



Department
for Education

Consultation on simplifying the administration of academy funding

Government response

July 2014

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Introduction and overview

The Government's consultation on simplifying the administration of academy funding was launched on 1 May. The consultation closed on 2 June 2014 and we received 57 responses. The majority of respondents (86%) were from a local authority. The table below shows a breakdown of responses by organisation type. A full list of respondents is at Annex A.

Organisation type	No. of responses	Percentage of total
Local authority	49	86%
School forum	4	7%
Maintained school	2	4%
Other	1	2%
Governor	1	2%
Total	57	100%

This document sets out a summary of the proposals on which we consulted, key findings from the consultation and the Government's response. It sets out our final policy for 2015-16 and should be read alongside [Fairer Schools Funding: Arrangements for 2015 to 2016](#) and Schools [Schools Revenue Funding for 2015 to 2016: Operational Guide](#). These set out details on the policy and operation of all of schools revenue funding in 2015-16.

Proposal

Our proposal on which we consulted was to: turn non-recoupment academies into recoupment academies, bringing together our two different approaches to funding academies; and amend the funding of local authorities for free schools pupils to make the approach consistent with the arrangements for other kinds of new and growing academies.

On converting non-recoupment academies (including free schools) to recoupment academies we set out detail on:

- how we proposed to calculate additional dedicated schools grant funding for local authorities to take account of pupils in former non-recoupment academies;
- how we would recoup funding from local authorities for former non-recoupment academies;
- local authorities' role in administering central expenditure for former non-recoupment academies;

- the treatment of the minimum funding guarantee in recoupment.

On amending the funding of local authorities for free school pupils we set out detail on how we would:

- recoup funding from local authorities based on estimated pupil numbers agreed by the free school;
- adjust the recouped amount to address over estimates of pupil numbers;
- not recoup in the first year of a new free school opening.

Views from the consultation

There was generally a positive response to our proposals to convert non-recoupment academies into recoupment academies, with 57% of respondents in favour. However, a number of responses included a particular concern about our proposed method for working out how much extra dedicated schools grant each local authority should receive for former non-recoupment academies. The concern was that our method did not include central expenditure, such as funding for high levels of pupil number growth, on those academies.

The majority of respondents did not agree with our approach to amend the funding of local authorities for pupils in free schools. Respondents were critical about the impact this would have on local authority budgets and that they were being asked to fund pupil growth that was not necessary to meet basic need. Concerns were also expressed about schools close to a border between local authorities: some pupils could attend the free school from another local authority, and then funding would be recouped from the school's local authority even though those pupils were not in the pupil number count used to calculate the local authority's dedicated schools grant.

Other concerns expressed were about the use of free school estimates: if free schools over-estimated pupil numbers, that would result in incorrect funding being recouped from the local authority. However, respondents generally acknowledged that, if we were going to proceed with amending the funding of local authorities for pupils in free schools, our proposal not to recoup funding for the first year of a free school was helpful.

A full summary of key findings and the Government's response can be found on pages 7 to 12.

Approach in 2015-16

To convert non-recoupment academies to recoupment academies

We have listened carefully to the views expressed before finalising our approach to convert non-recoupment academies to recoupment academies. We will go ahead with the proposal set out in the consultation, with a modification to reflect the additional burden for local authorities of central expenditure on former non-recoupment academies. Details of the modification are in the Government's response to question 1 of the consultation – in the second section of this document, "summary of responses received and the Government's response".

Amending the funding of local authorities for pupils in free schools

We have listened carefully to the views expressed before finalising our approach to amend the funding of local authorities for free school pupils in 2015-16.

Our proposal was to recoup what the relevant local authority would have provided in funding for the pupils in the free school if it had been a maintained school or a recoupment academy, except in the first year of opening for a new free school.

The purpose of this change was to ensure consistency with all other schools. Currently a new recoupment academy is funded on estimated pupil numbers and recoupment is calculated on the same basis: this will be true for all new academies when we have implemented the change discussed above that all academies should be recoupment academies.

Following consultation, we have decided to implement our proposal with one modification. Many respondents objected that it would be unfair to local authorities to base recoupment on pupil number estimates made by the free school itself. We now propose instead to:

- recoup based on free school pupil numbers estimated by local authorities, on the same basis as they would use for other new schools.

This modification will not have an impact on the way free schools are funded by the Education Funding Agency. The calculation of funding by the Education Funding Agency and the calculation of a notional budget for recoupment purposes by the local authority are two separate processes.

We will also, as originally proposed, allow local authorities to make retrospective adjustments the following financial year to address any variation between estimated and actual pupil numbers. We will consult shortly on how this should be done as part of our consultation on the School and Early Years Finance Regulations for 2015-16.

This change should make it easier for local authorities to plan for the amount of recoupment to expect from the second year onwards.

We understand the concern about cross-border movement, but we are satisfied that our decision maintains consistency with the rest of the schools system. At present, where pupils move from a maintained school or recoupment academy in one local authority to a maintained school or recoupment academy in another, funding follows those pupils in the year after they move. This is because a local authority's funding for each financial year is calculated using the school census from the previous October. We are not planning anything different for free schools.

Free schools are making a major contribution to delivering basic need and are delivering good quality places in areas where these are needed. Seven in ten open mainstream free schools have been set up in areas where there was need for additional school places.

The [operational information](#) and [technical note](#) set out full details on our policies on converting non-recoupment academies to recoupment academies and on amending the funding of local authorities for free schools pupils.

Summary of responses received and the Government's response

This section sets out, by question, key findings from the consultation and the Government's response.

Question 1: Do you agree in principle with our proposal to convert non-recoupment academies to recoupment academies in 2015-16?

Yes 30 (57%) No 11 (21%) Not Sure 12 (23%)

Key findings

The general response was that it was logical and fair to convert non-recoupment academies to recoupment academies. However some respondents said that the proposal not to allocate additional funding to local authorities for the additional central expenditure that would be required for these additional academies would not be fair. Respondents said that any transfer of responsibility from the Education Funding Agency to local authorities must be adequately funded.

Government response

The generally positive response demonstrates support for the proposal to convert non-recoupment academies into recoupment academies, although many respondents were concerned about the implications for central expenditure. The Education Funding Agency currently pays for central expenditure, such as funding for high levels of pupil number growth, on non-recoupment academies. This funding is on top of the funding that schools receive based on their local authorities' funding formula. Once non-recoupment academies become recoupment academies, local authorities will fund the central expenditure as proposed in the consultation document.

As set out earlier, we are determined that local authorities will not lose money as a result of turning non-recoupment academies into recoupment academies. We have therefore modified our approach from the one on which we consulted.

As in our original proposal, we will:

- work out how much the Education Funding Agency would recoup for former non-recoupment academies in 2015-16 if the local authority's formula remained the same as in 2014-15
- increase this amount in line with the local authority's percentage gain from minimum funding levels.

Then, as a modification from our original proposal to reflect concerns about central expenditure, we will add to this the greater of:

- the amount of central expenditure the Education Funding Agency paid to non-recoupment academies in the local authority's area in 2014-15
- the amount of central expenditure the local authority pays to former non-recoupment academies in 2015-16

We will add the resulting total to the local authority's dedicated schools grant in 2015-16.

Alongside our new policy for central expenditure, this means that, assuming a local authority does not change its local funding formula in 2015-16, the local authority will receive at least as much funding in 2015-16 for its former non-recoupment academies as it pays out through recoupment and directly to the academies.

The box below shows an example of how we will calculate funding, including the new policy on central expenditure.

Funding calculation

Academy X is the only non-recoupment academy in local authority Y.

On the basis of local authority Y's 2014-15 funding formula and academy X's pupil numbers and characteristics from the October 2014 census, the Education Funding

Agency calculates initial funding of £1m. Local authority Y is due an increase of 5% to its schools block unit of funding in 2015-16 due to minimum funding levels, so this £1m also increases by 5% to £1.05m. Academy X received no central expenditure from the EFA in 2014-15 but receives £40,000 in 2015-16 from local authority Y.

The EFA takes the greater of the 2014-15 and 2015-16 spending, in this case £40,000. It adds this to local authority Y's 2015-16 funding.

Therefore in total local authority Y receives an extra £1.09m added to the schools block of its dedicated schools grant in 2015-16 census.

Question 2: Do you agree with our proposed methodology for calculating additional funding to be added to the local authorities' dedicated schools grant to take account of recoupment for former non-recoupment academies?

Yes 8 (15%) No 36 (68%) Not Sure 9 (17%)

Key findings

Respondents who answered no to this question generally said that our method for calculating additional funding for non-recoupment academies did not take account of central expenditure.

Respondents also thought additional funding should be calculated in the same way that funding for maintained schools and recoupment academies is currently calculated, by including current non-recoupment academies' pupil numbers in the overall dedicated schools grant calculation. This would mean that local authorities received the same allocation for these pupils as the pupils they currently fund.

Government response

As set out in our response to question 1, we have changed the method for calculating additional funding for local authorities to include central expenditure.

We have not calculated funding for 2015-16 simply by including former non-recoupment academy pupils in local authorities' pupil number counts and multiplying these by local authorities' current schools block units of funding. We do not think this would be fair because non-recoupment academy pupils have specific characteristics - for example they are more likely to be secondary pupils, which in most local authorities receive more funding.

However, it is our current intention¹ to incorporate the additional funding for non-recoupment academies into each local authority's schools block unit of funding in 2016-17. We would calculate the 2016-17 schools block unit of funding by dividing the local authority's total 2015-16 dedicated schools grant (including the extra funding for former non-recoupment academies) by the number of pupils in the local authority in the October 2014 census, including non-recoupment academy pupils.

¹ School funding policy for 2016-17 has not yet been decided.

Question 3: Do you agree with our proposed treatment of minimum funding levels within that calculation?

Yes 21 (42%) No 16 (32%) Not Sure 13 (26%)

Key findings

Some respondents thought this question referred to the minimum funding guarantee and commented on that basis rather than minimum funding levels. Several respondents opposed the basic methodology for calculating the minimum funding levels, rather than the specific method for including in the non-recoupment academies calculation.

Government response:

We have addressed issues raised about the minimum funding guarantee in response to the question below. We have addressed issues raised about the fundamental calculation of minimum funding levels separately in the [Government response](#) to Fairer Schools Funding for 2015-16.

Question 4: Do you agree with our proposal for calculating recoupment for former non-recoupment academies, including treatment of the minimum funding guarantee?

Yes 22 (44%) No 14 (29%) Not Sure 13 (27%)

Key findings

Respondents asked what would happen where local authorities were using capping to limit increases to schools' budgets. Local authorities cap some schools' budget increases in order to pay for the minimum funding guarantee for other schools.

Others said that funding in this way would perpetuate inconsistencies in funding between maintained schools and academies, and that it was inappropriate to have different minimum funding guarantee requirements for different groups of schools and academies.

Government response

In 2015-16 we will recoup the amount of funding that the local authority calculates for the former non-recoupment academy through its formula. As proposed in the consultation, we will not make any adjustments for capping or minimum funding guarantee because the local authority has not calculated a budget for the academy in the previous year (2014-15) to cap or protect through the minimum funding guarantee. In 2016-17 our current intention is that recoupment will include any capping or minimum funding guarantee as a result of the change between 2015-16 and 2016-17 in the amount of funding that the local authority calculates for the former non-recoupment academy through its formula. This is set out in detail in paragraph 2.3.5 on page 8 of the consultation document.

In response to the second key finding: as stated in the consultation, our proposal to convert non-recoupment academies to recoupment academies will have no effect on the way an academy's funding is calculated and paid by the Education Funding Agency. This is a separate process from recoupment. The minimum funding guarantee is in place to bring funding for all schools into line with local funding formulas at a manageable pace.

Question 5: Do you agree with the proposal to recoup funding when pupils leave the local authority maintained sector (or other school funded through the dedicated schools grant) to join a new or expanding free school?

Yes 2 (4%) No 47 (82%) Not Sure 8 (14%)

Key findings

Respondents were critical about the impact this would have on local authority budgets and that they were being asked to fund pupil growth that was not necessarily to meet basic need.

Respondents raised concerns about schools close to a border between local authorities; some pupils could attend the free school from another local authority. Funding would be recouped from the school's local authority even though those pupils were not in the pupil number count used to calculate its dedicated schools grant.

Concerns were expressed about the use of free school estimates. Free schools over-estimating pupil numbers would result in incorrect funding being recouped from the local authority.

Government response

We have decided to recoup what the relevant local authority would have provided in funding for the pupils in the new free school if it had been a maintained school or a recoupment academy, except in the first year of opening for a new free school.

This decision has been taken to ensure consistency with all other schools. Currently a new maintained school or recoupment academy is funded on estimated pupil numbers and recoupment is calculated on the same basis.

Free schools are making a major contribution to delivering basic need and are delivering good quality places in areas where these are needed. Seven in ten open mainstream free schools have been set up in areas where there was need for additional school places.

Similarly our approach to the second key finding – about cross-border movement, is to maintain consistency with the rest of the schools system. Where pupils move from a maintained school or recoupment academy in one local authority to a maintained school or recoupment academy in another, funding follows those pupils in the year after they move. This is because a local authority's funding for each financial year is calculated using the school census from the previous October.

On the third concern, where many respondents noted the potential implications of basing recoupment on free school pupil number estimates provided by free schools, we have

addressed those concerns by modifying the approach on which we consulted. Recoupment will now be based on free school pupil numbers estimated by local authorities, on the same basis as they would use for other new schools.

This will not have an impact on the way free schools are funded by the Education Funding Agency (as opposed to how we recoup from local authorities), as these are separate processes. We will also, as planned, allow local authorities to make retrospective adjustments the following financial year to address any variation between estimated and actual pupil numbers. We will consult shortly on how this should be done as part of our consultation on the School and Early Years Finance Regulations for 2015-16.

This, together with our commitment not to recoup funding in the first year of a new free school opening, should enable local authorities to plan more easily for the amount of recoupment to expect from the second year onwards.

Question 6: Do you agree that, if recouping funding when pupils leave the local authority maintained sector (or other school funded through the dedicated schools grant) to join a new or expanding free school, our proposal not to recoup in the first year is a fair solution?

Yes 17 (30%) No 29 (51%) Not Sure 11 (19%)

Key findings

Several respondents stated that whilst they disagreed with the proposals to recoup funding when pupils leave the local authority maintained sector (or other school funded through dedicated schools grant) to join a new or expanding free school, not recouping in the first year was a fair solution; whilst others thought it was deferring the problem to future years.

A substantial number of respondents who disagreed with the approach entirely in Question 5 also responded negatively to Question 6, stating that the approach in Question 5 was flawed in any case.

Eight respondents who disagreed with the overall approach in Question 5 agreed with the premise of Question 6 (i.e. that *if* recouping funding, not recouping in the first year is fair). Of the 29 negative responses, a substantial majority noted their opposition for fundamental reasons – i.e. opposition to the overall approach in Question 5. A small number who responded negatively noted alongside their response that this approach would be an improvement on the approach set out in Question 5.

Government response

Local authorities will know one year ahead of opening that a new free school is expected to open, with an estimate of the size of that free school (and therefore an estimate of the likely funding of that free school and consequent recoupment from the local authority's dedicated schools grant). We will not recoup this funding in the first year of opening – in order to enable local authorities to plan more easily for the amount of recoupment to expect. As noted by several respondents, we see this approach as a fair compromise, which will provide an opportunity for local authorities to plan for the effects of the free school.

We understand the objections to recouping any funding, which we address under Question 5.

Annex A: List of organisations that responded to the consultation

- Association of Harrow Governing Bodies –London Borough of Harrow (Nigel Hewett)
- Association of School and College Leaders (Martin Ward)
- Barnsley MBC (Joshua Amahwe)
- Birmingham City Council (David Waller)
- Blackpool Council (Hilary Shaw)
- Cambridgeshire County Council (Martin Wade)
- Catholic Education Service (Christine Fischer)
- Central Bedfordshire Council (Gezim Leka)
- Cheshire West and Chester Council (Paul Plested)
- City of Bradford Metropolitan District Council (Sarah North)
- Coventry Schools Forum (Sybil Hanson)
- Cumbria County Council (Caroline Sutton)
- Durham County Council (David Shirer)
- East Sussex County Council (Jon Brown)
- Gateshead Council (Carole Smith)
- Gloucestershire County Council/ Schools Forum (Stewart King)
- Hertfordshire County Council (Jonathan Burberry)
- Hull City Council (Milorad Vasic)
- Islington Schools Forum (Debra Stevenson)
- Kent County Council & Kent Schools' Funding Forum (Keith Abbott)
- Knowsley MBC (Diane Williams)
- Lancashire County Council (Edwards Stephen)
- LB Ealing (Amar Barot)
- Leicester City Council (Kate McGee)
- Leicestershire County Council (Jenny Lawrence)
- London Borough of Barnet (Ian Harrison)
- London Borough of Bexley (Sam Aslett)
- London Borough of Bromley (Amanda Russell)
- London Borough of Havering (David Allen)
- Luton Borough Council (Jan Powley)
- Manchester City Council (Reena Kohli)
- Middlesbrough Schools' Management Forum (Julie Cordiner)
- Milton Keynes Council (Penelope Powers)
- Newcastle City Council (Anthony Francis)
- North East Lincolnshire Council (David Kirven)
- North Tyneside Council (Anthony Gollings)
- Northamptonshire County Council (Bob Seaman)
- On behalf of all Harrow High Schools (Sue Hammond)

- Oxfordshire County Council (Gillian McKee)
- Richmond and Kingston Local Authorities and Schools Forums (Susan Woodland)
- Rochdale MBC (Christine Clarkson)
- Slough Borough Council (Atul Lad)
- South Gloucestershire Council (Martin Dear)
- Southampton City Council (Lynn Franklin)
- Southwark Council (Melissa Williamson)
- Stockton-on-Tees Borough Council (Jane Humphreys)
- Suffolk County Council (Lea Minnican)
- Summersfield, Paula (Salford City Council)
- Sunderland City Council (Karen Atkins)
- Surrey County Council (David Green)
- Wain, Jo (Derby City Council)
- Wandsworth Council (Anita Stokes)
- Wandsworth Schools Forum (Steph Neale)
- Warwickshire County Council (Sara Haslam)
- West Sussex County Council (Nigel Street)



Department
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