

WIRRAL COUNCIL

SCHOOLS FORUM – 27th SEPTEMBER 2011

REPORT OF INTERIM DIRECTOR OF CHILDREN'S SERVICES

ACADEMY UPDATE

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates members on the current position with regard to academies, the overall financial transfers to the DfE and a recent consultation paper on Academy Local Authority Central Spend Equivalent Grant (LACSEG).

2.0 BACKGROUND

- 2.1 Academies, when they are created, are schools that are independent from the local authority. They are funded from the Young People's Learning Agency (YPLA), using allocations based on Wirral's existing school funding formula. In addition an academy is funded for a range of services which it previously may have received without being charged, such as teacher maternity costs, school improvement, premature retirement costs and a share of the departments legal and statutory costs.

3.0 ACADEMY CONVERSIONS

- 3.1 At 1st September there were 8 Secondary academy schools in Wirral and it is expected that there will be a further 5 by the end of the financial year. This is likely to transfer delegated budgets and central costs from Wirral's Schools Budget as follows:

	£000	£000 (Full year)
Secondary Delegated Budget	29,379	52,770
Central Schools Budget	272	528
Total	29,651	53,298

The central school budgets that will transfer (£272,000) are in respect of:

Behaviour Support (costs in academy schools would be charged or the central programme reduced)

Licences (academies will be offered at cost a share of the local authority subscription rates)

Redundancy costs (academies will receive a share of the budget created to support the redundancy process in secondary schools).

Ethnic Minority Achievement Service (a share of the costs of this service in Secondary schools).

On average, using existing rates, an academy will receive £60,000 (excluding SEN) in respect of the central services included in the Schools Budget

In addition academies are funded for LEA Services (top sliced from overall grant allocations to Local Authorities). This is to cover the following areas:

Education Social Welfare Service
School Improvement
Asset Management
Oaklands
Speech Therapy
Statutory Department Costs

On average an academy will receive about £220,000 in respect of the above. Wirral has been top sliced by £800,000 in 2011-12 and a further £900,000 is proposed in 2012-13.

In both the Schools Budget and the LEA budget where it is agreed that services should continue to be provided this will need to be on a traded basis. A small group led by the Consultant Secondary Headteacher will look at these areas in more detail this term. This will include services within the department (such as School Improvement) and across the Council (such as IT.) It is intended that this will then be included in Traded Service Agreements and EQ.

4.0 DFE CONSULTATION

Over the summer the DFE issued a short consultation paper (ending on 11th August), on the transfer of funding for the Academy services referred to above and funded through LACSEG.

The consultation asked for authorities views on the national top slice and whether it should “more accurately reflect the numbers, location and growth of academies and free schools”. Wirral’s response favoured the continuation of a sum fixed in advance. This gives more certainty and provides greater stability in funding services to support schools. The response is attached to this report.

5.0 RECOMMENDATION

That the report is noted.

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Interim Director of Children’s Services



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Dear Ms Street

**CONSULTATION ON THE BASIS FOR THE DECISION ON THE APPROPRIATE
AMOUNT OF ACADEMIES FUNDING TRANSFER FOR 2011/2012 AND 2012/2013**

I will begin by expressing some disappointment regarding the timing and length of the consultation on this matter. I appreciate the reasons given for this, but there are some important issues here regarding equity of resourcing between academies and schools in the Local Authority maintained sector. It is unfortunate that there is no opportunity to discuss these matters with schools before responding. I have discussed this response with the Chair of our local Schools Forum who in the circumstances has endorsed the approach taken.

The comments I shall make in this letter upon the proposals are related almost entirely to whether their impact will bear fairly and equitably upon schools within different categories. Here in Wirral we will have significant numbers of children in academies as well as within local authority maintained schools. My concern is that all of these children should receive the best possible support in their learning, and that resourcing available should be fairly and equitably distributed amongst the schools that serve them.

I welcome wholeheartedly the commitment on the part of the Department set out in paragraph 2 that "academies and maintained schools are funded fairly and equitably". I also welcome the commitment of the Department to listen to the views of local authorities set out in that paragraph and repeated in paragraphs 26 and 27 with

reference to the application of the New Burdens Doctrine. Paragraph 27 states with regard to this doctrine that “it also makes clear that Departments should discuss any transfers relating to changes in responsibilities between local and central government with the local authority associations”. I will send a copy of this response to the Local Government Association and hope that it may be useful in informing these discussions.

The consultation document only specifically invites comment from local authorities on one matter: “the relative merits of certainty of funding compared with uncertainty of funding but with a distribution mechanism that more accurately reflects the numbers, location and growth of academies and free schools”. I will therefore comment firstly upon this issue, before raising a number of queries as to whether the department and local authorities can be confident that the effects of these proposals in detail properly reflect the principle of equity.

My first comment would be that I acknowledge the dilemma that has been created by the Academies Act. Effectively this has introduced a dual system of education and is a radical departure from the previous purpose of academies. It would not be surprising if the structural and administrative costs of running two systems in parallel were to exceed those of running one. I also acknowledge, however, the financial circumstances facing both national and local government and the need to be stringent in minimising, where possible, any double funding. It would not, however, be fair on pupils in LEA maintained schools if the transfer of funding to provide support services to academies left local authorities without sufficient resources to continue to provide equivalent services to them.

Given the unpredictable nature of the growth of academies it is understandable that local authorities who have had, so far, relatively little interest shown by their schools in becoming academies should be concerned regarding the “top slicing” approach. However, it is also critical that we are all able to plan our services in line with predicted resources. If resourcing available for existing services were to be reduced in a piecemeal and unpredictable way the consequences could be chaotic. It does seem to me that the system and mechanisms which have been introduced through the Academies Act make it impossible to satisfy both the principles of equity of funding and to enable local authorities to manage services properly, without incurring significant additional costs. Faced with a choice between two unpalatable alternatives I am bound to say that we would favour an approach which at least guarantee a degree of certainty in funding in order to provide future stability for individual schools.

I will now make a number of comments on aspects of the proposals where it appears to me there is some risk of inequity and, perhaps, unintended consequences. I make these comments with reference to specific paragraphs within the document.

Paragraph 30

In this paragraph the department claims that there is “very little evidence of a direct link between pupil numbers and spend per pupil, as reported by local authorities in the Section 251 Budget Return. For example in relation to spend on statutory and regulatory duties and asset management the size of a local authority explains only 3% and 1% of the variance in spend per pupil respectively”. This is important as the department interprets this as evidence that an authority can reasonably reduce its central costs in line with pupil

numbers. If this contention is true then Authorities should be able to continue to provide services to LA maintained schools equivalent in value to the cash transferred. Study, however, of section 251 statements shows wide variation between authorities. This implies that a degree of caution ought to be taken when considering the usefulness of the averages shown. In practice it must be problematic for authorities to make proportionate reductions in expenditure in line with reduced responsibilities for pupils as the paper suggests. A number of costs are “lumpy” and are not easily reduceable in this way. It will not cost any less, for example, to manage the authority’s accounts or to pay for their audit, simply because there are fewer schools for which the authority is responsible. Other services which may depend upon small numbers of expert staff are clearly not easily reduceable other than in a stepped way which implies, at the very least, a “drag” between the reduction of resource and the ability to reduce costs. The analogy between bigger and smaller authorities, even if it is sound in itself, does not hold when considering this issue of drag. The strong likelihood is that pupils in LA maintained schools will be disadvantaged as a consequence.

Paragraphs 31 to 34

The paper concludes that it is not unreasonable to expect authorities to continue to provide services to its maintained schools with the resources remaining to it following transfer. My main worry, however, greater than that of “lumpy” costs and drag described above, relates to the consequences of the imbalance between secondary and primary schools within the “academies sector” and the LEA maintained sector. We anticipate in Wirral that the national imbalance will be reflected here, with in pupil number terms, Academies being overwhelmingly a secondary school sector whilst the great majority of primary age pupils will remain in local authority maintained schools for at least a number of years. In order to maintain any reasonable degree of equity it is essential that any transfer of resources for the provision of services to schools reflects this position. At present I have concerns as to whether this is the case. I would invite the Department in their discussions with the local authority associations to clarify this matter and provide any appropriate assurances.

In order to illustrate the questions and concerns I have, it would probably be easiest if I now comment on individual services set out in Annex A of the document as being the ones which are LACSEG relevant and therefore proposed to be included in the transfer. I will not attempt to comment upon every item but will select certain key ones as being particularly important and illustrative of my concerns.

Item 2.1.9 School Improvement

This represents the largest single cost to the authority of those items included in the budget table. It is currently heavily skewed towards early intervention in general and the primary sector in particular. This reflects both the policy of the Council and the encouragement of successive Secretaries of State. It would be illogical in principle, unfair to primary schools and detrimental to efforts to raise standards if resources which currently fund this essential support were to be transferred to academies who do not currently receive it and do not need it. It is not clear to me from my reading of the proposals how this may be avoided.

Item 2.2.1 Asset Management - Education

It appears to me that it may be wise to suspend any decisions on transferring funding in this area pending the outcome of consultations on the James Report.

Item 7.0.1 Statutory/Regulatory Duties

I have referred briefly to these above but will repeat here that these include a number of costs which are not reduceable in line with pupil numbers either at all, or only in steps. Since these costs are unavoidable any shortfall would have to be met by reductions in services elsewhere within support provided to LA maintained schools, or the Council would have to make reductions in its provision of other services.

Item 7.0.2 Premature Retirement Costs/Redundancy Costs

My understanding is that the costs referred to here apply to all premature retirements and redundancy costs incurred since 1999. Academies are not responsible for meeting the costs of such premature retirements even if they relate to staff employed at their school prior to its becoming an academy. It is difficult to understand why they should receive a proportion of the resources required to meet these costs while the liability remains wholly with the local authority. Furthermore, much of the cost has been incurred as a consequence of school closures as reorganisations were required during the period of falling rolls. Again it is difficult to see the logic of transferring a share of that resource to academies. Again the point made above about the impact of any shortfall in resourcing whilst liabilities continue applies.

I will briefly summarise the main points of this response.

- 1) The position has been created where it is impossible to maintain all three of the following desirable principles:
 - a) certainty and predictability of resourcing for local authorities following the transfer to the DfE to fund LACSEG;
 - b) fairness between local authorities in applying the reduction in a way which reflects the number of academies within those authorities; and
 - c) the avoidance of significant double funding.

In this unfortunate position this authority would favour certainty over unpredictability.

- 2) The evidence that local authorities can reasonably be expected to reduce costs proportionately and in line with reduced responsibilities for pupils as schools become academies is, so far as it is represented in the consultation paper, rather weak. It would seem more likely, and more logical, to expect that as certain costs remain unchanged and others prove difficult to reduce smoothly there will be a shortfall of resourcing available to directly support children in

local authority maintained schools, placing them at a disadvantage compared with pupils in academies.

- 3) I am concerned, if I have understood the process correctly, that key areas of funding will be transferred purely on the basis of pupil numbers without reflecting the current purpose and focus of such funding. Since the great majority of pupils in academies will be in schools that are in the secondary phase, are deemed better than satisfactory, and include, for example, grammar schools, whereas school improvement services are focused on early intervention in schools causing concern and upon primary schools there is a danger of outcomes which appear perverse and would seriously undermine standards.
- 4) It appears to be proposed that resources which currently fund premature retirement costs in respect of schools staff who have retired since 1999, many as a result of school closures, could be transferred on the basis of pupil numbers to academies. It is difficult to understand the justification for this.

I hope the outcome of the consultation will help to improve the current arrangements for the transfer of funding to academies and remove some of the problems outlined above.

Yours sincerely



David Armstrong
Interim Director of Children's Services



Richard Longster