

DERBYSHIRE COUNTY COUNCIL**SCHOOLS FORUM****23rd January 2013****Report of the Strategic Director for Children & Younger Adults****Academy Funding - update****1. Purpose of the Report**

To update the Schools Forum regarding national changes to academies' funding arrangements and the link to local authority budgets.

2. Background

Under the current arrangements the calculation of academies' share of central budgets is based on the host local authority's Section 251 budget statement. The funding, known as LACSEG (Local Authority Central Services Equivalent Grant), is designed to support academies for the additional responsibilities that they inherit from the local authority on conversion. LACSEG has two components, one relating to the DSG and another to those functions funded by county councils' own resources.

The government are concerned that the LACSEG arrangements are increasingly unable to support the expanding academies sector. Also the arrangements for reducing local authorities' budgets to reflect their reduced responsibilities are in need of revision.

Accordingly, on 17th July 2012 the DfE published proposals designed to produce a "fair, simple and transparent" framework for calculating academies' additional funding and reducing LA budgets. The outcome of this consultation, and the final arrangements for 2013-14, were published on 19th December 2012 alongside the national funding settlement.

It should be noted that the new arrangements only relate to those functions outside of the DSG. From April 2013 there will be no additional DSG funding for academies over and above their formula shares, as all the relevant funding will have been delegated. The only DSG funding to be retained centrally will apply equally to schools and academies e.g. High Needs Block, admissions etc.

2.1 Local Authority funding

For 2013-14 funding for education services will be removed from councils' Formula Grant allocations and a new unring-fenced grant known as the Education Services Grant (ESG) will be created. The funding to be transferred will be based on a national quantum of £1,028,517,882 based on the 2012-13 national s251 statements as follows:

S251 line number	S251 Narrative	Total exp to be transferred (£)
2.0.3	Therapies and other health related services	12,281,076
2.0.6	Central Support Services	63,452,106
2.0.9	Education welfare service	82,722,071
2.0.10	School improvement	228,607,558
2.0.11	Asset management education	62,543,803
2.1.1	Statutory/Regulatory duties	295,676,979
2.1.2	Premature retirement/redundancy costs	31,270,429
2.1.6	Monitoring national curriculum assessment	5,673,717
12-13 Top Slice		265,000,000
Sub total		1,047,227,739
Deflation – to reflect reduction in local gov't spending		(8,479,412)
NQT induction – transfer to DSG		(10,230,445)
ESG Quantum		1,028,517,882

The ESG will be based on two separate funding rates. The first, known as the ESG Retained Duties Funding Rate, will fund authorities for those responsibilities which they retain for academies as well as schools. These responsibilities include: prosecution for non attendance at school; tracking missing children from education; capital planning; strategic planning of education services; maintenance and development of local schools funding formulae and SACRE.

The national funding rate for these retained duties will be £15 per pupil.

The second funding rate, known as the ESG General Funding Rate, will fund local authorities for their ongoing responsibilities in respect of schools only. The national funding rates will be £116.46, £436.73 and £494.96 for each mainstream, AP (PRU) and special school pupil respectively.

Both funding rates will be applied to the number of pupils in schools and academies, as appropriate, aged 3-19.

2.2 Academy Funding

Academies' funding is allocated on an academic year. The ESG rates for the next two academic years are as follows:

	Per pupil	Per pupil
	2013/14	2014/15
Mainstream Academies	£150	£140
AP Academies	£562.50	£525
Special Academies	£637.50	£595

In order to protect Academies from significant year-on-year reductions in their funding the higher of two protections will apply. These are:

- a) a 10% per-pupil protection applied to the published 2012/13 LA Block LACSEG rates for the local authority in which the Academy is situated; or

b) a 20% per-pupil protection on the Academy's individual 2012/13 LA Block LACSEG allocation.

2.3 Issues/implications

The flat rate Academy ESG allocation of £150 per pupil is significantly higher than the national ESG General Funding rate of £116.46. In the short term, therefore, the amount deducted from LAs will be less than the amount paid out by the DfE to academies. This difference will be met from the DfE's own resources.

The DfE have indicated their intention to unwind these protective arrangements so that the ESG rates for local authorities and Academies are brought together over a limited period of time. The implication of this is that, once the protection arrangements have dropped out of the system, academies' additional funding for their additional responsibilities will more closely align with the £116.46 per pupil General Funding Rate.

For Derbyshire, the deduction from Formula Grant has been calculated by the DCLG as £14.33m. The DfE have yet to announce the ESG allocations but Derbyshire's own calculations indicate that around £1.57m is due as ESG Retained Duties and a further £10.78m for General Duties bringing the total grant to £12.35m. If these predictions prove accurate, the loss of funding due to Academy conversions is around £1.98m (£14.33m less £12.35m). This reduction effectively replaces the Formula Grant loss which the Authority incurred in 2011-12 (£2.073m).

3. Other Considerations In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.
4. Background Papers Government consultation "Replacing LACSEG: Funding Academies and local authorities for the functions that devolve to Academies"
5. Strategic Director's Recommendations

The Schools Forum is asked to note the report.

IAN THOMAS
Strategic Director for Children & Younger Adults