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Academies Top-Slice and Capital

Purpose of report

For information and discussion.

Summary

This report provides an update on:

1. **The Academies Top-Slice** – including the LGA's response to the consultation issued in December and further member and officer contact with Department for Education (DfE) ministers and officials.
2. **Schools Capital** – including the latest discussions following the James report which have been taking place in the Capital and Revenue Task and Finish Group of the Ministerial Advisory Group.

Recommendation

Members are asked to comment on the analysis in the paper.

Action

Officers to proceed as directed by the LGA Executive.

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Academies Top-Slice and Capital

Academies top-slice

1. As reported previously, £148 million in 2011-12 and £265 million in 2012-13 is being removed from local authority formula grant through a top-slice to pay for central education functions for academies. 29 authorities commenced legal action, which they agreed to stay following Department for Education's (DfE) agreement to consult on the issue afresh. The LGA and around three quarters of affected authorities responded to this July 2011 consultation. Following four months of deliberation, the DfE issued a further consultation in December 2011 which closed on 12 January 2012.
2. This consultation included a 'minded to' decision on the way forward, and proposed no change to the top-slice for 2011-12. For 2012-13, a calculation based on the number of pupils in academy schools in January 2013 would determine whether authorities receive a grant repayment for the amount already deducted. Those councils with low numbers of pupils in academies would receive the grant. But the DfE's proposed methodology continues to use the section 251 data return from councils which the LGA has said is not adequate for this purpose. The DfE is not now proposing to increase the top-slice for either 2011-12 or for 2012-13, as suggested in the July consultation.
3. The LGA's response to the consultation, signed off by leading members of the Children and Young People Board and the LGA Leadership Board, says that although the proposed way forward is an improvement on the July 2011 proposals, the methodology the Government proposes is not yet a basis for fairness and is not in accordance with the Government's own New Burdens Doctrine. We propose that the Government, in consultation with the LGA, commission an independent exercise to assess the savings that authorities can reasonably be expected to make when schools convert to academy status and the time period over which those savings can be realised. This should be applied for a grant in 2011 - 12, 2012 - 13 and to inform any long-term adjustments for 2013 - 14 and later.
4. As stated, the DfE consultation proposed no change to the position for 2011-12. Members will recall that it was that year which was the subject of the legal action. If the Secretary of State confirms the 'minded to' decision and there is no change in the 2011-12 top-slice the authorities involved in the legal action will have to consider whether continuation of the legal action is likely to achieve a satisfactory resolution of the situation.
5. On the position for 2013-14 and later, we understand that there will be a further consultation later this year. The approach suggested in the consultation

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document is to remove the funding for the services from CLG to DfE; which will then pay a grant to local authorities and academies. Our response said that we would expect that in any proposed transfer the Government would meet its obligations under the New Burdens Doctrine. There is also an implication for setting the baseline under the business rates retention proposals, which will provide further difficulties.

6. Since the closure of the consultation there have been further member and officer discussions. Sir Merrick Cockell and Cllr David Simmonds met Lord Hill on 18 January and that has been followed by a further meeting between LGA officers and DfE officials. The need for an independent assessment of the savings was pressed in those meetings. We understand that the DfE plans to respond to the consultation in the next month or so. Contacts with officials suggest that they are not taken with the idea of an independent costing exercise but they might be open to further arguments on the methodology for working out the appropriate unit cost. Any updates will be reported to your meeting.

Schools Capital

7. Members will be aware that the James Report on the future of Schools Capital reported in April 2011. The Government held a consultation on its own response from July to October 2011. This has been the subject of regular debate in the Capital and Revenue Task and Finish Group of the Ministerial Advisory Group which is chaired by Cllr Simmonds.
8. There has also been no Government response to the consultation on the James Review although one is promised in late January or early February. Allocations for the Priority Schools Building programme have also not yet been announced. Other 2012-13 allocations have been announced on the lines of the existing system, with separate pots for academies and free schools as opposed to a single capital pot. Local authorities have been allocated £800 million for basic needs funding and £686 million for maintenance capital.
9. The following key themes have emerged:
 - 9.1. The future shape of **local planning arrangements** at a local level; the LGA has pressed for there to be a local authority led process at local level involving all key stakeholders. We have said that local authorities should be able to set up their own structures to consult with partners and there should not be a single model imposed. If the Schools Forum were to be involved it should be in a purely consultative capacity. DfE appear to be taking a gradual approach to implementation.
 - 9.2. How **procurement** should be carried out, bearing in mind that the original James Review recommendation was for a centralised procurement function. We have suggested that this is something which the sector

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should take on itself using existing arrangements. We would support regular feedback of such data and good practice. The LGA would be happy to facilitate this – the sharing of good practice in this way is at the core of the LGA's offer to its member authorities. Barrie Quirk and Andrew Smith (Chief Executives of Lewisham and Hampshire) are already involved in mechanisms advising the Department and are addressing these issues.

10. Any updates will be reported to your meeting.

Financial Implications

11. There are no specific financial implications associated with this report.