

## **Funding of Academies**

### **1. Purpose of the Report**

At the last meeting of the Forum we looked at the way funding would operate for Academies mainly from a local authority perspective. This report updates members on the latest known position on the funding of academies. It looks at both the impact on Local Authority and the impact on schools that become academies.

### **2. Recommendation**

- i) The Forum note the report.

### **3. Background**

- 3.1 The principle of academies' funding is that academies should receive the same level of per-pupil funding as they would receive from the local authority as a maintained school. In addition, they will receive top-up funding to meet additional responsibilities that are no longer provided for them by the local authority. This is over and above the funding currently given to Academies
- 3.2 In theory the Government believe that becoming an academy should not bring about a financial advantage or disadvantage to a school.
- 3.3 Unlike maintained schools that are funded on the traditional financial year basis (April to March), Academies are funded from September to August to reflect the academic year.
- 3.4 The funding for academies is through a grant called the General Annual Grant (GAG), paid by the Young People's Learning Agency (YPLA).

The GAG is made up of three different elements as follows

- 3.5 An amount equivalent to the school's current budget share

This will be the same as the school's current budget share received from the local authority. An adjustment is made to reflect any reduced business rates, paid by an academy as a charitable trust, and for insurance, which is paid separately in GAG.

- 3.6 Local authority central spend equivalent grant (LACSEG) - DSG

This is the additional money to cover those central services that form part of the Dedicated Schools Grant but will no longer be provided when a school becomes an Academy.

This element of grant is calculated by using a formula, based on an academy's pupil numbers and the amount that the relevant local authority spends on the services and costs. It is not based on the actual costs of the services supplied to the individual school. The headings included in the formula are shown in Appendix B.

3.7 Expenditure funded out of the General Fund (LACSEG)

Further costs are now proposed to be taken from the Local Authority over and above the Dedicated Schools Grant. These services are funded through the General Fund. In the past the sums involved were small and the DFE did not recoup costs, as the number of academies are expect to grow the DFE now propose to recoup these costs

3.8 The DfE will be consulting formally on academies funding for 2012/13 onwards, when Ministers have considered the results of consultation on school funding discussed under item 3 of this agenda, which opened in July. The DFE, agree there will need to be congruence between proposals for academies and other schools. They have no precise timescale for this but have set up an academy funding review group which will inform the basis of consultation

3.9 The DFE agree that for 2011/12 the decisions on some issues (eg the basis of calculating budget shares) will be needed in early October and will take them in the light academy review group's advice. On some other 2011/12 issues (eg the methodology and recovery mechanism for LACSEG) the decision will be a bit later (probably November) as it will depend on the spending review.

**4. Impact on Schools**

The calculation of funding that a typical school will receive if it becomes an academy is attached in Appendix A.

The tasks/costs an academy have to take on that a maintained school currently do not undertake as they are either undertaken by the Local Authority or are not necessary are shown below.

Actuarial Valuation Of Pension Obligations	Union Negotiations	School Improvement
Increased Pension Liability	CRB Check Follow-up Interviews	Education Welfare Services
Preparation Of Company Accounts	Occupational Health	Educational Psychologists
Audit Of Company	Maternity Cover	Behaviour Support

Accounts		Services
Appropriate Finance Package	Interpretation Of Changes In Legislation	Specialist SEN Teachers
VAT Accounting	Statutory Returns e.g. Personnel, Attainment & Estates Management	SEN Outreach
Directors Insurance	Performance Management Data	SEN Tribunals
Internal Audit	Responding to allegations against the school and staff	Outdoor Education
Enhanced Contingency As Licensed Deficit Not Possible	Redundancy Costs, Compromise Agreements & Enhance Pensions	Music Services
Enhancements To Administration Staff	Free School Meal Eligibility	School Milk
Procurement e.g. Energy & Catering	Management Of Capital Programmes	Licences e.g Performing Rights Society
Fire Assessments	Asbestos Checks	

## 5. Impact on Local Authorities

- 5.1 The calculation of how the recoupment operates is shown in Appendix B.
- 5.2 The funding that a local authority loses and comments about their appropriateness are found in Appendix C. This is a collection of comments from other London Borough's.
- 5.3 If all schools in Lewisham became academies we would lose from the Dedicated Schools Grant £6m and a further £12m from the General Fund. This would leave within the DSG a sum of £23m (this is broken down below) , although if all schools became academies the DFE would probably look at different arrangements for the Local Authority.

The main headings left are	<b>£m</b>
Special Educational Needs	10.3
Early Years	7.1
Admissions	0.5
CERA	2.5
Contingency	2.3
Practical Learning	1.1

- 5.4 The basis for calculating LACSEG funding for academies and funding to be recouped from local authorities is summarised below
- Where services are **targeted** towards particular groups/types of need (such as children with free meals), this **should be reflected** in the methodology for calculating LACSEG funding for academies and the funding to be recouped from local authorities.
  - Where calculations (of LACSEG funding for academies and funding recouped from local authorities) are done on the basis of pupil numbers a **consistent and appropriate definition of pupil numbers** needs to be used.
  - The amount of LACSEG funding that academies are entitled to and the amount of funding to be recouped from local authorities needs to be calculated on **net basis** (ie net of income) rather than on a gross basis.
  - Local authorities need the **ability to amend section 251 statements** to ensure that they represent a true reflection of their spending, and that a fair and appropriate amount of funding is recouped from local authorities.

Dave Richards

Group Finance Manager – Children and Young People

Contact on 0208 3149 442 or by e-mail at [Dave.Richards@Lewisham.gov.uk](mailto:Dave.Richards@Lewisham.gov.uk)