



Department
for Education

Adjustments to local authority funding related to free schools

Government consultation

Launch date 21 July 2016

Respond by 21 September 2016

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Introduction

We are seeking views on proposals to change the local authority recoupment arrangements for mainstream free schools.

Who this is for

- Local authority finance officials

Issue date

The consultation was issued on 21 July 2016.

Enquiries

If your enquiry is related to the policy content of the consultation you can contact the team on:

- 02072 275112 and ask for Angela Jansen

or email:

- Recoupment.consultation@education.gsi.gov.uk

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the DfE Ministerial and Public Communications Division by email: Coordinator.CONULTATIONS@education.gsi.gov.uk or by telephone: 0370 000 2288 or via the [DfE Contact us page](#).

Additional copies

Additional copies are available electronically and can be downloaded from [GOV.UK DfE consultations](#).

The response

The results of the consultation and the Department's response will be [published on GOV.UK](#) in Autumn 2016.

About this consultation

This consultation document proposes:

- to amend the funding of local authorities for pupils in mainstream free schools

The document sets out:

- the background to recoupment for mainstream free schools
- our rationale for amending this system of funding
- how we propose to amend the current funding system

We would like to hear your views on our proposal.

Respond online

To help us analyse the responses please use the online system wherever possible. Visit www.education.gov.uk/consultations to submit your response.

<https://consult.education.gov.uk/funding-policy-unit/adjustments-to-la-funding-for-free-schools>

Other ways to respond

If you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a word document version of the form and email it or post it.

By email

- Recoupment.consultation@education.gsi.gov.uk

By post

Funding Policy Unit
Department for Education
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

Deadline

The consultation closes on 21 September 2016.

Amending the funding of local authorities for pupils in mainstream free schools

What is recoupment?

The Department for Education provides funding for schools to local authorities through the dedicated schools grant (DSG). Each local authorities' DSG is initially calculated by reference to all pupils attending schools in the local area, whether those are maintained schools, academies or free schools. Local authorities are responsible for designing a local formula to distribute funding to the schools in their area. Maintained schools receive their funding from the local authority, and academies and free schools receive it directly from the Education Funding Agency (EFA). Because local authorities do not provide funding to academies or free schools, we deduct the funding for pupils in those schools from the DSG we give to local authorities, and we call this process recoupment. This consultation relates to the recoupment process for free schools.

The department is consulting on the introduction of a national funding formula for schools. While local authorities continue to distribute funding according to their local formulae, we will continue to recoup funding for academies and free schools. We will revisit how recoupment would be managed under the proposed 'hard' national funding formula (from 2019 onwards), when schools' core funding is set by a national formula, in due course.

Recoupment for free schools

Local authorities receive their funding for a financial year on a lagged basis, using pupil numbers from the previous October census. Maintained schools (through local authorities) and most academies and free schools (through the department) are funded on a lagged basis. We fund new free schools and some academies using estimates of pupil numbers in the first few years of operation, to give them sufficient funding as they grow.

As free schools are funded directly by the department, the local authority has fewer pupils to fund when a new free school opens. Under the current system, the local authority will still receive funding for pupils expected to move to the free school for a further 7 months (from the pupils starting school in September to the end of the financial year in March).

Free schools are established in one of two ways:

- where the local authority has identified the need for a new school in the area (known as the presumption process)

- where an application to open a free school is made directly to the department by a proposer (known as the centrally delivered process)

Where a mainstream free school is established through the presumption process, recoupment starts from the first year. If it is established through the centrally delivered process, recoupment starts for the second year that the school is open. This means that there is inconsistency in the recoupment arrangements for different types of new free schools.

For example, if the October 2015 census showed that there were 100 pupils in a local authority, the local authority would receive funding for 100 pupils in the financial year 2016-17. If a new free school established through the centrally delivered process is expected to open in September 2016, providing 30 places, the free school would receive funding from the EFA for 30 pupils in academic year 2016/17. In this case, for the 7 months from September 2016 to March 2017, the department would be providing funding for 130 pupils (100 through the local authority's DSG, and 30 in the free school), when there are only 100. If the free school had been established through the presumption process, funding for the 30 pupils would have been recouped from the funding received by the local authority in April 2016.

Proposal and rationale

In 2014, we consulted on making mainstream centrally delivered free schools recoupable in every year except the first year of opening, and as a result free schools became recoupable for the first time. We are now proposing to remove the remaining inconsistencies in the recoupment system for mainstream schools.

We are proposing to recoup funding for all new mainstream free schools for every financial year, including the first financial year the free school opens. Neither local authorities nor schools would see any increase in their DSG funding as a result of this change.

The current system of recoupment is inconsistent and unfair:

- not all free schools have the same funding arrangements

The recoupment arrangements for free schools depend on the circumstances under which they were established. We think that all free schools should have the same funding arrangements, so that the funding system is simpler, fairer and more consistent.

- local authority funding does not reflect the expected movement of pupils when a free school opens

As a result, for 7 months, funding is provided for those pupils twice, to the local authority and to the school. This is not an appropriate use of a resource that could be used elsewhere in the education system.

Practical considerations

Our proposed changes relate only to recoupment in the first year that a new mainstream free school opens.

As part of the response to our 2014 consultation, we introduced some new technical arrangements, which we would continue to use. Under our proposal, local authorities would record how many pupils are expected to attend the new free school in the authority proforma tool (APT) in January based on their estimates. We would use this information to calculate the amount to recoup for pupils in the new free school.

In the following January, when the local authority completes their APT, they may take account of any difference between estimated and actual pupil numbers in the previous funding period when they estimate pupil numbers for the following year.

The amount recouped from a local authority for the financial year 2017-18 would be based on the January 2017 APT, which would include an estimate of pupils in new free schools opening in September 2017. When completing the APT in January 2018, the local authority would be able to use the October 2017 census to compare their estimate with the actual number of pupils who joined the free school. In their APT, the local authority would then be able to adjust their recoupment amount for the financial year 2018-19, taking into account any significant difference between the estimated and actual pupil numbers for the new free school.

We are looking at ways we could help local authorities give the best possible estimate of pupils who are likely to attend the new school. This should help to avoid a large variation between the estimated and actual number of pupils in a new free school.

Questions

Do you agree with the proposal to recoup funding for all mainstream free schools from the first year of opening?

Do you think there is any particular support the department could give local authorities to help them estimate pupil numbers for new mainstream free schools, or any other support which would make recoupment fairer or simpler?



Department
for Education

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