

The financial impact of the Academies programme

1. Purpose of the Report

The purpose of this report is to provide a discussion document on the impact on Lewisham of Academies.

2 Recommendation

The report is noted

3. Principles of funding

3.1 The principle of academies' funding is that academies should receive the same level of per-pupil funding as they would receive from the local authority as a maintained school. In addition, they will receive top-up funding to meet additional responsibilities that are no longer provided for them by the local authority. This is over and above the funding currently given to Academies

3.2 In theory the Government believe that becoming an academy should not bring about a financial advantage or disadvantage to a school.

4 How funding is calculated

4.1 Unlike maintained schools that are funded on the traditional financial year basis (April to March), Academies are funded from September to August to reflect the academic year.

4.2 The funding for academies is through a grant called the General Annual Grant (GAG), paid by the Young People's Learning Agency (YPLA).

The GAG is made up of three different elements as follows

4.2.1 An amount equivalent to the school's current budget share

This will be the same as the school's current budget share received from the local authority. An adjustment is made to reflect any reduced business rates, paid by an academy as a charitable trust, and for insurance, which is paid separately in GAG.

4.2.2 Local authority central spend equivalent grant (LACSEG) - DSG

This is the additional money to cover those central services that form part of the Dedicated Schools Grant but will no longer be provided when a school becomes an Academy.

This element of grant is calculated by using a formula, based on an academy's pupil numbers and the amount that the relevant local authority spends on the services and costs. It is not based on the actual costs of the services supplied to the individual school. The relevant services and costs include:

- Special educational needs (SEN) support services
- Behaviour support services
- 14-16 practical learning options
- School meals and milk
- Assessment of free school meals eligibility
- Repair and maintenance of kitchens
- Museum and library services
- Licences and subscriptions
- Central staff costs (maternity, long term sickness and trade union duties)
- Costs of certain employment terminations.

It does not form all the spending as some remain the responsibility of the Local Authority.

4.2.3 Expenditure funded out of the General Fund (LACSEG)

Further costs are now proposed to be taken from the Local Authority over and above the Dedicated Schools Grant. These services are funded through the General Fund. In the past the sums involved were small and the DFE did not recoup costs, as the number of academies are expect to grow the DFE now propose to recoup these costs

They include

- Costs of a local authority's statutory/regulatory duties
- Asset management costs
- School improvement services
- Monitoring national curriculum assessment
- Education welfare service
- Pupils support (e.g. clothing grants)
- Music services
- Visual and performing arts services
- Outdoor education services
- Certain redundancy and early retirement costs.

- 4.3 Academies need to consider how they will obtain these services using the additional funding they receive. They are free to buy back the services from the local authority or find them elsewhere.
- 4.4 The local authority also retains some funding for services that it has to continue to provide, and related costs. These are:
- Home to school transport (including SEN)
 - Education psychology, SEN statementing and assessment
 - Monitoring of SEN provision, parent partnerships, etc
 - Prosecution of parents for non-attendance
 - Individually assigned SEN resources for pupils with rare conditions needing expensive tailored provision (this is usually a top-up to formula funding)
 - Provision of pupil referral units or education otherwise for a pupil who is no longer registered at an academy
- 4.5 By far the biggest element that is retained by the local authority is the SEN funding for individually assigned pupils, of course this is an areas where we have seen huge spending pressures as the incidence of children with SEN is growing at a faster rate than the pupil population.
- 4.6 Deficits - Academies are not allowed to run a deficit without remedial action. Any that open with a transferred deficit will need to agree with the YPLA at the earliest opportunity, a plan to repay it from GAG instalments. Any that develop a deficit after opening will have to agree a restructuring plan with the YPLA. Schools with deficits will have their deficit transferred with them if they become an Academy.
- 4.7 The DfE has no plans to provide start-up funding for the new Academies. However, in relation to the costs that schools may incur in obtaining legal advice on the necessary documents for setting up an Academy, on the process for transferring staff, new signage and stationery a flat grant of £25,000 will be paid by the Secretary of State
- 4.8 Academies, receive an additional grant to cover their liability to pay VAT on supplies and services attracting VAT. (Currently the VAT grant is based on historic spend information and reflects the 17.5% VAT rate.)
- 4.9 There is no insurance top-up grant since insurance is paid for as a reimbursement item rather than as a formulaic grant.

5 The impact on Lewisham

5.1 The long term financial impact is difficult to exactly predict as no clear criteria for recoupment in the longer term has been given, however the table below shows the position if all the schools judged to be outstanding become Academies under current methods and also taken into account known changes. Appendix 1 explains this in detail and provides further possibilities.

	£'000
Individual Schools Budget	34,700
Reduction in DSG central Services	1,426
Reduction in General Fund	2,235
Reduction in current academies for a top slice of the General Fund	1,176

- 5.2 A particular issue will be the data used by the Department for Education as Directorate spending will be reduced by 25% in the next three years. Any time delays could mean that more funding is taken than is actually there. The scale of reorganisation of these services taking a 25% reduction plus a further element being given to academies cannot be underestimated.
- 5.3 In top slicing budgets for services that transfer would seem in principal acceptable however it is not essential that easy. The effect and impact on the Borough will only be minimal if the costs the academies will bear is easy to untangle from the expenditure that remains in the Directorate. For example the supply cover budget in theory relates to all schools and if there is one less school the costs should fall proportionally, thus not creating a problem. However if we take the admissions team if one school becomes an academy and take a proportion of the budget it is not easy to reduce the spend by that proportion unless enough schools became academies to warrant one less post in the team.
- 5.4 The SEN expenditure remains the responsibility of the Dedicated Schools Grant, the pressure has increased much faster than the growth in pupil numbers. If the DSG continue to have to bear this without it being controlled then there will be less available for the rest of the schools in Lewisham

5 Conclusion

It is difficult to assess the exact impact on the Borough and those schools that do not become academies, further details will be required from the Department on the exact funding arrangement and of course it will also depend on the number of schools that become Academies.

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