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Education & Skills
Funding Agency

Guidance

Academies and dedicated schools grant 2020 to 2021: calculation of recoupment

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1. Introduction

This guide explains how the Education and Skills Funding Agency (ESFA) will calculate the recoupment for the 2020 to 2021 financial year, and will be primarily of use to local authority finance officers.

It does not describe the deduction of funding from the schools block of the DSG in respect of high needs places. That information is available in the [DSG technical note](#).

Local authorities provided an individual schools budget (ISB) for each school in their area, on the authority proforma tool (APT) they submitted to ESFA in January 2020. This included notional budget shares for all academies and free schools

(including university technology colleges and studio schools). This shows the funding academies would have received if they were maintained schools.

As local authorities are not responsible for funding mainstream academies or free schools, we will deduct the amount of ISB for those schools from the total DSG allocated to local authorities. This deduction is known as recoupment.

We recognise that local authorities can only estimate business rates when they submit the APT. It is not necessary to manually adjust recoupment during 2020 to 2021 once actuals are known from business rates invoices. Instead, any necessary adjustments are applied automatically and retrospectively from data in the next APT.

Academies will provide their business rates invoices for 2020 to 2021 to ESFA, and we will issue that information to local authorities in December 2020. Local authorities should use the data to make an appropriate business rate adjustment on the 2021 to 2022 financial year APT, to correct any differences between estimated and actual business rates for academies in 2020 to 2021.

Where local authorities made growth fund payments to academies in 2019 to 2020 for basic need, they should continue to provide these until the academies receive their new budgets from September 2020. To provide local authorities with the funding to continue these payments, we adjust recoupment accordingly.

Please note the [schools operational guide](#) states that we do not adjust recoupment for diseconomy of scale or start-up funding. Local authorities should continue to meet the cost of these elements from their growth funds.

2. New free schools

For the 2020 to 2021 financial year, we will continue to recoup for all free schools from the date of opening.

To help local authorities estimate the recoupment amounts for new free schools, we included a dataset of those predicted to open in the next year (with expected pupil numbers), when we sent out the APT in December.

We asked local authorities, when submitting the APT, to combine the data provided with their own local knowledge to determine the most accurate estimate of the number of pupils for new free schools.

The ISB should reflect funding for the period in the year that the new academies are open and we will therefore recoup the figure shown. We will not pro-rate the calculation in respect of these academies.

We recognise that local authorities may need to adjust these estimates. Local authorities should reflect any differences in the 2021 to 2022 financial year APT.

We expect local authorities to provide an estimate for all new free schools. However, in the rare cases where a school opens and it was not possible to provide data in the APT, the recoupment team will accept an estimate in-year to avoid delaying recoupment, and to reduce the scale of the adjustment required in the 2021 to 2022 financial year APT.

3. New provision academies

We asked local authorities to include any new provision academies on the APT that they submitted in January 2020.

This means local authorities needed to estimate pupil numbers and characteristics for all these schools, as is the case already for those opened under the presumption arrangements.

The regulations allow retrospective adjustments in the following financial year, so that schools are funded appropriately if actual numbers are different from the estimates. This is a matter for local decision, but we would generally expect such a mechanism. It is up to the local authority to decide whether to use a threshold.

4. Recoupment calculation

We will use the data provided by local authorities on their APTs to calculate recoupment.

For converting academies that opened after 11 January 2020, we asked local authorities to show these schools as maintained schools on the APT. In the majority of cases, this will mean that the estimated business rates shown in the APT will not include rates relief. We will therefore reduce the amount we recoup to include rates relief (we will recoup 20% of column AL on the 'New ISB' tab of the APT).

Where a school converts to academy status on or before 1 April 2020, no de-delegation can take place.

Where a school converts on or after 2 April 2020, up to and including 1 September 2020, the local authority can retain any de-delegated funding until 1 September 2020.

Where a school converts to academy status on or after 2 September 2020, up to and including 31 March 2021, the local authority can retain any de-delegated funding for the remainder of the 2020 to 2021 financial year. This will help service providers plan their future operations.

The following table shows which columns in the APT are used in the recoupment calculations.

Date of opening	Calculation (from the APT)
Free schools open in September 2019 and on the October 2019 census	Column BW from the 'New ISB' sheet
Academies open by 11 January 2020	Column BW from the 'New ISB' sheet, minus column H or I from the 'Recoupment' sheet
Academies open from 11 January to 1 April 2020	Column BW from the 'New ISB' sheet, minus column AL from the 'New ISB' sheet plus 20% of column AL from the 'New ISB sheet'
Converter academies open from 2 April to 1 September 2020	Column CC from the 'New ISB' sheet, minus column AL from the 'New ISB' sheet plus 20% of column AL from the 'New ISB' sheet pro rata for the period that the academy is open plus seven-twelfths of column CB from the 'New ISB' sheet
Converter academies open from 2 September to 31 March 2021	Column CC from the 'New ISB' sheet minus column AL from the 'New ISB' sheet plus 20% of column AL from the 'New ISB' sheet pro rata for the period that the academy is open
New free schools	Column BW from the 'New ISB' sheet

5. Examples of recoupment calculations

APT information	APT data source	Budget
Post MFG budget	Column BW from the 'New ISB' sheet	£4,500,000
Rates	Column AL from the 'New ISB' sheet	£4,000
De-delegation	Column CB from the 'New ISB' sheet	£20,000
Post de-delegation budget	Column CC from the 'New ISB' sheet	£4,480,000
Growth funding adjustment for April 2020 to August 2020	Column H or I from the 'Recoupment' sheet	£12,000

The following shows the differences in the recoupment calculation depending on when the academy opens in the academic year (using the illustrative figures above):

5.1 Example 1: free schools open by September

2019

For these academies, we will recoup the figure shown on the 'Post MFG budget' of the APT data source, which in this illustration is £4,500,000 shown in the table above.

5.2 Example 2: academies open to 11 January 2020

For these academies, we will recoup the figure shown on the post MFG budget of the APT minus growth fund (for the period April 2020 to August 2020) if appropriate justification is provided.

The calculation using the illustrated figures in the table above is:

$$£4,500,000 - £12,000 = \text{recoupment amount } £4,488,000$$

5.3 Example 3: academies opening from 11 January 2020 to 1 April 2020

The calculation for academies opening in this period allows for business rates adjustments, as follows:

$$(£4,500,000 - £4,000) + £800 \text{ (20\% of rates)} = \text{recoupment amount } £4,496,800$$

5.4 Example 4: academies opening from 2 April 2020 up to 1 September 2020

Where a maintained school converts to an academy in this period, the recoupment calculation is pro-rated for the days that the academy is open. We will recoup the de-delegated funding for the period September 2020 to March 2021.

In this example, the academy converted on 1 May 2020. The calculation will be:

$$(£4,480,000 - £4,000) + £800 \text{ (20\% of rates)} = £4,476,800 \text{ (} £4,476,800 / 365 \text{)} \times 335 = £4,108,844 + (7/12 \text{ of } £20,000) = \text{recoupment amount } £4,120,511$$

5.5 Example 5: academies opening from 2 September 2020 to 31 March 2021

Where a maintained school converts to an academy in this period, the

recoupment calculation is pro-rated for the days that the academy is open. We will not recoup the de-delegated funding for the financial year.

In this example, the academy opened on 1 March 2021. The calculation will be:

$(£4,480,000 - £4,000) + £800 = £4,476,800$ $(£4,476,800 / 365) \times 31 =$
recoupment amount £380,221

5.6 Example 6: new free schools opening from 1 September to 31 March 2021

For new free schools opening in this period we will recoup the figure shown on the 'Post MFG budget' of the APT. We will not pro-rate the figure.

6. Recoupment adjustments

Ordinarily, we would expect recoupment to remain throughout the financial year as originally calculated based on the APT. Exceptionally, it may be necessary to apply adjustments to the level of recoupment on a case-by-case basis. The most common reasons for recoupment adjustments are set out below.

6.1 Rates

In a small number of cases, the business rates paid by predecessor schools may unknowingly already be at 20%; for example, in the case of some voluntary aided schools.

In such cases, we will initially still recoup 20% of the business rates estimate shown in the APT. If the predecessor school was already paying business rates at 20%, local authorities can contact the recoupment team and request that we recoup for the full amount of business rates shown in the 2019 to 2020 financial year APT.

Alternatively, a retrospective adjustment can be made for 2020 to 2021 business rates within the 2021 to 2022 financial year APT.

6.2 Growth

Where local authorities have provided growth fund payments to academies in the 2019 to 2020 academic year, they are required to continue these payments to the

end of August 2020. To provide the authority with the funding to make these payments, we will provide a recoupment adjustment for the amount entered into the “Recoupment” tab of the APT, provided the value shown is supported by appropriate justification.

6.3 PFI

Where local authorities delegate PFI funding to academies for the first time, we will automatically adjust recoupment for the period April to August 2020, so that local authorities do not need to begin invoicing academies for the 2020 to 2021 financial year until September (when the academies start to receive the funding needed to pay PFI costs).

Local authorities must not invoice academies in the period that the costs are covered by recoupment adjustment.

If a significant increase in existing PFI delegation occurs between 2019 to 2020 and 2020 to 2021 we will not adjust recoupment automatically.

However, if the increase in the amount invoiced from April causes financial difficulty for the academy (because the corresponding additional funding does not start until September), we will consider a request to undertake a similar April to August adjustment on a case-by-case basis.

6.4 Academy closures and infrastructural changes

In the event of an academy closure, we will usually cease recoupment at the point of closure, pro-rated for the number of days remaining in the financial year. However, we will continue recoupment unaltered if all pupils are placed in another recoupable academy in the local authority area.

We will adjust recoupment if some or all of the pupils from the closed academy are placed in a maintained school in the local authority.

If an academy closes and some or all of the pupils are placed in another academy outside of the local authority area, we will continue to recoup from the local authority against the original academy for the remainder of the financial year, reflecting the fact that we do not adjust the starting DSG allocation either.

Where there are mergers or demergers that affect academies within a local authority, recoupment will be unaltered for the remainder of the financial year.

7. Recoupment timetable

We will write to each local authority in the following months to provide their recoupment calculations:

- April 2020
- July 2020
- September 2020
- November 2020
- January 2021
- March 2021

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