

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

Introduction

1. Following the consultation on the basis for the decision on the appropriate amount of Academies¹ funding transfer for 2011-12 and 2012-13, the Secretary of State for Education (the Secretary of State), in consultation with the Secretary of State for Communities and Local Government has reached a “minded to” decision on the way forward in relation to the calculation and recovery arrangements for the Academies Funding Transfer for 2011-12 and 2012-13.
2. In taking the decision we have considered carefully the points raised by local authorities in their consultation responses and focused on our desire to ensure that Academies and local authorities are funded fairly and equitably and that the outcome represents good value for the taxpayer. A summary of the consultation responses is available as a separate document and is being published alongside this document.
3. The purpose of this consultation document is to set out the “minded to” decision which the Secretary of State has reached 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.
4. In addition to consulting on the transfer from local government in relation to the costs of the proportion of LACSEG (Local Authority Central Spend Equivalent Grant) based expenditure funded through a combination of formula grant and council tax income, we are also seeking responses to our proposals in relation to the calculation of DSG LACSEG in 2012-13. This includes the incorporation of spending on contingencies within the calculation and recoupment of LACSEG grant from April 2012.
5. As the scope of the consultation is limited and there is an early need to finalise the basis on which the funding transfer will take place, the consultation will run for four “working” weeks.
6. 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.

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

Background

7. Since the beginning of the Academy programme, there has been a principle that Academies should be funded on the same basis as maintained schools, allowing for their different status and responsibilities. Therefore the Department for Education (DfE) has provided Academies with a grant (LACSEG – Local Authorities Central Spend Equivalent Grant) to cover the costs of those services that are provided by the local authority to maintained school but not to Academies.

8. 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. 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.

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 main subject of this consultation is the element of central services that are funded via DCLG's Formula Grant.

11. On the basis that when a school becomes an Academy the local authority no longer has to provide services to the school, DfE has always reduced the local authority's funding from DSG in respect of those services. This aspect of LACSEG is recouped on a per pupil cost to Government basis, but also equivalent to what each authority has budgeted per pupil.

12. 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.

13. 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.

14. 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.

15. It was announced in December 2010 that deductions would be made from local authority formula grant, to reflect the transfer of responsibilities to Academies, in relation to the budgets available to local authorities in 2011-12 and 2012-13. As at the time of the transfer decision we were 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 for local authorities, 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.

Overall approach for calculating the level of the transfer

16. In this consultation we are setting out what the Secretary of State for Education is "minded to do" based on our reconsideration of both the methodology for the calculation of the level of the transfer and the mechanism by which the transfer will be applied.

17. In considering the original decision, we have focused our thinking on two main areas. The first of these is that in calculating the level of the transfer that we need to ensure that this properly reflects the services which transfer to Academies and those which remain with the local authority and the second is how we might best ensure that the mechanism for the transfer better reflects the current and future distribution of Academies.

18. The Department remains strongly of the view that it is appropriate for the overall calculation of the amount to be transferred from local government to reflect the LACSEG grant paid to Academies as this is based on the transfer of services to them from local government.

19. As we made clear in the previous consultation, 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 and to be transferred from local authorities 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 majority of the local government formula uses the number of pupils in an area in calculating the funding for a particular authority irrespective of whether that pupil attends an Academy, 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.

20. In calculating the level of the transfer we intend to continue to base it on the section 251 returns provided by local authorities. Although we recognise the problems with this data, and have announced our intention to review the return and make significant changes from 2013-14, we are of the view that they provide the best available information that describes local authority spending on central education services. We have though listened to the issues raised by local authorities that the way in which we have historically used section 251 to calculate LACSEG means that some functions have been included in the calculations which do not transfer to Academies. We are therefore proposing changes to the way in which section 251 is used to calculate the amount to be recouped from local authorities so that it properly reflects the transfer of functions from local authorities to Academies.

21. We are also planning to reform the way in which LACSEG is calculated in 2013-14 and the way in which we use section 251 to inform the calculation. In the recent consultation on school funding reform we set out our proposals which include adopting a more consistent national approach in relation to services which are delegated to schools and calculating LA LACSEG on a national formulaic basis.

22. For 2012-13, in relation to the DSG element of LACSEG we propose to expand its scope to include spending on contingencies. We believe that contingencies represent the same kind of spending as is included in the section 251 DSG lines already subject to LACSEG. Moreover, the 2011-12 section 251 returns show a significant rise in the amount which local authorities report they plan to spend in this area and we think that Academies are entitled to receive a proportion of this spend. We have recognised that there may be good reasons why local authorities plan spending in this area which should not be included in calculating LACSEG and we recently asked local authorities to set out where they think that exceptions should be made. We have considered these responses and have set out in detail later in this document the way in which we propose to calculate the recoupment amounts for DSG LACSEG, in 2012-13, including spend on contingencies.

23. In relation to the formula grant element of LACSEG, although we do not plan to remove or add any specific lines we do plan to reduce the

proportion of spend, on a national basis, used to calculate LACSEG in those lines where we recognise that not all the functions under them transfer to Academies. We are proposing to do this nationally as it would be too costly and administratively burdensome to calculate individualised proportions for each authority. The lines where we propose to make changes are: Education Welfare Services, Asset Management and Statutory and Regulatory Duties. For each of these areas we have set out in the table below those functions which we have determined as retained by the local authority for all pupils/institutions (including Academies) and those which transfer to Academies.

Education Welfare Services	Asset Management	Statutory and Regulatory Duties
<i>Retained by the LA</i> Prosecutions for non-attendance Tracking children missing from education Other statutory duties eg child employment	<i>Retained by the LA</i> Strategic capital programme planning Management of BSF schemes and PFI contracts Functions in relation to academy leases where relevant	<i>Retained by the LA</i> Strategic planning of children's services including Director of Children's Services and other statutory/regulatory duties relating to both maintained schools and Academies Preparation and review of plans Standing Advisory Council for Religious Education Maintenance and development of local school funding formula Finance, HR and legal functions relating to central services (eg PRUs) which do not transfer to Academies
<i>Transferred to Academies</i> All other education welfare service expenditure	<i>Transferred to Academies</i> Other asset management functions	<i>Transferred to Academies</i> Financial accounting requirements - including accounts,

	Other landlord premises functions	returns, VAT returns - and central services which transfer to Academies Financial assurance including internal and external audit Procurement advice and compliance Pension scheme administration HR employer functions Health and safety compliance Governor support, including appointment of LA governors Strategic ICT and data management services
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24. In order to determine the proportion of spend against each line which it would be appropriate to transfer to Academies we have used data which was collected from local authorities via the Local Government Association and London Councils asking them to provide information based on the above split of responsibilities about the proportion of spend which should be transferred to Academies in each of the lines. We obtained data from 16 local authorities from a variety of backgrounds and including shire counties, unitary authorities and London Boroughs and we believe the sample to be representative of local authorities overall.

25. There was a considerable diversity of views from local authorities in relation to the proportions of spend which they regarded as relating to the retained functions and the proportion which they thought should be transferred to Academies. In addition, in making the assessment we were mindful of the fact that some authorities may have high levels of central expenditure because they operate in particularly challenging environments. For instance, an authority with high levels of deprivation may need to spend a higher proportion of its funding on education welfare services, not all of which could be devolved to Academies – such as finding children missing from education. Given this we have sought to ensure that the sample we use in calculating the overall proportions to use for each area of spend included local authorities from a range of circumstances and including those with high and above average levels of deprivation.

26. In determining the proportions that we would adopt on a national basis, for calculating the per pupil rate, that would be used for calculating LACSEG grant we have also taken the view that it would not be appropriate to take a simple average of all those responding. We are keen for the proportions set to be an incentive to local authorities to improve the efficiency of their centrally retained services and given this we have based the proportions by taking an average of the five local authorities which proposed the smallest proportion of spend on retained functions and the largest amount on those areas to be transferred to Academies. For each of the lines of spend from the sample we propose to use, the local authorities included come from a range of backgrounds including several with above average levels of deprivation and a similar proportion of pupils with statements of special educational needs as those authorities who proposed to spend the largest proportion on retained functions. The proportions which we propose to use for calculating LACSEG grant payable to Academies and for determining the amount to be transferred from local authorities are: Education Welfare Services – 85%, Asset Management – 74%, Statutory and Regulatory Duties – 75%.

27. In addition to the above changes we are proposing to take action to address the concerns which have been expressed about the use of gross expenditure in some lines for calculating the amount to be transferred from local authorities. It is clear that some of the spend on lines in the formula grant block include in gross expenditure income which local authorities receive from traded services and as it is not possible using section 251 to identify this income separately from grant related income we think it would be preferable to base the amount used to calculate the transfer on net spending for the following lines where gross spend is currently used: Therapies and other related health services, Pupil Support, Education Welfare Services, School Improvement, Premature retirement/redundancy costs and Monitoring National Curriculum Assessment.

28. In calculating the LACSEG grant payable to Academies however we will continue to use gross expenditure for the above lines as we recognise that they will include some expenditure, such as grant income, which Academies should be entitled to a share of. A summary of the section 251 lines and proportions which we propose to use in calculating LACSEG is attached at Annex A.

29. We are keen to improve the consistency with which local authorities complete section 251 and support schools and others in their role to challenge and hold local authorities to account for their spending decisions, for example in the extent to which they delegate resources to schools or their spend on back office functions. To assist with this we wish to draw attention to the benchmarking tables² which are produced by the Department for Education

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<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/section251/a00197971/benchmarking-2011-12>

which set out in detail the spend per pupil by line. We are also looking at ways in which we can improve the collection of section 251 data in 2012-13 including how it informs the calculation of LACSEG. A consultation setting out the proposed arrangements for 2012-13 was issued recently.

Proposed Mechanism for applying the transfer

30. In addition to the changes proposed above the Department for Education is also proposing to change the mechanism for applying the transfer to local authorities.

31. Currently the LACSEG transfer has been applied at a national level through a topslice of formula grant which has applied to all authorities on a pro-rata basis which does not take account of the current distribution of Academies between authorities. We recognise that this means that deductions in funding have been made from local authorities with small numbers of pupils in Academies, which they cannot make savings in relation to, whilst not deducting sufficient funding from those authorities with large numbers of pupils in Academies who are able to make the largest savings.

32. A change to the existing topslice arrangement would require the reopening of the two year Local Government Finance settlement for local government announced in December 2010. The Government do not think it is appropriate to do this because of the wider uncertainty that this would cause. The existing settlement will therefore remain in place but we are proposing a mechanism for 2012-13 to work alongside this which will redistribute funding between authorities to better reflect the number of pupils in Academies in each local authority. In order to provide those local authorities with large numbers of pupils attending Academies financial stability we will though cap the amount to be transferred at the level of the amount topsliced from formula grant in 2012-13.

33. We intend to make a calculation of the LA LACSEG costs in each authority towards the end of the 2012-13 financial year. In those authorities where the costs of LACSEG are **below** the level of the topslice we will refund the difference by making a payment through an un-ringfenced specific grant. For those authorities where the costs of LACSEG are **above** the level of the topslice, the Department for Education has decided that in order to provide those local authorities with financial stability we will limit the amount to be transferred at the level of the amount topsliced from formula grant in 2012-13. In other words, no further funding will be recovered from those authorities.

34. A more detailed description of how we propose this mechanism will operate is set out below (paragraphs 49 - 52). This proposal is in line with the vast majority of responses on this issue in the most recent consultation on school funding reform which were in support of moving to a distribution mechanism which more accurately reflects the actual pattern of where Academies are located.

Arrangements for 2013-14 onwards

35. The arrangements for applying the transfer up to 2012-13 will provide stability for local authorities but they mean that we will continue to provide a considerable amount of double funding. Given the poor value which this provides to the taxpayer this arrangement cannot continue in the long term and these proposals should be seen as transitional.

36. The Government is committed to resolving the double funding of local authorities for services which devolve to Academies, permanently from 2013-14. As part of the Local Government Resource Review, we will explore removing the funding for these services from formula grant into the budget of the Department for Education. In this option, the Department would then administer a grant to authorities and to Academies proportionate to the number of pupils for which they are responsible according to a national rate. We plan to consult, jointly with the Department for Communities and Local Government, in 2012 on how we could put our commitment to permanently solve this issue into effect.

Transfer calculation and arrangements for 2011-12 financial year

37. The original consultation was in relation to the decision on the transfer in 2011-12 and 2012 -13. A significant number of respondents stressed the importance of financial stability in our consideration of the way forward and we have been particularly mindful of that in relation to any changes which we might make in relation to the 2011-12 financial year.

38. The previous consultation made clear that the costs to the Department of paying the formula grant element of LACSEG to Academies in 2011-12 was considerably more than the topslice of £148million which has been made from local government budgets. We have updated our calculations to take account of all those schools that have converted to Academy status to date along with those Free Schools and sponsored Academies which have opened in the current financial year. Taking these into account the costs of LACSEG are already significantly above the level of the total topslice and will grow further as additional academies open over the remainder of the financial year.

39. Given the above we propose to adopt a no change approach for 2011-12 as we believe taking action to redistribute the costs of LACSEG at this stage in the financial year would cause unwelcome turmoil and instability to local authority budgets. This means that the topslices of formula grant for 2011 -12 announced previously will remain unchanged.

Transfer calculation and arrangements for 2012-13 financial year

40. This section sets out in detail how we propose to calculate the per pupil rates for the formula grant element of LACSEG in 2012-13. It uses the principles set out earlier in this document in paragraphs 16-29.

41. For each local authority we will make a separate calculation of the LACSEG rate per pupil. This will be calculated by taking the spend reported by the local authority in its 2011-12 section 251 return. This is the most up to date return and was made with all local authorities aware that it was used to calculate LACSEG grant as paid to Academies.

42. The Department for Education will calculate the total LACSEG relevant spend for a local authority by adding together the total budget on each of the LACSEG relevant lines. Where we have set out above we will only be using a proportion of certain lines to inform the calculation we will apply the percentages set out above to the projected spend for those lines.

43. We plan to use the January 2011 pupil count as the basis for the pupil numbers to inform the calculation of the per pupil rate and include all sole and dual main registered pupils, in that return, attending maintained nursery, primary, secondary, special, general hospital schools and Pupil Referral Units in the relevant authority. As this figure will include pupils that attend institutions that converted to Academy status after January 2011 and local authorities would have taken account of these and those attending schools projected to convert during the 2011-12 financial year in determining their section 251 projected spend there is a need to make an adjustment to compensate for this to arrive at the appropriate per pupil rate. We propose to manage this adjustment by adding to the total LACSEG projected spend reported in section 251 the amount of the Academies transfer topslice made in relation to the relevant authority in 2011-12. We are also proposing to calculate a single LACSEG per pupil rate for primary and secondary pupils in each local authority. Currently all but one of the relevant LACSEG budget lines do not differentiate between primary and secondary and as such in the vast majority of cases there is no difference between the primary and secondary per pupil amounts.

44. We will be applying multipliers in relation to the pupil numbers for special schools and for alternative provision, including Pupil Referral Units. The LACSEG rate for special Academies will be calculated using the average of the primary and secondary unit values for the relevant budget lines and then multiplying by 4.25. This reflects the fact that special 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. 4.25 is the national average ratio of special school funding per pupil compared to the funding of mainstream primary and secondary schools per pupil. For Alternative Provision Academies, which will be Pupil Referral Units, the rate will be calculated by using the secondary unit value for the relevant LA budget lines and then multiplying by 3.75. These units also have a larger staffing infrastructure than mainstream, and a rapid turnover of pupils. The figure was arrived at by comparing the average cost per place of Pupil Referral Units with that of mainstream. This multiplier rate will be applicable to Alternative Provision Academies and Free Schools as well as Pupil Referral Units.

45. The final rate calculation will be undertaken for each local authority separately by phase. This will be done by taking the total LACSEG relevant spend for that phase divided by the number of pupils as reported in the January 2011 pupil count.

46. We plan to publish for each local authority by phase the LA LACSEG per pupil rates that will be used to calculate the level of their transfer alongside the final decision and outcome of this consultation as early as possible in 2012. These rates will be used as the basis for the calculation of the costs of the Academies transfer for each local authority for the whole of the 2012-13 financial year.

47. Based on the 2011-12 section 251 return we have calculated national average LA LACSEG per pupil rates and these appear in the table below. These are to be seen as illustrative and the actual amounts for each local authority will vary depending on the amount of projected spend which they reported in their section 251 return. We will confirm LACSEG rates for Academies in due course and current and potential future Academies should not assume that their rates will be on the level set out below as we are keen not to see excessive turbulence for individual institutions.

National LA LACSEG per pupil

LA Budget LACSEG per Primary FTE Pupil	£156
LA Budget LACSEG per Secondary FTE Pupil	£156
LA Budget LACSEG per Special FTE Pupil	£663
LA Budget LACSEG per AP FTE Pupil	£585

48. In calculating the total LACSEG transfer for each local authority, we propose to only include those Academies and Free Schools opening in or after September 2010. The Department for Education will continue to meet from its central funds the LA LACSEG costs for Academies which opened prior to that date.

Detailed mechanism for managing the transfer for 2012-13 financial year

49. This section sets out in more detail the mechanism which we are proposing to put in place to work alongside the existing topslice to redistribute funding between authorities to better reflect the number of pupils in Academies in each local authority.

50. Alongside the announcement of the outcome of this consultation and final decisions on the way forward in early 2012 we will publish for each local authority the per pupil rate for LA LACSEG in each local authority for 2012-13. All local authorities should be able to estimate what their level of the LACSEG transfer will be based on the number of Academies open in their authority and those which they anticipate opening during the course of 2012-13. We will not be able to announce the precise level of transfer that will be applicable in

2012-13 as this will depend on the numbers and patterns of Academy conversion in the latter part of 2011-12 and on the numbers and distribution of Academies and Free Schools opening during 2012-13.

51. The Department for Education plan to issue in January 2013 a statement to local authorities in which we will set out their total LACSEG transfer costs based on the number of pupils attending Academies in their local authority. In preparation for each of these statements the Department will calculate the level of the LACSEG transfer for each authority. We plan to do this by taking the per pupil rate (by phase) and multiplying it by the numbers of children in the Academies/Free Schools in that authority (we will use the pupil numbers for each school as those reported in the January 2012 pupil count). The transfer calculation will be based on the full year costs for all Academies open by the end of March 2012. For additional Academies/Free Schools, opening during the 2012-13 financial year the transfer amount would be pro rata between the opening date and the end of the financial year.

52. The statement to local authorities will set out for each local authority, based on Academies/Free Schools open by the statement date, the level of the LA LACSEG transfer, the amount in the topslice, and the difference between the topslice and the transfer level. Where the difference was positive (the LACSEG transfer exceeded the topslice amount) the topslice will remain unchanged. For those local authorities where the difference was negative (the topslice amount exceeded the level of the LACSEG transfer) this amount will be repaid to the local authority via an unringfenced grant from the Department for Education under section 31 of the Local Government Act 2003.

Proposals for the recoupment of DSG LACSEG in 2012-13

53. DSG recoupment will continue in 2012-13, based on 2012-13 section 251 budget returns. We will, however, be looking to simplify the current process whereby authorities have to complete a separate pro-forma for each Academy. Instead, we plan to adapt section 251 returns so that they provide for local authorities to enter in the form the amount they expect to be recouped for each DSG LACSEG line for those Academies open at 1 April 2012. As in previous years, authorities will be able to request exclusions from recoupment, but there will need to be a good reason for doing so. Further amounts of recoupment will be due for Academies converting during the year. As in previous years, there will be separate rates for primary, secondary and special schools, so it is important that authorities apportion lines between the phases as accurately as possible.

54. This arrangement will also apply to the contingencies line on section 251. Authorities will be able to request the exclusion of specific items from the recoupment calculation, using the same principles we have adopted for the 2011-12 exercise. We noted during this exercise that a lot of money was being budgeted in the contingencies line where specific lines for this

expenditure exist elsewhere on section 251, for example SEN individually assigned resources and the carbon reduction commitment. For 2012-13 authorities should show relevant expenditure in these lines rather than in contingencies.

55. The Education Funding Agency will be examining and challenging authorities' returns relating to recoupment of LACSEG. We may need to recoup funding from other lines currently outside LACSEG if we believe that planned expenditure has been put in these lines that would relate to Academies as well as maintained schools.

56. Following the receipt of local authority requests to exclude 2011-12 contingency elements from LACSEG payments in 2012/13, we thought it might be useful to provide an update and set out the general principles we have used in assessing these applications.

57. The first point to make is that this will not affect the amount recouped from local authorities in 2011-12 or 2012-13. This specific exercise was purely about the amount paid to Academies in 2012/13. As the budget shares of open Academies in 2012/13 will be based on the local formula for 2011-12, DSG LACSEG, including the contingency element, also needs to be based on the authority's 2011-12 planned expenditure. The amount recouped from authorities in 2012-13 will reflect 2012-13 budgets and be based on the 2012-13 section 251 return. We do expect, however, to adhere to the same principles in considering authorities' requests for exclusion.

58. We will publish detailed information for each authority in due course, setting out those elements in the 2011-12 section 251 return which have been excluded from LACSEG. In the meantime, the general principles we have followed are set out below.

59. We have generally agreed to exclude the following types of expenditure from the LACSEG calculation:

- a. Funding for high needs SEN. Many authorities have held resources for individually-assigned resources or for funding devolved to clusters. This should have been on line 1.2.1, which is not a LACSEG line, and has been recorded in the wrong place. Academies will receive this funding from authorities under the existing arrangements for high needs.
- b. Equal pay: Local authorities are responsible for resolving historic back pay, most of which will be incurred while the Academy was still a maintained school. We expect authorities to fund schools including Academies for equal pay settlements on the basis of the actual costs each school faces.
- c. Funding held centrally for rates and rates revaluation. Rates should be in the Individual Schools Budget, not in contingencies, but some authorities are including it in contingencies because it

goes straight into school budgets and back again to the rating authority. Rates are already included in Academy funding allocations on the basis of actual costs.

- d. Schools in financial difficulties, where the funding is already earmarked for particular schools. This should be on the schools in financial difficulties line which is outside LACSEG.
- e. Provision for LACSEG recoupment: a number of local authorities have made provision on the contingencies line for funding they will lose through recoupment of DSG LACSEG. Giving this to Academies would be double funding.
- f. Funding for specific schools that are opening or closing or being reorganised.
- g. Funding for diploma provision. Because the diploma grant is ending by 2012-13, we have put in place special arrangements for Academies with diploma provision to be funded through their local authorities.

60. We have generally not agreed requests for exclusions for the types of expenditure set out below. This means the funding will remain in LACSEG and Academies will receive a proportionate share. These items are all ones that could be delegated to individual schools and thus Academies should receive a share up-front, reflecting their independent status:

- a. Funding for additional pupil number growth, particularly in primary schools where this may have a knock-on impact on class size or configuration through extra reception classes or infant class size adjustments. We will ensure this is consistent with how YPLA fund Academies and that they do not also fund Academies for such in-year adjustments.
- b. Behaviour / hard to place pupils. The line on section 251 for behaviour support services is already part of LACSEG, so any element of this funding that has been placed in contingencies instead should also be in LACSEG.
- c. Funding for extended services.
- d. Funding for school support/intervention/schools causing concern – this is included because it is similar to school improvement which is in LACSEG and which should be devolved to Academies.
- e. Funding for mainstreamed grants which has not been delegated to schools: Academies should get a share of this but we will again check with YPLA that there is no double funding.
- f. General in-year allocations relating to formula factors such as NQTs or ASTs.

Payments to Academies from authorities (other than for SEN and early years) should only in future be made in exceptional circumstances. We will provide more guidance on this in the Dedicated Schools Grant operational guidance for 2012-13.

61. We plan to continue to monitor local authority budgets on contingencies in the future and we will follow up instances where local authorities make significant reductions in expenditure on contingencies.

Equalities Issues

62. 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>. A further separate Equalities Impact Assessment has been undertaken in respect of the overall Local Government Finance Report for 2012-13.

63. Following the first consultation, the Department for Education remains of the view is that the “minded to” 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 are unable to make savings equivalent to the transfer 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.

64. Nevertheless, in accordance with its duties under s. 149 of the Equality Act 2010, the Department for Education will take into consideration any additional 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.

Timescale and arrangements for consultation

65. The consultation will run for four weeks and **will close on Thursday 12th January 2012**. The consultation is with all Unitary and County Authorities providing education services, the relevant Local Authority Associations (the Local Government Association and London Councils).

66. In addition to this the Department for Education plans to offer to hold discussions at official level with the relevant Local Authority Associations.

Please send your comments and contributions to:

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Section 251 Proposed 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	Pupil Premium allocated to schools	N		SB		Premium paid to academies on the same basis as maintained schools
1.0.3	Pupil Premium managed centrally	N		SB		LA function relates to premium for non mainstream settings
1.0.4	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.
1.0.5	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.
1.1.2	School-specific contingencies	Y		SB		We are current considering how to include this in LACSEG calculations for Academies in 2012-13
1.1.3	Early Years contingency	N		SB		LA function
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.

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
1.2.2	SEN support services	Y	Gross	SB	100%	This is non-delegated centrally retained funded for support services for stated and non-stated 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.
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.

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
1.3.4	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	Support to underperforming ethnic minority groups and bilingual learners	Y	Gross	SB	100%	Relevant to academies as they are likely to incur expenditure in this area.
1.5.1	School Meals - nursery, primary and special schools	Y	Net	SB	100%	Funding outside of the SBS for primary or Nursery Meals.
1.5.2	Free school meals - eligibility	Y	Gross	SB	100%	Relevant as academies need to be able to assess eligibility or buy in from LA.
1.5.3	Milk	Y	Net	SB	100%	Relevant for academies with a Primary Phase.
1.5.4	School kitchens - repair and maintenance	Y	Gross	SB	100%	Relevant, all academies have a Kitchen.
1.6.1	Insurance	N		SB		Paid separately within GAG.
1.6.2	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.
1.6.3	School admissions	Y	N/A	SB	100%	Academies incur costs on the admissions process.
1.6.4	Licences/subscriptions	Y	Gross	SB	100%	Academies incur costs, like LA-maintained schools, on software licences, etc.
1.6.5	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.
1.6.6	Servicing of schools forums	N		SB		LA Responsibility.
1.6.7	Staff costs - supply cover (not sickness)	Y	Gross	SB	100%	Included for academies.
1.6.8	Supply cover - long term sickness	Y	Gross	SB	100%	Included for 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
1.6.9	Termination of employment costs	Y	Gross	SB	100%	Included for academies.
1.6.10	Purchase of Carbon reduction commitment allowances	N		SB		
1.7.1	Other Specific Grants	Y		SB		Included for academies.
1.8.1	Capital Expenditure from Revenue (CERA) (Schools)	N		SB		This is the LA's Capital expenditure from revenue account and not relevant to academy funding.
1.8.2	Prudential borrowing costs	N		SB		Not relevant to academies as not allowed to borrow.
1.9.1	TOTAL SCHOOLS BUDGET					
2	OTHER EDUCATION AND COMMUNITY BUDGET					
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.
2.0.3	Therapies and other health related services	Y	Gross for Academies Calculation; NET for LA calculation	LA	100%	LA meets cost of any additional special medical support needed at LA-maintained schools - academies usually need to meet such costs themselves.

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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 for Academies Calculation; NET for LA calculation	LA	100%	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 for Academies Calculation; NET for LA calculation	LA	85%	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 for Academies Calculation; NET for LA calculation	LA	100%	
2.1.10	Total Learner Support					
	ACCESS					
2.2.1	Asset management - education	Y	Net	LA	74%	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	100%	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.

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2.2.4	Visual and performing arts (other than music)	Y	Net	LA	100%	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	100%	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					
7	Local Authority Education Functions					
7.0.1	Statutory / Regulatory Duties	Y	Net	LA	75%	Some costs incurred by Academies under this heading.
7.0.2	Premature retirement costs / Redundancy costs	Y	Gross for Academies Calculation; NET for LA calculation	LA	100%	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 for Academies Calculation; NET for LA calculation	LA	100%	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					

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7.1.1	Other Specific Grant	N		LA		
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.