We use the number of total full time equivalent (FTE) pupils in maintained nursery, primary, secondary and special schools as well as pupil referral units (PRUs).
- VI. Pupils in special schools are weighted by 4.25 and pupils in PRUs are weighted by 3.75. This reflects the fact that these schools have a greater staffing and premises infrastructure than mainstream schools in relation to their number of pupils, because of the need to provide more intensive support to their pupils. These ratios have been calculated by comparing the average

funding for mainstream schools against that of PRUs and special schools respectively.

(c). The recoupment unit rate is the total expenditure at step (a) divided by the total number of pupils at step (b).

**The Academy pupil count:**

All Academies (sponsored, converters and Free Schools in both mainstream and non-mainstream settings) as at March of each financial year are included in the initial dataset of Academies, however filters are applied as follows:

- VII. Only Academies open on or after September 2010 are included; and
- VIII. For Academies that opened after the start of the financial year, those pupils are only included for the relevant number of days of the financial year.

The following pupil numbers are determined:

- IX. For those Academies open in time for the January School Census (2011 for the 2011-12 refund; and 2012 for the 2012-13 refund), the pupil numbers (by age and selecting sole registered and dual-main registrations only) are retrieved from that School Census and assigned to the Primary phase if they are aged 10 or younger or Secondary phase if aged 11 or older. If the setting is a Special Academy, then all pupils, regardless of age, are deemed to be special pupils;
- X. For those Academies that opened after the January School Census but had predecessors that were open at the time of the January School Census, the pupil numbers recorded in the predecessors are used;
- XI. For those Academies and Free Schools that have no predecessors and were open after the January School Census, data is taken from the October School Census; and
- XII. There is potential for Academies to open after the October count that do not have predecessors. For the 2011-12 refund we would therefore use the January 2012 school census; and for the 2012-13 refund the January 2013 School Census would be needed. However this data would not be available until summer 2013. In that situation, the refund for relevant local authorities would not be made until FY2013-14. We will consider making an interim payment at the end of FY2012-13 where this is the case.

The pupil numbers for each phase are multiplied by the proportion of the year that the Academy was open – this determines how many pro-rated pupils should be used for the LA Block LACSEG recoupment calculation. This is the local authority's Academy pupil count.

**The calculation:**

For each local authority in each financial year, the recoupment unit rate is multiplied by the authority's Academy pupil count. If the total is less than the amount top-sliced from formula grant for that local authority, the local authority gets the difference back as a refund.

## **ANNEX B: Calculating the proportion of relevant expenditure allocated to premature retirement costs/redundancy costs on the 2010-11 section 251 statements**

1. There are two lines in the section 251 budget statement that cover planned expenditure on premature retirement and redundancy. In 2010-11, this was split between commitments pre-1999 (line 7.03) and post-1999 (line 7.02), and Academies received a share of the latter in their 2011/12 LACSEG allocation. For 2011-12, the Department revised these two lines so that one was for recording planned expenditure on existing commitments (line 7.03) and one was for future commitments (line 7.0.2). Expenditure allocated to future commitments was included in the 2012/13 LACSEG allocation for Academies.
2. The calculation of the refund for 2011-12 is based on the 2010-11 section 251 statement. We have therefore sought to determine how much of the expenditure on the 'post-1999' commitments line (7.0.2) was for future commitments (those relating to the forthcoming financial year). In order to calculate this we looked at how spend is split across the two corresponding lines on the 2011-12 section 251 statement and applied it to spend recorded on the 2010-11 section 251 statement.
3. Thus we have:
  - I. Taken total net expenditure on the two lines on the 2011-12 section 251 statement;
  - II. Used this to determine that 26.27% of the total spend that year was for 'future commitments';
  - III. Looked at total spend across the two lines in the 2010-11 section 251 budget statement and applied 26.27% to the total; and
  - IV. Ascertained that this amount of expenditure is 67.46% of the expenditure allocated to the 'post-1999' commitments line (line 7.0.2).
4. We have therefore used 67% of the expenditure recorded on the 'premature retirement costs / redundancy costs' line (7.0.2) on the 2010-11 section 251 statement when calculating the 2011-12 recoupment unit values.



Department  
for Education

© Crown copyright 2012

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](mailto: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.

Any enquiries regarding this publication should be sent to us at [LACSEGTTeam.Academies@education.gsi.gov.uk](mailto:LACSEGTTeam.Academies@education.gsi.gov.uk).

This document is also available from our website at:  
[www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeofficernews](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeofficernews)