

Open Report on behalf of the Executive Director Adults and Children's

Report to:	Children and Young People Scrutiny Committee
Date:	5 March 2012
Subject:	Impact of Academies on Lincolnshire County Council

Summary:

The purpose of this report is to advise the Children and Young People Scrutiny Committee on the current position on Academies in Lincolnshire and to outline the recent consultation over how Local Authorities (LA) might contribute to the funding of academies.

Actions Required:

The Children and Young People Scrutiny Committee is asked to note this report.

1. Background

The Academies Bill was passed in July 2010. The Government's vision is to create a world-beating school system in which every parent has access to a good school and all pupils achieve high standards. The central aims are to raise standards for all children, while narrowing the gap between the attainment of the most and least advantaged.

The purpose of the Bill is to enable more schools to become academies and give them the freedoms and flexibilities they need to continue to drive up standards. This report provides the Children and Young People Scrutiny Committee with an update of the current position following the paper presented to the Committee in July 2011.

Since the Academies Bill and the Education Act, a significant number of secondary schools and a smaller number of primary schools have decided to convert to academy status. Schools advise the Authority that they welcome the opportunity to have more freedom and flexibilities especially due to the current financial advantage that academies have.

The current position on academy conversion in Lincolnshire schools is attached in Appendix A although it must be noted that this is a changing picture and was correct at time of drafting the report.

Lincolnshire County Council (LCC) has debated its policy position on academies and in September 2011, the Authority confirmed its position as outlined in Appendix B.

School Support

The Authority remains committed to ensuring that a sustainable infrastructure of school support services is accessible to all schools and has introduced buy back services to enable schools and academies to purchase support services if they wish. The vast majority of buy back services are provided by CFBT and Mouchel as our strategic partners – LCC managed services currently only offer education welfare services and parent support services. There have been over 88 sales of LCC services to 68 schools/academies. Total sales for Education Welfare and Parenting Support services have generated £150k income so far.

Funding

On 9 December 2011, the Secretary of State for Education published a 'Consultation on the Proposed Decision on the Calculation and Recovery Arrangements for the Academies Funding Transfer for 2011-12 and 2012-13'. The document outlines the decisions the Government is "minded to" make and can be found at:

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeofficernews/a00200594/consultation-on-the-minded-to-decision-for-the-academies-funding-transfer-for-2011-12-and-2012-13>

Academies are currently provided with a Local Authorities Central Services Equivalent Grant (LACSEG) to cover the costs of central services they no longer receive from the Local Authority (LA). The LACSEG paid to Academies is based on the LA's planned spending, as set out in its s.251 budget statement.

The services the LA provides to maintained schools are funded via Formula Grant and the Dedicated Schools Grant (DSG). When a school converts to an academy, the DfE reduces the LA's DSG funding. Prior to 2011/12, a similar approach was not taken in relation Formula Grant. So, in December 2010, the Government announced that the Formula Grant would be top-sliced in 2011/12 and 2012/13. The top slice did not take account of the number of academies in each LA and so 23 LAs mounted a legal challenge. The Department for Education (DfE) reconsidered the matter and launched its first consultation in July 2011. The key points made by the Local Government Association (LGA) in response were that s.251 was an inappropriate tool for calculating how much should be deducted and, more importantly, under the New Burden's doctrine, an agreement was in place that government could deduct only the amount LAs could save, and this was much less than the DfE was suggesting.

The latest consultation suggests the Government intends to continue to base LACSEG on the s.251 returns provided by LAs, although some changes will be made. The settlement for 2011/12 will remain unchanged; this could be unfair to LAs that had few academies. The settlement for 2012/13 will change, but LAs will

not be expected to pay more than has been previously notified; some LAs with fewer academies will receive a grant to compensate. For 2013/14, the DfE will consider removing the funding for services which are devolved permanently to academies from Formula Grant and the DfE would then pay a grant to LAs and academies at a national rate. This approach will be consulted on in 2012.

Key points for LCC from the consultation

The DfE does not propose to re-open the local government settlement for 2011/12 and 2012/13 and thereby seek to remove more funds from LCC than was notified a year ago. Those LAs with few academies that received too great a level of reduction in formula grant may receive a separate grant in 2012/13 to compensate, but this is not expected to apply to LCC.

The DfE plans to revisit how much is deducted from formula grant from 2013/14 onwards and it appears certain that those LAs with a greater number of pupils in academies will contribute more. The financial impact cannot be assessed at this point in time as it is not clear how the system would work and whether future deductions would be based on each LA's spending plans. However, if the current national average LA LACSEG was deducted (£156 per pupil), based on the current number of pupils in academies in Lincolnshire (c.38,000), the Council could expect £5.9m to be removed from formula grant. The Council has already had £4.3m removed [£2.4m in 2011/12 and £1.9m in 2012/13], so the financial consequence if the national rate is used would be a further £1.6m. The impact would not therefore be as severe as some commentators had feared. Clearly, the more schools that convert, the greater will be the financial implications for LCC.

It is important to note that this national rate still fails to reflect LA views that under the New Burden's doctrine, the DfE can only remove the savings that LAs can secure as schools convert. It is conceivable that unless the DfE addresses this issue, there will be a further legal challenge from one or more LAs. This issue is very important because the LGA states that although the level of savings varies across LAs, provisional evidence suggests that it is unlikely that savings above £70 per pupil could be achieved. So, if that figure is reasonably accurate and the New Burden's doctrine is eventually applied, the impact upon LCC's formula grant could be nearer £2.6m and therefore less than the deduction already made to LCC's formula grant. In the meantime, the DfE continues to assert that many LA costs are variable in nature and can be reduced as academies convert.

2. Conclusion

The Children and Young People Scrutiny Committee is asked to note this report.

3. Consultation

a) Policy Proofing Actions Required

No applicable

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	List of academies
Appendix B	Decision Record – The Council’s Leadership of Education

5. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
DfE’ Consultation	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/financeofficernews/a00200594/consultation-on-the-minded-to-decision-for-the-academies-funding-transfer-for-2011-12-and-2012-13

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