

CIPFA Response to: Consultation on the basis for the decision on the appropriate amount of Academies Funding Transfer for 2011-12 and 2012-13

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1 general

- 1.1 CIPFA welcomes both the decision to reconsider the funding transfer between local and central government for central services from local authorities to academies and this opportunity to respond to the *Consultation on the basis for the decision on the appropriate amount of Academies Funding Transfer for 2011-12 and 2012-13*.
- 1.2 The system of lagged funding for academies is extremely complex and opaque and we found the four week deadline for responses a little tight, though we do understand the need for a quick turnaround. It is particularly unfortunate that the consultation period takes place during the school holidays. We understand that some local authorities have had a number of difficulties with the figures in the consultation paper and have been unable to replicate DfE per pupil calculations in the time available.
- 1.3 We applaud the earlier statement that "becoming an academy should not bring about a financial advantage or disadvantage to a school", but note that the consultation document is, in our view, over-focussed on discussions about when and how Formula Grant
- 1.4 CIPFA also believes that the transfer of funding to academies should aim to leave the local authority with sufficient resources to carry out its functions for its remaining schools and other statutory services. This will involve taking into consideration the diseconomies of scale that a local authority will face if the number of its remaining maintained schools falls dramatically.
- 1.5 Another factor which should be taken into account is that inevitably, some of the LA services included in LACSEG will involve fixed costs, ie, costs which do not change in proportion to the reduction in the number of pupils or maintained schools.
- 1.6 A further principle that we support – and a key principle of the school funding system - is that factors should not be used which would allow schools to influence the funding they receive.
- 1.7 The consultation paper does not appear to reflect how local government finance actually works. For example, paragraph 10 states "the services local authorities provide without charge for maintained schools...are funded in two different ways. The DSG makes up one element of funding...and the other source is LA's Formula Grant." In Metropolitan and Unitary Authorities all of the services and functions listed in sections 2 to 7 of the Section 251 Statement are funded through the General Fund and not specifically by the Formula Grant provided by the Department for Communities and Local Government. In some authorities, this can be very significant and the Formula Grant is by no means the sole provider of funding for school/administrative services.

2 specific points

- 2.1 There appear to be a number of problems with the calculations that cause the LACSEG allocation to academies to have been overstated. In our view, these problems stem from the use of the Section 251 returns. The Section 251 returns were not designed, of course, as a mechanism for calculating allocations of LACSEG to academies, or the recouplement of that funding from local authorities. For example, the per-pupil calculations, based on Section 251 returns, include the cost of services which are not actually transferring to Academies such as the inclusion of termination costs for staff within all of Children's Services and the cost of the Director of Children's Services. Children's Services generally include children's social care and not just schools.
- 2.2 Further problems arise from a lack of clarity about the content of some LACSEG lines, resulting in an artificially high proportion being counted within LACSEG. For example:

some of the costs in Statutory & Regulatory Duties relate to support for *council* services, as support to schools was delegated in 2000/01 – to pay LACSEG for these would represent double funding to academies;

- 2.3 Another anomaly is that the DSG LACSEG recoupment does not include 16+ pupils. However the LACSEG allocation to an academy does include 16+ pupils. In CIPFA's view this inconsistent and if not corrected will lead to a significant over-funding of academies.
- 2.4 The LACSEG consultation suggests (Table, page 17) that LACSEG should include part of the budget for "Provision for pupils with SEN: provision not included in line 1.2.1", which previously DfE had removed from the LACSEG recoupment calculations. This will also (as we believe has been recognised in the past by DfE) lead to an over-funding of academies.
- 2.5 The consultation paper presents a choice between a transfer on a pro rata basis, providing certainty, or an approach aligned with the number of conversions, which would be more uncertain. However, a better alternative to this would be for adjustments to be based on conversions, but calculated a year in arrears. With this method, at the time of conversion, an LA would then be aware of the reduction in its formula grant in the following financial year and be able to plan accordingly. Moreover, since the government is prepared to revise the transfer for 2011/12, the first year's reduction can be adjusted in the light of knowledge about planned conversions.
- 2.6 As mentioned above (paragraph 1.6), a key principle of the school funding system is that factors should not be used which would allow schools to influence the funding they receive. However, for academies, the SEN component of LACSEG is based on the number of pupils at School Action and School Action Plus. We understand that this is a school decision, and therefore it could provide a perverse incentive to an academy to increase the number of children identified as needing these interventions. CIPFA would therefore suggest that the DfE should change this.
- 2.7 The paper does not appear to recognise that some local authorities have pre-2008 academies - these are not in the recoupment model. Local authorities receive no Dedicated Schools Grant for any of these academy pupils, and therefore no funding is recouped for central expenditure. This also means they do not receive and keep the non-recouped funding related to functions which they undertake for academies, such as pupil referral units, the education welfare advisory service, and schools forums.
- 2.8 There is no mention in the paper of the costs to local authorities of schools converting to academy status. There are significant levels of work involved, for example in Human Resources and in Legal Services, around the transfer of land, buildings and staff.

3 **conclusion**

- 3.1 In CIPFA's view, the consultation paper, if implemented as-is, would overstate the amount that should logically be transferred to academies. In that event, local authorities' remaining maintained schools – and therefore their pupils - would be financially disadvantaged. We believe that if the methodology is not amended, it is possible that the size of this problem might be so significant as to trigger some further legal challenge.
- 3.2 A possible way forward for dealing with the detail of the above concerns might be for the DfE to set up a working group across local government, including say the YPLA and the LGA to work through the issues on a line by line basis. CIPFA would be happy to contribute to the work of such a group.