

APPENDIX F

DFE Consultation On The Basis For The Decision On The Appropriate Amount Of Academies Funding Transfer For 2011-12 And 2012-13

Response by the London Borough of Havering

The calculation of LACSEG that is transferred to the DFE for academies should be based on a principle that results in equitable funding with schools, is transparent and that only demonstrable savings are transferred from local authorities.

There is no clear evidence of the demonstrable savings to a local authority arising from schools' conversion to academies. There is no direct relationship in the cost to an academy of providing services to the cost of provision by a local authority and the abatement to 90% of an LA's costs appears arbitrary.

Although there is broad explanation of how the reduction to Formula Grant is calculated, it does not adequately clarify to any local authority how the calculation has been applied to its own grant. Without a clear explanation, the levels of grant reduction currently in place for 2011/12 and 2012/13 cannot be accepted and certainly not used as a basis for increasing that reduction, should that be the case. It is noted that *"The estimate of the costs of LACSEG set out here should not be seen as predetermining the decision on the level of reduction in local government funding or how this should be done"* and any decision to the contrary would be unacceptable.

Applying the calculation to section 251 budget lines is flawed, in particular for line 7.0.1 - Strategy and Regulation. The section 251 guidelines require that this line should include *"The whole of the Director of Children's Services and strategic planning/other functions of the Senior Management Team."* The calculation of LACSEG applies to 90% of this budget. However, with responsibilities across the whole of Children's Services, the time spent on school issues by the Director and Senior Management is much less than 90%. Furthermore the workload, and therefore the cost, of strategy and regulation and of other services for which LACSEG applies does not reduce pro rata to the number of pupils in academies.

It cannot be right that an academy in Havering would receive £413 per pupil whereas in Bexley (a statistical neighbour) £263 per pupil. On this basis a 1,000 place academy in Havering would receive LACSEG of £413,000 compared to £263,000 for the Bexley academy. Both academies would have similar transferred responsibilities whereas the Havering academy would receive £150,000 more to meet the additional costs. This demonstrates the arbitrary nature of the current calculation and that the transferred funding does not reasonably reflect the cost of the transferred responsibilities.

It is not clear how local authorities will realise any savings from free school, university technical colleges and studio schools. These should be excluded from any reduction to the Formula Grant as the LA has not previously made provision for them.

The current system clearly incentivises the conversion of schools to academies and is therefore neither equitable nor sustainable.