

WIRRAL COUNCIL

SCHOOLS FORUM – 24 JANUARY 2012

REPORT OF THE ACTING DIRECTOR OF CHILDREN'S SERVICES

CONSULTATION ON THE DECISION TO TRANSFER LACSEG COSTS FROM FORMULA GRANT AND THE INCLUSION OF CONTINGENCIES WITHIN LACSEG AND RECOUPMENT

EXECUTIVE SUMMARY

The Secretary of State for Education has issued a “minded to” decision on the calculation and recovery arrangements for the Academies Funding Transfer of Formula Grant in 2011-12 and 2012-13. The report describes the decision, together with Wirral's response. The consultation was for 4 weeks over the Christmas period.

Background

Funding transfers are made between LA's and the DFE in respect of academy budgets. Academies receive a delegated budget share and a grant – LACSEG (Local Authority Central Spend Equivalent Grant) to cover the cost of support services that are provided by LA's to all maintained schools at no cost. These services include areas such as Education Social Workers, Behaviour Support, Asset Management and maternity costs. They are support services funded through both the Schools Budget and the department's Children and Young People's Budget.

The LACSEG grant paid to academies is based on Schools and CYP budgets set in the previous year.

To date DSG from Schools' Budgets in respect of LACSEG has been recovered by the DFE; but formula grant has not, resulting in some double funding for services. This was addressed last year by a national top slice from all LA's. Many councils argued that this was unfair, some LA's might gain, others might lose financially depending on the number of schools converting in their area. In addition it is argued that the case for LA savings has not been proven particularly to the extent calculated.

The top slice for Wirral is:

	£M.
2011 – 12	853,000
2012 – 13	<u>672,000</u>
Total	1,525,000

In terms of the number of academies converting and the top slice Wirral appear to be fairly neutral. However the method used to calculate the transfer continues to significantly understate the cost and apportionment of retained services.

For 2011 - 12 the DfE do not intend to re-open discussions re: the Academy Top Slice. In 2012 – 13 the top slice will be limited to the maximum previously announced, however those LA's with fewer academies will receive a refund through a Specific Grant.

A permanent solution is intended for 2013-14, although this seems some way off. The solution may involve the transfer of additional budgets into DSG from the Council's Formula Grant.

LACSEG Changes in 2012 - 13

It is likely that Schools Contingency budgets will be included in LACSEG in future unless it is required for Equal Pay, rates revaluations or specific school opening or closing costs.

Wirral has minimal contingency balances in the 2012-13 budget. Those held are in respect of salary protection, special trigger and school closure/redundancy. The secondary contingency budget totals £247,000 (in 2011-12 the amount held was £309,600).

Conclusion

The Department's response is included in Appendix 1 .

Recommendations

That the Forum note the report and the response to the DFE.



Appendix 1

Children and Young People's Department

David Armstrong, MA

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to Ms Laura Street
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date 9 January 2012

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Dear Ms Street

CONSULTATION ON THE PROPOSED DECISION ON THE CALCULATION AND RECOVERY ARRANGEMENTS FOR THE ACADEMIES FUNDING TRANSFER FOR 2011-12 AND 2012-13

I regret the short timescale for consultation on the implications of academy funding, since this prevents consideration of these issues with schools and the Schools Forum.

The comments made are as follows:

At this time, taking into account the Council's budget cycle, proposals that provide financial stability are welcomed.

However the method chosen to determine LACSEG formula budget transfers lacks fairness and appears inequitable. It is based on a small sample (16 Authorities) of which the lowest 5 are chosen to calculate retained costs. This results in the maximum transfer from Local Authorities to Academies. Analysis on Wirral suggests that the retained functions (ESW, 15%, Asset Management 16% and Statutory 25%) are significantly greater than the consultation proposes. More detailed analysis should be undertaken in this area to prevent LA's being left with in-sufficient resources to provide equivalent services to maintained schools, or to meet its duties in respect of safeguarding and well-being of children without the need for additional funding from elsewhere in the Council's budget.

The consultation confirms that formula grant elements of LACSEG will continue to be calculated based on pupil numbers (whereas Schools Budget items reflect school phases). This will impact adversely on retained budgets for School Improvement which are heavily directed towards Early Intervention and the Primary Sector in particular. This will have a negative impact, as previously pointed out on the resources available for Wirral's primary age young people.

Arrangements propose to calculate LACSEG by adding back to Section 251 budgets the value of the national top slice; increasing the value of the LACSEG adjustment. There are assumptions that LA's have cut their Education budgets in areas supporting academies, that this is in line with the top slice, knew the academies that would transfer and that the transfer date ends all demands on the authority to facilitate the transfer. In reality this is not the case, a considerable range of issues require ongoing work, clarification and discussion post the date of transfer if the process is to be reasonably smooth. The proposed adjustment is likely to result in LACSEG transfers (and funding for academies) being higher than it should otherwise be.

Equalities Issues. The reduction in LA costs from selling, or no longer providing central services to academies, appears to be significantly less than the LACSEG transfer. Although Education costs and support for all schools has reduced in the current year, this results from the overall reductions in local government funding; rather than academy transfers. Some reductions/increased income is and will be generated in areas such as the ESW Service, Licences, admissions. However there are other significant fixed or stepped costs within IT networks, premature retirement, ongoing grouped schools PFI contract management and other statutory services that have not been recognised.

Wirral continues to support academy transfers and is committed to work with all schools in order to achieve good and improving results and improved outcomes for children.

I hope you are able to take account of the comments made in the decisions taken regarding the LACSEG.

Yours sincerely



pp David Armstrong
Acting Director of Children's Services