



Department  
for Education

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**Respond by 2 June 2014**

**Ref: Department for Education**

## **Simplifying the administration of academies funding**

# Simplifying the administration of academies funding

Consultation on converting non-recoupment academies to recoupment academies and amending the funding of local authorities for pupils in free schools from 2015-16

**To** Finance contacts in all English local authorities and other interested parties.

**Issued** 1 May 2014

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

01325 735 686 for changing all academies to recoupment academies and ask for Anthony Wilson; or

0207 2275 313 for amending the funding of local authorities for pupil in free schools and ask for Phil Dixon.

or email:

[NRA.CONULTATION@education.gsi.gov.uk](mailto:NRA.CONULTATION@education.gsi.gov.uk)

## Contact Details

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

# **1 Introduction**

**1.1** This consultation document makes two proposals:

1. To convert non-recoupment academies to recoupment academies
2. To amend the funding of local authorities for free schools pupils

The first part of the document sets out:

- the background on the current system of recoupment and non-recoupment academies
- our rationale for proposing that non-recoupment academies become recoupment academies from 2015-16
- the technical detail of how recoupment for former non-recoupment academies would work, including how we would calculate additional dedicated schools grant funding for local authorities to take account of pupils in non-recoupment academies

It is important to note that this proposal would not affect the calculation and payment by the Education Funding Agency of each academy's budget. This is a completely separate process from recoupment of funding from the academy's local authority.

The second part of the document sets out:

- the way in which the current funding of local authorities for free school pupils differs from that of other pupils
- our rationale for amending this system of funding
- the way in which we propose to do this

We would like to hear your views on our proposals. To respond to this consultation go to [www.education.gov.uk/consultations](http://www.education.gov.uk/consultations). In order to help with the analysis of consultation responses please use the online system wherever possible. If for exceptional reasons you are unable to use the online system, for example because you use accessibility software that is not compatible with the system, you may download a word document version of the form and email to [NRA.CONULTATION@education.gsi.gov.uk](mailto:NRA.CONULTATION@education.gsi.gov.uk) or post to Anthony Wilson, Department for Education, Mowden Hall, Area 2B, Staindrop Road, Darlington, Co Durham DL3 9BG. The consultation closes on 2 June 2014.

## **2 Converting non-recoupment academies to recoupment academies**

### **2.1 Background**

Academies can be split into two categories based on how their funding is administered:

- recoupment academies
- non-recoupment academies

Most academies are recoupment academies. This means that funding for these academies is included in the dedicated schools grant that the Department for Education gives to each local authority to fund its schools and early years provision. The Education Funding Agency (EFA) funds academies and therefore recoups the academies' share of the dedicated schools grant from each local authority.

Some academies (around 10%) are non-recoupment academies. This means funding for these academies is not given to the local authority in its dedicated schools grant and therefore EFA does not need to recoup funding.

In the case both of recoupment and non-recoupment academies EFA funds the academy directly, basing an individual academy's budget on the schools funding formula specified by the academy's local authority. These arrangements would not change as a result of the proposals in this document. Individual academies would not see any difference to the way their funding is calculated or paid.

### **2.2 Proposal and rationale**

This consultation seeks views on proposals for making all academies recoupment academies<sup>1</sup>.

There are several advantages to making all academies recoupment academies.

- It would create a single funding system, which, we believe, would be simpler for schools, local authorities and EFA.

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<sup>1</sup> City technology colleges, which are not funded with reference to the local authority formula, are excluded from these proposals and the EFA would continue not to recoup funding from the local authority for them.

- We could simplify data collection as we would not need separate collections for recoupment and non-recoupment academies. Currently EFA collects data on non-recoupment academies and local authorities collect data on recoupment academies. A single data collection in particular would reduce the administrative burden on multi-academy trusts with both recoupment and non-recoupment academies in their chains.
- It would ensure a consistent approach for all schools in the use of a local authority's central expenditure – including funding for fast-growing schools and for schools with a falling roll. Currently local authorities are not required to use their central expenditure for non-recoupment academies. Instead, EFA tries to match what local authorities do. There is a risk that in interpreting a local authority's criteria for their growth and falling rolls funds, EFA might treat non-recoupment academies differently from how the local authority would have treated a maintained school or recoupment academy in the same circumstances.
- It would provide additional assurance that local authorities and schools forums are taking full account of all of the features of non-recoupment academies in deciding on their local formula. Currently there is a risk that the process of setting formulas locally might not take full account of the circumstances of non-recoupment academies because the local authority's dedicated schools grant would not be affected by the way its formula applies to non-recoupment academies. This might be the case particularly in a local authority where non-recoupment academies are the only schools that receive funding from a particular factor – for example the only school that receives funding because it is located on two different sites.

## **2.3 Technical detail of our proposal**

### **2.3.1 This section sets out detail on:**

- how we would 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
- how we would treat the minimum funding guarantee in recoupment

This section also confirms that converting non-recoupment academies to recoupment academies would have no impact on the way an academy's funding is calculated and paid by the EFA, which is a separate process from recoupment. This includes no impact on an academy's minimum funding guarantee and no impact on whether an academy is funded on the basis of estimates of pupil numbers or pupil numbers recorded in the previous year's pupil census.

### **2.3.2 Including former non-recoupment academy pupils in the dedicated schools grant**

As part of our proposal, we would increase local authorities' dedicated schools grant for 2015-16 to take account of the fact that EFA would start to recoup funding from local authorities for former non-recoupment academies. This additional funding would reflect the specific circumstances of the non-recoupment academies in a local authority's area – for example whether they are primary or secondary schools or whether they attract more deprived pupils than other schools in the area.

We propose to work out the increase as set out below.

1. We would calculate how much the EFA would recoup for the former non-recoupment academies in 2015-16 if the local authority's local funding formula were the same in 2015-16 as in 2014-15. This means that we would apply the local authority's 2014-15 funding formula to the academy using the 2015-16 schools block data set (which is based on the October 2014 pupil census).
2. If a local authority is due to gain from our "minimum funding levels" proposal<sup>2</sup> we would scale up this total in line with the local authority's gain.
3. We would add this total to the dedicated schools grant that the local authority would receive for pupils in maintained schools and existing recoupment academies in 2015-16<sup>3</sup>.

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<sup>2</sup> Proposals for minimum funding levels are set out in our consultation document, Fairer Schools Funding in 2015-16. This is available from [www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016](http://www.gov.uk/government/consultations/fairer-schools-funding-2015-to-2016). We will announce final minimum funding levels policy and 2015-16 levels of per pupil funding for local authorities in summer 2014.

<sup>3</sup> We would initially do this calculation using the 2014-15 schools block data for the announcement in December 2014 of 2015-16 DSG allocations. In early 2015 we would recalculate using the 2015-16 schools block data set and make adjustments to the allocations.

For example:

1. Local authority X has two non-recoupment academies which become recoupment academies in 2015-16. If the local authority's local funding formula were the same in 2015-16 as in 2014-15, using information from the 2015-16 schools block data set, EFA would recoup £1 million for those academies.
2. Under minimum funding levels local authority X would receive 5% more funding per pupil (in maintained schools and existing recoupment academies) in 2015-16 than it did in 2014-15.
3. In 2015-16 local authority X receives £1.05m (£1m plus 5%) on top of the dedicated schools grant it receives for pupils in maintained schools and existing recoupment academies.

### **2.3.3 Recoupment**

We propose that the calculation of how much EFA recoups from local authorities should work in the same way as it currently does for existing recoupment academies. EFA would recoup the funding that the academy would have received from the local authority through its funding formula.

Separately EFA would calculate and pay the former non-recoupment academy's budget. This calculation and payment would not be affected by the conversion of the non-recoupment academy to a recoupment academy. As with existing recoupment academies, EFA would fund any difference between the amount it recoups from the local authority and the amount it pays to the academy.

### **2.3.4 Administering central expenditure for non-recoupment academies**

The local authority would become responsible for the administration and payment of any other central funding to former non-recoupment academies (just as they currently are for recoupment academies and maintained schools). This includes any funding for schools with significant growth in pupil numbers and for schools with falling rolls.

This should not affect the amount of funding a former non-recoupment academy receives from these funds. This is because currently EFA calculates growth and falling rolls funding for non-recoupment academies using the criteria for growth and falling rolls funding of the academy's local authority. It should also not impose a significant additional administration burden on local authorities because they already administer these funds and other central expenditure for recoupment academies and maintained schools.

### **2.3.5 Reflecting the minimum funding guarantee in recoupment**

To help schools manage reforms to the funding system, we guarantee that school funding for 5 to 16 year olds allocated on a per pupil basis will not fall by more than 1.5%<sup>4</sup> from one year to another. This means that some schools' actual funding is higher than the level decided by their local authority's funding formula alone. Local authorities can fund the minimum funding guarantee by capping increases in funding for other schools in their area.

If we converted non-recoupment academies to recoupment academies, our proposal is that EFA would recoup funding for the former non-recoupment academies in 2015-16 without making any adjustment for the minimum funding guarantee (because these schools would have no history of funding within the local authority's formula). From 2016-17 the amount the EFA recouped for the academy would take account of the minimum funding guarantee as calculated by the authority. The amount recouped could therefore not fall by more than 1.5% per pupil between 2015-16 and 2016-17<sup>5</sup> and could be capped to help fund the minimum funding guarantee for other schools in the academy's local authority<sup>6</sup>.

This policy would only apply to the calculation of the amount EFA recoups from the local authority. It would not affect EFA's completely separate calculation of the amount of funding the academy receives, where the minimum funding guarantee is based on what the academy actually received in the previous year.

The table below shows an example of how the minimum funding guarantee is applied to recoupment, while independently from recoupment the minimum funding guarantee continues to apply to the calculation of an academy's actual budget.

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<sup>4</sup> Full details of the operation of the minimum funding guarantee in 2014-15 are set out in paragraph 35 of 2014-15 Revenue Funding Arrangements: Operational Information for Local Authorities. This is available from:  
<https://www.gov.uk/government/publications/2014-to-2015-revenue-funding-arrangements-operational-information-for-local-authorities>.

<sup>5</sup> This is a simplification of minimum funding guarantee policy intended to help illustrate the principle of the proposed policy on recoupment for former non-recoupment academies. See footnote 4 for full details of MFG policy.

<sup>6</sup> This assumes that our current minimum funding guarantee policy continues to 2016-17. We have not yet announced that policy.

	<b>Recoulement</b>	<b>Calculating the academy's budget – separate process not affected by recoulement</b>
2014-15	No recoulement	Academy X receives £1m from EFA
2015-16	The local authority calculates that academy X should receive £900,000 through its local funding formula. EFA recoups £900,000. The £900,000 is not adjusted as a result of the minimum funding guarantee.	Academy X's budget is due to fall from £1m to £900,000. However the minimum funding guarantee means that the academy's budget only falls to £980,000. EFA pays the academy £980,000.
2016-17 <sup>7</sup>	The local authority calculates that academy X should receive £850,000 through its local funding formula. However the fall from £900,000 to £850,000 is protected by the minimum funding guarantee at £880,000. The EFA recoups £880,000.	Academy X's budget is due to fall from £980,000 to £850,000. However the minimum funding guarantee means that the academy's budget only falls to £960,000. EFA pays the academy £960,000.

### 2.3.6 Academies on estimates-based funding

Most schools are funded on the basis of the actual number of pupils that attended the school in the year before the year for which the school is being funded. Schools funded in this way will receive funding for 2015-16 on the basis of the actual number of pupils in the school in 2014-15<sup>8</sup>. Local authorities are also funded in this way: they will receive funding for 2015-16 on the basis of the number of pupils in schools in the local authority in October 2014.

Some non-recoulement academies are funded on the basis of the estimated number of pupils that will attend the academy during the year for which the academy is receiving funding. Academies funded in this way will receive funding for 2015/16 on the basis of an estimate of the number of pupils in the school in 2015/16.

<sup>7</sup> School funding policy for 2016-17 onwards has not yet been decided. We have provided this part of the example only to illustrate how the minimum funding guarantee could have an impact on recoulement in the second year onwards after non-recoulement academies become recoulement academies.

<sup>8</sup> Academies are funded on academic years so will receive funding for the 2015/16 academic year on the basis of the actual number of pupils in the academy in 2014/15.

The proposal to turn non-recoupment academies into recoupment academies would not affect these arrangements. EFA would continue to calculate former non-recoupment academies' actual budgets following the same arrangements as it would have done if the academy had remained a non-recoupment academy<sup>9</sup>.

### **2.3.7 Data on non-recoupment academies**

Local authorities would need data on former non-recoupment academies in order to carry out their responsibilities. Pupil number data for non-recoupment academies is already prepopulated in the authority proforma tool (APT) that the EFA issues to local authorities. Local authorities already need to consider the impact of non-recoupment academies when setting their formula so should already be aware of any other factors not included in the APT, such as whether a school is located on split sites and information about special educational needs units. When local authorities need to refresh data that does not appear in the APT for future years, they would deal directly with the former non-recoupment academies just as they do now with recoupment academies.

## **3 Amending the funding of local authorities for pupils in free schools**

### **3.1 Introduction**

Local authorities receive their funding for a financial year (April to March) based on a lagged approach using the pupils who were on the previous October census. Most schools are also funded by local authorities on a lagged approach, but new and expanding schools can be funded on estimates in order to give them sufficient funding to operate while they are growing.

New and expanding free schools (and, for the purposes of this consultation, studio schools and UTCs) are funded by the EFA on the basis of estimated pupil numbers. This is because new free schools would not have completed a census, as they would not have been open at census time, and census data on expanding free schools would only show pupils in year groups that were present at the time of the previous census. To overcome this, during the period of expansion free schools provide estimates of the pupil numbers they expect to be in the school in each year and are funded on those estimates.

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<sup>9</sup> Separately from the proposals in this consultation document the Education Funding Agency is negotiating with academies and academy chains to reduce the extent to which academies are able to benefit from estimates that are higher than the actual number of pupils in the academy. This process will continue regardless of the outcome of this consultation.

Therefore, when a new free school opens, the department funds the local authority and the free school for the same pupils for seven months while the census catches up for local authority funding. The same is true for an expanding free school.

For example, if the October 2014 census showed that there were 100 pupils in local authority A, then local authority A would receive funding for financial year 2015-16 for 100 pupils. If new free school B is expected to open in September within local authority A, providing 10 places, the free school would receive funding for 10 pupils in academic year 2015/16. In this case, for the seven months from September 2015 to March 2016, we are providing funding for 110 pupils, where there are only 100 pupils.

This contrasts with the funding for maintained schools and recoupment academies, where local authorities can use a growth fund to provide funding for new places or apply to the Secretary of State for approval to fund on estimated numbers rather than census.

Where the number of pupils being funded by the local authority reduces because a new free school opens, the local authority would still receive funding for pupils expected to move to the free school until the census data catches up seven months later.

We are considering a proposal to amend this arrangement, to make the approach consistent with arrangements for other kinds of new and growing schools. This recognises the opportunity presented by the above proposal on making all academies recoupment academies, which would enable the recoupment of this funding for the first time.

### **3.2      Proposal**

In this proposal, the department would 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.

There is a strong rationale for recouping this funding:

- Consistency -- currently, local authorities' census-based funding does not reflect the expected movement of some pupils to free schools in those local authorities. As a result, for seven months funding is provided by the Government for those pupils to the local authority and to the school.

- Standardisation – there is a contrast between the funding for growth in pupil places within local authorities for maintained schools and recoupment academies (where local authorities can use growth funds to cover the new need, or apply to use estimated numbers in their formula) and the funding for new and growing free schools.
- Simplicity – as set out above, we are proposing to make all non-recoupment academies recoupable, including free schools. Were all academies to be recoupable, all funding provided to local authorities would be recouped except the funding which related to pupil numbers expected to move to new local free schools. Recouping that amount would bring greater simplicity to the funding landscape by making all costs of funding recoupable from local authorities.

That amount would be recouped from that local authority following the agreement of financial plans with the new free school in the summer before opening. The local authority would know one year ahead of opening that a new free school was 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 recoupmemt from the local authority's dedicated schools grant). The recouped amount could be adjusted at a later date to address over estimates of pupil numbers in free schools.

However, we propose that we would not recoup in the first year of a new free school opening.

This would limit the impact on local authorities and enable local authorities to plan more easily for the amount of recoupmemt they could expect from the second year onwards.

The amount recouped from local authorities would be limited to the cost of expansion of new free schools after the first year of opening, until the free school reaches capacity and is funded entirely on the basis of census statistics.

For example:

In 2015-16, local authority X is expected to receive the dedicated schools grant for 1500 pupil places, based on October 2014 census data. A new free school is expected to open in September 2015, providing an estimated 30 new places within local authority X, and to provide a further 30 new places each year thereafter.

When the free school opens and receives its funding, we do not recoup any amount from local authority X.

In the second year of opening, we would recoup the funding for 60 pupils from local authority X. 30 of these pupils would be reflected in the dedicated schools grant because they would have been in the free school in the previous year: the authority would be expected to fund the other 30 in the same way as for a new or expanding maintained school or recoupment academy.

## **4 How To Respond**

- 4.1** In order to help with the analysis of consultation responses please use the online system wherever possible. If for exceptional reasons you are unable to use the online system, for example because you use accessibility software that is not compatible with the system, you may download a word document version of the form.

The consultation closes on 2 June 2014.

Consultation responses can be completed online at  
[www.education.gov.uk/consultations](http://www.education.gov.uk/consultations)

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or sent to:

Anthony Wilson, Department for Education, Mowden Hall, Area 2B, Staindrop Road, Darlington, Co Durham, DL3 9BG.

## **5 Additional Copies**

- 5.1** Additional copies are available electronically and can be downloaded from  
[GOV.UK DfE consultations](http://GOV.UK DfE consultations).

## **6 Plans for making results public**

- 6.1** The results of the consultation and the Department's response will be published on GOV.UK in Summer 2014.