

REPORT TO Executive Board

DATE: 29 March 2012

REPORTING OFFICER: Strategic Director Children and Enterprise/Operational Director Finance

SUBJECT: Academies Status

WARDS: Borough Wide

1.0 PURPOSE OF REPORT

1.1 This report aims to outline the potential financial implications of the transfer of schools to Academy status.

2.0 RECOMMENDED: That Executive Board

- 1) note the potential financial impact of schools becoming Academies;**
- 2) agree a further review of traded services to schools is undertaken to ensure full cost recovery is maintained; and**
- 3) propose individual meetings are held with each Secondary and Special School, and Runcorn and Widnes Primary Schools to determine if they are considering conversion to Academy Status, along with any proposed timescale.**

3.0 BACKGROUND

3.1 The Academies programme was first introduced by the previous Labour Government to tackle the problem of failing schools, for which a sponsor was required. The Coalition Government subsequently introduced an Academies Programme for high performing schools that can opt to convert to Academy status, for which a sponsor is not required. Currently there are 1,419 schools with Academy status nationally out of a total of just over 20,000 schools of which 3,127 are secondary. Only a handful of Primary Schools and no Special Schools have converted, so this figure represents approximately 40% of Secondary Schools now having Academy status

3.2 In June 2011, the Secretary of State, Michael Gove announced that the 200 worst performing Primary Schools will be subject to compulsory academisation unless there are exceptional circumstances. If there is any Council request to build a new school, it will automatically be assumed that this will be an Academy.

3.3 If a Council goes out to consultation regarding closure of any of its schools and parents lobby to keep the school open, the Department for Education (DFE) will look favourably on offering 'Free School' status to the parents. The Council will then be obliged to hand over the school and its land.

3.4 The current Academy position in Halton is as follows:-

School	Type	Conversion Date
Halton High – Ormiston Bolingbroke Academy	Sponsored	Sept 2010
Heath High School	Converted	June 2011
Palacefields Primary School	Converted	Mid Aug 2011

Ormiston Bolingbroke Academy and The Heath continue to purchase a number of services from the Council; Palace Fields purchase a limited number of services.

3.5 The current make up of Halton Schools is as follows:

- 3 Nursery schools;
- 49 Primary schools;
- 4 Secondary schools;
- 1 All Through school;
- 4 Special Schools; and
- 2 Pupil Referral Units

3.6 In Halton migration to Academy status has been slow. However, a number of Schools (both Secondary & Special) are now showing interest and this is likely to lead to others following. It would be reasonable to assume that the majority if not all of the Halton's High schools will become Academies in the next few years. The Primary Schools are more reluctant to migrate and may possibly do so by way of clustering. However, as a key policy for the Secretary of State for Education, schools which are deemed to be under-performing can be directed to become an Academy.

4.0 FINANCIAL IMPLICATIONS

4.1 A school converting to an Academy receives funding which includes:-

- An amount equivalent to that which it would receive via the Council's Schools Funding Formula. This is the same delegated budget that a maintained school receives, plus
- An amount for services provided to schools individually or as a whole, for which no charge is made i.e. a share of centrally borne costs. This is known as the 'Local Authority Central Spend Equivalent Grant' (LACSEG).

4.3 These LACSEG services are funded either by the Dedicated Schools grant or through the Councils formula grant dependant upon the nature of the service provided. Prior to the current financial year the DfE only recovered the Dedicated School Grant element from the Council, with no reduction for services funded directly by the Council through formula grant.

4.4 This left the DfE with an increasing funding gap, which is now being addressed, initially by a general top slice of the formula grant. For 2011/12 the Council was top sliced £362k, with no obvious link to the number of Academies in place or estimated to transfer in year.

- 4.5 This approach did lead to legal challenges, which in turn led to a short joint Department for Education/Department for Communities and Local Government LACSEG consultation over the summer 2011. At this stage, the future of formula grant is unclear, however it is expected that a deduction in Council funding will be made.
- 4.6 The LACSEG calculation is based on specific lines within the Section 251 Budget Statement that provides analysis of each LA's educational expenditure. It provides detail on both Dedicated Schools Grant (DSG) Funded and Council (formula grant) funded services.
- 4.7 The total value linked to the current LACSEG calculation (based on the 2011/12 s.251 return) for all schools is £6.1m, of which £2.9m is tied up in Corporate Services. Of the total corporate overhead recharge of £7.6m for the Directorate, 38% is linked to services which are included in the LACSEG calculation.
- 4.8 The following table (which is based on the LACSEG unit values for 2012 / 13 within the Academies section of the DfE website) provides an indication of the potential top slice for DSG for a typical school in each sector.

Indicative reductions	Grant	Typical School	
		Pupil No's	DSG
			£'000
Primary		210	13
Secondary		900	80
Special		90	24

- 4.9 Of concern is the DfE's view that services provided by the Council relate directly to the pupils they serve and the consequential funding reductions when schools move to Academy status are determined on that basis. There is no allowance for fixed costs or diseconomies of scale. However, it would be appropriate for the Council to consider incorporating potential losses within the Council's Medium Term Financial Forecast.

5.0 OTHER IMPLICATIONS

- 5.1 When a school moves to Academy status they have an automatic right to inclusion in the Pension Scheme for non-teaching staff, and are treated as a separate admitted body. All benefits and liabilities for existing staff transfer to the new body and the actuary will treat them as a separate entity when carrying out tri-annual valuations to determine future year's employer's contributions. In short, the risk is transferred to the Academy (DfE).
- 5.2 Many services are already traded with schools, which currently generate income in excess of £2.94m as summarised in **Appendix 1**.

Further work needs to be undertaken to ensure schools converting to Academy status continue to purchase Local Authority services out of

choice. A further review to confirm the true cost of the services currently traded with schools, as well as the potential impact should more schools convert to Academy status be undertaken.

5.3 The inclusion of maintained schools in certain corporate contracts enables the Council to achieve economies of scale and bulk purchasing discounts. The transfer of maintained schools to Academy status may put such discounts at risk.

5.4 Schools opting to convert to Academy status can choose the time of year they would like this conversion to happen. DFE guidance assumes this process will only take between two and three months. Although only three schools have converted to date in all cases the work involved to ensure an effective conversion has taken more than three months. It has also involved a significant input from Finance, Human Resources, Insurance, Legal, Property Services, Children's Organisation and Provision and others. It would therefore be useful to understand the position in Halton through meetings with schools so that the Council can plan and manage the conversion process and where appropriate agree with schools a manageable transfer date.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children & Young People in Halton

The potential impact of a significant number of schools moving to Academy status would present a considerable financial challenge to the authority and would lead to reductions in services to children and young people in the borough.

6.2 Employment, Learning & Skills in Halton

N/A

6.3 A Healthy Halton

N/A

6.4 A Safer Halton

N/A.

6.5 Halton's Urban Renewal

N/A

7.0 RISK ANALYSIS

7.1 The potential impact of a significant number of schools moving to Academy status is significant and would present a considerable financial challenge to the Authority. Through early work with schools there will be a greater

understanding of the level of risk. It will also allow the promotion of appropriately packaged traded services to schools transferring to Academy status.

7.2 The Local authority could also incur significant financial liabilities due to the Failure of processes being undertaken by academies where the local authority has retained some statutory duties such as Education Welfare, SEN and Pupil Exclusion particularly if the academy chooses not to buy back non statutory support and training.

7.3 The conversion of a school to an academy however reduces the local authority Liabilities in relation to school staff and premises. In addition the Local Authority has no responsibility to intervene and provide resources to a failing Academy.

8.0 REASON(S) FOR DECISION

8.1 This report seeks to gain the views of Executive Board transfer of Halton Schools to Academy Status and outlines ways to mitigate the financial impact.

9.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9.1 N/A

10.0 IMPLEMENTATION DATE

10.1 As schools may be considered transfer to Academy status in September 2012 it is essential that the Council agree its approach to academisation by April 2012.

11.0 EQUALITY AND DIVERSITY ISSUES

11.1 Academies are non-selective state funded schools.

12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
LACSEG UNIT VALUES FOR 2012/13	DfE website	Naheem Shafiq

Appendix 1

Service	Amount
Health & Safety SLA	37,800
Property Services - Repairs & Maintenance	31,930
Schools Cleaning (Contract)	627,830
Legal Support	45,750
HR & Pay Services	278,400
Employee Services	96,350
Schools IT Curriculum Support	3,900
Internet Transit & Web Filtering Service	124,580
Internet Service for Secondary Schools	19,030
Insurance – Premises	642,570
Creditors Service	47,110
Financial Support (Budget Management & Fin Admin)	130,660
Financial Support (Budget Management Only)	22,700
Grounds Maintenance	207,910
HBC Refuse	31,790
Support for Data Analysis	38,050
Schools SIMMS & Microsoft Support	315,280
Schools IT Support – Admin	53,450
Caretaking & Cleaning Support	16,000
Caretaking Support	20,090
Technical Support	67,030
Governor Support (Clerkship)	56,490
Governor Training & Development	31,120
	<u>2,945,820</u>