



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**

**8 December 2011 to 12 January 2012**

**Summary of consultation responses**

## Introduction

On 8 December 2011, the Department for Education published a consultation on the proposed decision on the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13. The consultation ran for four working weeks and closed on 12 January 2012. The consultation set out the “minded to” decision which the Secretary of State for Education, in consultation with the Secretary of State for Communities and Local Government, reached on the way forward in relation to both the mechanism for calculating the amount to be transferred and the mechanism which it is proposed should be adopted for managing that transfer. This took into consideration responses from local authorities and organisations to the first consultation on the basis for the decision on the appropriate amount of Academies Funding Transfer for 2011-12 and 2012-13. We have consulted local authorities, the Local Government Association and London Councils.

This is a summary of responses to that consultation.

A total of 98 responses were received:

- Individual local authorities: **89**
- Local authority organisations: **5**
- Other organisations e.g. Teacher Unions / School Forums : **3**
- Other: **1**

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

## Overview

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

- Many respondents wanted the basis for the Academies Funding Transfer to be driven by the amount that individual local authorities believe they can save when a maintained school converts to Academy status. A number of respondents suggested that this should be underpinned by an independent assessment of both the potential savings that a local authority can make and the transfer of responsibilities to Academies.
- The decision to cap the 2012-13 top-slice, and to make a refund to local authorities where the amount deducted from formula grant was bigger than it would have been had it been based on the number of pupils in Academies during the financial year, was supported by the majority of respondents. There was a strong feeling that this should also be applied to the 2011-12 top-slice.
- Many respondents disagreed with the decision to include school-specific contingency spending in the LACSEG calculation, particularly relating to funding for increases in the pupil roll, although they were pleased to have the opportunity to agree exclusions from this calculation.
- A significant number of respondents felt the multipliers for calculating the per pupil rate for pupils at Special Academies and Alternative Provision Academies were too high.
- The proposal to use net expenditure in some lines for the calculation of the amount to be transferred from local authorities was universally welcomed, though many were concerned at the continued use of gross expenditure for those lines in calculating the LACSEG paid to Academies.
- The reduction in the proportion of spend included in the LACSEG calculation for three of the section 251 budget lines was welcomed, though a significant number of respondents questioned the way that these had been determined.

## **Summary of consultation responses**

### **Overall approach for calculating the level of the transfer**

#### **Principle that the amount of LACSEG paid to Academies should be recouped from local authorities**

The consultation reiterated the Government's principle that the overall calculation of the amount to be transferred from local government should reflect the LACSEG paid to Academies. This recognises that the responsibility for the functions included in LACSEG transfers from local authorities to Academies. While some respondents agreed with this principle, the majority thought that the basis for recoupment should be the amount of savings that a local authority could make once a maintained school has converted to Academy status. Two respondents suggested that there should be no link between the LACSEG paid to Academies and the transfer of funding from local authorities.

A large number of respondents raised the issue of the costs of conversion for local authorities – principally legal, HR and finance costs. Some local authorities suggested that the initial costs to authorities of conversion should be funded in the same way as the start-up funding is provided to a maintained school converting to Academy status.

Several respondents raised the issue of the costs and responsibilities relating to Free Schools, University Technical Colleges and Studio Schools. As new schools in the system, not previously maintained by the local authority, it was felt by those respondents that funding for these schools should be considered differently to the funding for maintained schools converting to Academy status.

Many respondents did not agree that the costs of providing the functions included in LA Block LACSEG could be calculated on a per-pupil basis. Many raised the issue of having costs for central services based on the number of schools, rather than the number of pupils, with some noting that this was a particular issue for small local authorities.

#### **Using the section 251 budget statement as basis for calculating the Academies Funding Transfer**

The consultation recognised the limitations of the section 251 returns provided by local authorities as the basis for calculating the Academies Funding

Transfer, which was noted by respondents. Respondents agreed with the Government's proposal to review the return and make significant changes from 2013-14, though a small number felt it was inappropriate to continue to use the return in the intervening period. A number of local authorities asked for the section 251 guidance to be rewritten and fully updated to reflect the use of the return for calculating LACSEG and the Academies Funding Transfer. Many respondents pointed to the time lag inherent in the use of the section 251 returns as being a key problem with this approach to the calculation.

Several local authorities disagreed with the proposal (originally set out in the 2010 consultation on school funding reform) to calculate LA Block LACSEG on a national basis. A number of local authorities felt that a single national rate would have an adverse affect on their levels of funding. Some respondents acknowledged that this would make the system simpler but that it could also create financial incentives and disincentives for Academies depending on their location.

### **Reduced proportion of expenditure relating to education welfare services, statutory and regulatory duties and asset management lines**

In advance of wider reform from 2013/14, the consultation proposed changes to the calculation of LACSEG for 2012/13 to better reflect the split of responsibilities between local authorities and Academies. This principle was welcomed. The proposal was to reduce the proportion of expenditure included in the LACSEG calculation for three of the lines on the section 251 statement. These were: education welfare services; asset management; and statutory and regulatory duties.

The reduction in these lines was welcomed almost universally, but many respondents still felt that the proportion of expenditure included in the LA Block LACSEG calculation was too high. Particular concern was raised about the percentage attributed to statutory and regulatory duties, with several local authorities expressing concerns that they would not be able to meet those duties from their remaining budget.

While most comments on this section reflected on the proposed percentages, a significant number of respondents felt that the calculation used to arrive at those percentages was flawed and unrepresentative. The use of the returns from the five local authorities proposing the lowest proportion of expenditure on retained functions was felt strongly by respondents to be an insufficient

evidence base and too low to reflect demographic differences between authorities.

Several respondents said that the average of returns from all 16 authorities should have been used. The sample used reflected the average smallest proportion of spend on retained functions to incentivise local authorities to improve the efficiency of their retained services, however a number of authorities said they already delegated as much as possible. Other respondents felt this was unfair and penalised local authorities with higher costs in relation to those retained functions. A small number of respondents also suggested that this approach could benefit Academies at the expense of local authorities and that it did not incentivise Academies to procure services more effectively or operate more efficiently. Some suggested that each of the lines on the section 251 statement be split into two so that one shows planned expenditure for local authorities and the other for Academies.

### **Including only net expenditure in calculating the Academies Funding Transfer**

A further proposed change was to move from the use of gross expenditure to net in some lines for the calculation of the amount to be transferred from local authorities. This was universally welcomed. However, a substantial number of respondents felt that the continued use of gross expenditure for those lines in calculating the LACSEG paid to Academies was unfair. A few respondents suggested that Academies could benefit from the use of gross expenditure, for example where they buy back services from the local authority at net cost, and so Academies should also be funded on a net basis.

### **Responses relating to the section 251 proposed budget table lines set out at Annex A**

Several respondents did not agree with the inclusion of one or more of the following lines to be included in LACSEG:

- SEN support services (for School Action and School Action Plus pupils);
- elements of the admissions line;
- excluded pupils and supply of school places; and
- premature retirement costs/redundancy costs.

Several respondents also asked why funding for SEN support services had not been covered in the consultation. One authority suggested that including this element in the LACSEG paid to Academies could create a perverse

incentive for Academies to categorise a pupil as meeting the criteria for School Action or School Action Plus.

## **Proposed mechanism for applying the transfer**

Respondents agreed with the Government's decision not to re-open the two year Local Government Finance settlement or recalculate the existing top-slice arrangement. Respondents broadly welcomed the decision to cap the top-slice, providing stability to those authorities where large numbers of pupils are now attending Academies. The decision to pay a refund to local authorities through an un-ringfenced specific grant for any authority where the 2012-13 top-slice was bigger than it would have been had it been based on the number of pupils in Academies during the financial year was very well received.

A large proportion of respondents, however, wanted to see these changes retrospectively applied to 2011-12, particularly the reimbursement of the excess of the top-slice for local authorities with smaller numbers of Academies.

## **Arrangements for 2013-14 onwards**

The Government's commitment to resolving the issue of Academy funding from 2013-14 was welcomed. Respondents reiterated their desire for any system of recoupment to be based on savings to authorities and to comply with the New Burdens Doctrine. Respondents requested that the consultation be done in good time ahead of any changes.

Of the few respondents to comment on 2013-14, opinion was mixed on the issue of a national rate for the distribution of funding for the functions currently included in LA Block LACSEG. Some respondents agreed that this would be a fairer method of allocating the funding while others stated that the costs of providing these services differ significantly in different areas of the country and that a national rate would not reflect these differences.

## **Transfer calculation and arrangements for the 2011-12 financial year**

A number of respondents warmly welcomed the Government's proposal to adopt a 'no change' approach for 2011-12, helping to avoid turmoil and instability in their budgets. However, a significant number were disappointed with this proposal, in particular local authorities with small numbers of Academies or no Academies. The Local Government Association, supported by a number of authorities, felt strongly that the same mechanism proposed

for 2012-13 should also be applied to 2011-12, with the added proviso that the unit cost should be derived from an independent costing exercise with local authorities.

## **Transfer calculation and arrangements for 2012-13 financial year**

### **Adding the 2011-12 topslice back in to determine relevant expenditure**

The consultation proposed to add the 2011-12 topslice for each local authority to the planned expenditure reported on the section 251 budget statement. Many respondents said that they could not understand the rationale for this and some respondents were concerned that this would inflate the amount of LACSEG paid to Academies and should not be included in the 2012-13 refund calculations.

### **Multipliers to be applied to LA Block LACSEG funding for Special Academies and Alternative Provision (AP) Academies**

A number of respondents disagreed with the multipliers proposed in the consultation of 4.25 for Special Academies and 3.75 for AP Academies. These were intended to take into account the additional infrastructure and premises costs faced by these schools. Some felt that these additional costs should be calculated on a school-level rather than on a per-pupil basis. However, the majority of respondents that disagreed with the proposed multipliers did so because they did not agree with the way that the multipliers had been calculated.

A number of respondents stated that the multipliers did not accurately reflect a cost comparison with central functions for mainstream Academies and that they should be set at a lower rate. Two local authorities expressed concern that there may be insufficient funding in their budget if maintained special schools converted to Academy status and these multipliers were applied.

A small number of respondents requested that the multipliers be applied to the expenditure reported on the section 251 statement to create what they suggested would be a more accurate per-pupil rate.



## **No LA Block LACSEG recoupment for Academies or Free Schools that opened prior to September 2010**

The decision to include only those Academies and Free Schools opening in or after September 2010 in calculating the total LACSEG transfer for each local authority was welcomed.

## **Proposals for the recoupment of Schools Block LACSEG in 2012-13**

### **Inclusion of expenditure reported on the school-specific contingencies line in the LACSEG calculation**

One of the key proposals for the 2012-13 recoupment of Schools Block LACSEG through the DSG recoupment process was the inclusion of planned expenditure reported on the school-specific contingencies line in the LACSEG calculation. Many respondents disagreed with this proposal for a range of different reasons. A number of respondents stated that there was too much variation in the amounts that local authorities assign to this line to make a central approach appropriate.

Other respondents stated that contingency spending, by its nature, is not something that should be allocated on a per-pupil basis and should be retained for maintained schools and Academies in particular need. A number of respondents felt that the responsibility for allocating this funding should be placed with the local Schools Forum.

### **Agreeing exclusions to the expenditure reported on the school-specific contingencies line**

The consultation also included detailed information on the criteria used for deciding where a proportion of a local authority's spend on school-specific contingencies could be excluded from the calculation of LACSEG. This decision was welcomed by many respondents. A small number of local authorities felt that their school-specific contingency spend would not be affected as it would all fall within agreed exclusions.

The inclusion of funding for additional pupil growth was a key area of concern for respondents. A significant number of responses said that this money was put aside for schools that increased by an entire class within the financial year and that it would be unfair for all schools to have a share of this on a per-pupil basis. It was also highlighted that, while a local authority would be required to find places for additional pupils, an Academy would be under no obligation to

provide those places, despite receiving funding through LACSEG. Many respondents stated that funding for school improvement needed to be reserved for underperforming schools and not shared amongst all schools in the local authority area.

Lastly there was some concern about the Education Funding Agency's role in examining and challenging local authorities' section 251 returns, a role that is designed to make sure that funding is reported in the correct lines to enable the most accurate calculations for both LACSEG and recoupment. It was felt that this role was potentially bureaucratic and needed further clarification.

## **Equality issues**

The consultation explained the Department for Education's reasons for believing that the 'minded to' decision (the basis of the consultation) was unlikely to have implications for groups with protected characteristics under the Equality Act. Some disagreed with this assessment, on the basis that there would be a reduction in funding, which would lead to cost pressures that could have a significant and adverse impact on the provision of local authority services. The impact on levels of service provision could be greater in areas with higher levels of deprivation.

A number of respondents also said that differences in funding between maintained schools and Academies would have equality implications if it could be shown that maintained schools have different demographic characteristics from Academies. These respondents argued that the Academies programme's focus on higher performing schools meant that Academies could have less need for the central services and functions included in LACSEG than maintained schools.

## **Alternative approaches to calculating the Academies Funding Transfer**

The primary suggestion made by respondents related to the principle underpinning the calculation of the Academies Funding Transfer. A number of respondents suggested that an independent exercise be commissioned to assess the level of savings that local authorities could be expected to make when a school converts to Academy status and the time period over which those savings could be realised.

Respondents also wanted to gain a fuller understanding of the responsibilities that transfer to an Academy and those that remain with the local authority

after the date of conversion. Some respondents requested an independent assessment of the relative responsibilities of Academies and local authorities.

## Annex A

### Individual Local Authorities:

Bolton Council	LB of Redbridge
Blackpool Council	LB of Sutton
Bracknell Forest Council	LB of Waltham Forest
Brighton and Hove City Council	LB of Wandsworth
Buckinghamshire County Council	Manchester City Council
Bury Council	Middlesbrough Council
Calderdale Metropolitan BC	Milton Keynes Council
Cambridgeshire Council	The Council of the City of Newcastle upon Tyne
Central Bedfordshire Council	North East Lincolnshire Council
Cheshire East Council	North Somerset Council
Cornwall Council	North Tyneside Council
Coventry City Council	North Yorkshire County Council
Cumbria County Council	Northamptonshire County Council
Derby City Council	Northumberland County Council
Devon County Council	Nottingham City Council
Doncaster Metropolitan BC	Oxfordshire County Council
Dorset County Council	Plymouth City Council
Durham County Council	Borough of Poole
East Riding of Yorkshire Council	Reading BC
East Sussex Council	Sheffield County Council
Essex County Council	Shropshire Council
BC of Gateshead	Solihull Council
Gloucestershire County Council	Somerset County Council
Hampshire County Council	South Gloucestershire
Hartlepool Borough Council	South Tyneside
Hertfordshire County Council	Southampton Council
Hull City Council	Southend-on-Sea BC
Kent County Council	Staffordshire County Council
Knowsley Metropolitan BC	Stockport Council
Lancashire County Council	Stockton-on-Tees BC
Leeds City Council	Surrey County Council
Leicester City Council	Telford and Wrekin Council
Leicestershire County Council	Thurrock Council
Lincolnshire County Council	Torbay Council
Liverpool City Council	The Council of the City of Wakefield
LB of Barking and Dagenham	Warrington BC
LB of Enfield	West Berkshire Council
LB of Hackney	West Sussex Council
LB of Haringey	Wigan Council
LB of Havering	Wiltshire Council
LB of Islington	Wirral BC
LB of Lambeth	Wokingham BC
LB of Lewisham	Wolverhampton Council
LB of Merton	Worcestershire County Council
LB of Newham	

## **Local Authority Organisations:**

Association of Directors of Children's Services and the Local Government Association

County Councils Network

London Councils and the Association of London Directors of Children's Services

Society of County Treasurers

Society of London Treasurers

## **Other organisations:**

Islington Schools Forum

National Union of Teachers

Newcastle Schools Forum

## **Others:**

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



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).