

Academies Funding

1. Purpose of this Report

This report looks at how the funding of academies operates both from a school perspective and from a local authority point of view. It then considers the benchmarking data of academies.

2. Recommendations

The Forum note the report

3. Funding of Academies.

- 3.1 Most of the funding for an academy comes from the General Annual Grant (GAG). This is paid to academies by the Education Funding Agency (EFA). The GAG is made up of the school budget share (based on our funding formula) and the Education Services Grant, allocated to academies based on the number of pupils they are responsible for, to buy services no longer automatically provided by the local authority.
- 3.2 The Dedicated Schools Grant (DSG) is calculated by including the pupil numbers of the academies. The sum provided to an academy is based on the Local Authorities funding formula and then recouped from the DSG. The Education Services Grant is passed to academies directly and does not come through the Local Authority.
- 3.3 Unlike maintained schools the de-delegated items are retained by the academy. This covers the contingency and maternity fund. The growth fund in any area has to provide support to academies.
- 3.4 The ESG is paid to local authorities and academies on a per pupil basis as an un-ring fenced grant. The current funding rate for both is a standard £87 per pupil although some Academies are receiving a higher amount as they have been protected from some of the funding cuts. Local authorities receive additional funding for the obligations that that they have to fulfil to both academies and maintained schools (known as “retained duties”). The retained duties rate is £15 per pupil. The ESG is an un-ring fenced grant and how it is spent is for local authorities and academies to decide based on their individual circumstances. Different local authorities and academies will have different needs and will make different choices about how to use this funding.
- 3.5 The Education Services Grant cover
 - School improvement
 - Statutory and regulatory duties

- Education welfare service
- Central support services
- Asset management
- Premature retirement costs/redundancy costs (new provisions)
- Therapies and other health-related services
- Monitoring national curriculum assessment

3.6 Deficits, surpluses and carry forwards

3.6.1 New converting academies inherit the closing financial balance of the predecessor maintained school. This applies whether the balance is a surplus or a deficit. In the case of a surplus, the LA pays this to the academy. In the case of a deficit, the LA is reimbursed this sum so that it can write off the deficit in its own accounts with no adverse effect on other schools in the Local Authority area.

3.6.2 Academies are not able to run a deficit without remedial action. Any academies that open with a transferred deficit will need to have an agreed plan with the EFA to repay it from GAG instalments. Any which develop a deficit after opening will have to agree a restructuring plan with the EFA.

3.6.3 Sponsored academies are deemed to open as new schools to allow them a fresh start. In practice the protocol would allow sponsored academies with surplus balances to retain the balance; however the DfE states that sponsored academies with deficit balances leave the deficit with the LA.

3.7 Accounting Requirements

A school converting to an academy will need to set up an academy trust, a charitable company limited by guarantee. As such the accounting requirements are different:

- opening a new bank account to receive funding from the EFA;
- production of annual accounts, audited by a qualified external auditor;
- financial year which runs from September to August;
- a financial system which complies with Charities and Companies Act accounting requirements;
- keeping financial records as set out in the Academy Financial Handbook;
- responsibility for managing its own cash flow;
- an academy may not borrow funds without specific approval from the Secretary of State.

3.8 Costs of conversion

Schools which have applied to convert to academy status can claim a grant of up to £25,000 as a contribution towards the costs of this process. The costs incurred may be higher and this would need to be met from the schools own resources. No additional funding is available to the LA to cover the additional work and costs involved.

3.9 Funding agreement

All academies established by the Secretary of State enter into a contract - the funding agreement - with a charitable company, which is often referred to as the academy trust. The funding agreement provides the framework within which the academy must operate, and a model funding agreement is available on the DfE website. The ongoing funding of the academy trust is contingent upon the conditions in its funding agreement being met. The grant conditions cover a wide range of requirements such as community cohesion, assessment, curriculum, admissions, exclusions, teachers pay and conditions, SEN provision, governance, conduct, DBS checks, designated teacher for children in care, school meals and charging.

4. Services academies need to consider

Traded Services are still offered services to academies, wherever possible. The existing academies can continue to purchase services from the Local Authority. VAT has to be charged on these services. There is a mark up cost for services to academies.

Services that may need to be bought/provided as a result of conversion:

| Ref | Service needed to be bought |
|-----|--|
| 1 | Attendance and Welfare |
| 2 | School improvement - leadership challenge |
| 3 | Producing financial accounts / auditing |
| 4 | Legal Charges – Academies are a more complex stand alone organisation and need more specialised support |
| 5 | Media and Communications – this provides emergency situations which schools need to make a press release |
| 6 | Employment Tribunals |
| 7 | School Nurses – this is a health provision provided by the Local Authority through public health funds |
| 8 | Performance Management Data |

- 9 Enhancements To Administration Staff
- 10 Procurement e.g. Energy & Catering
- 11
Enhancements To Administration Staff - to provide business support staff to perform responsibilities in-house.
- 12 Occupational Health
- 13 Checking of Free Schools Meals Entitlement
- 14 Outdoor Education
- 15 Early retirement and redundancy costs

- 16 Asset management
- 17 Maternity Cover
- 18 Risk Insurance

5. Other technical funding Adjustments

a. Rates

Academies only pay a proportion of their rate bill but the funding formula will be adjusted to reflect this

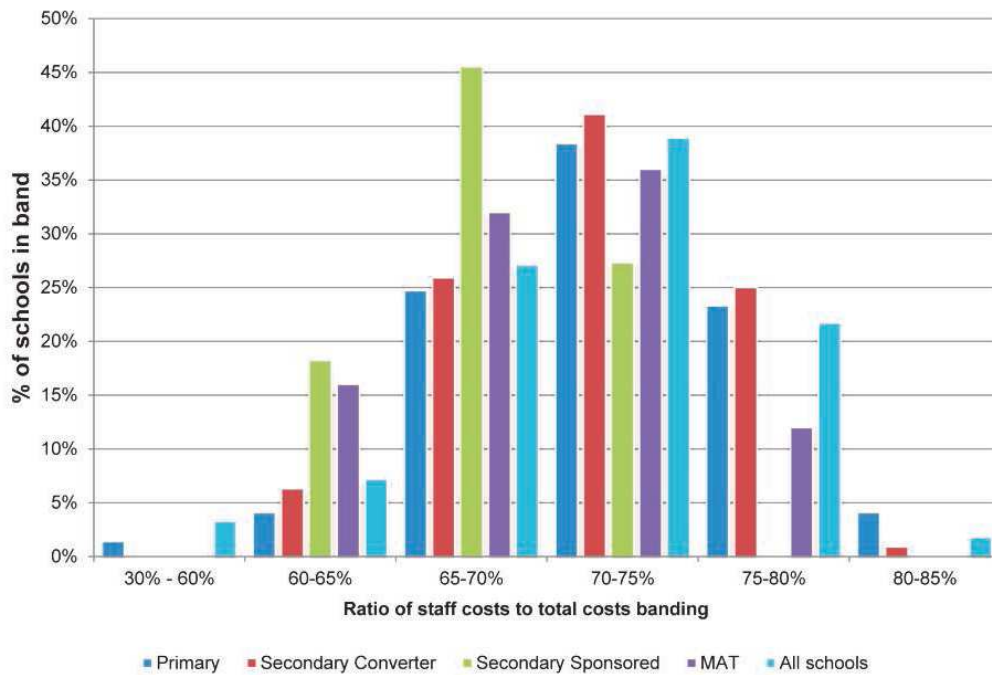
b. Vat

Academies pay VAT and there is a mechanism to adjust for this.

6. Benchmarking (academies data - Bishop Fleming report on Academies Benchmarking Report 2014)

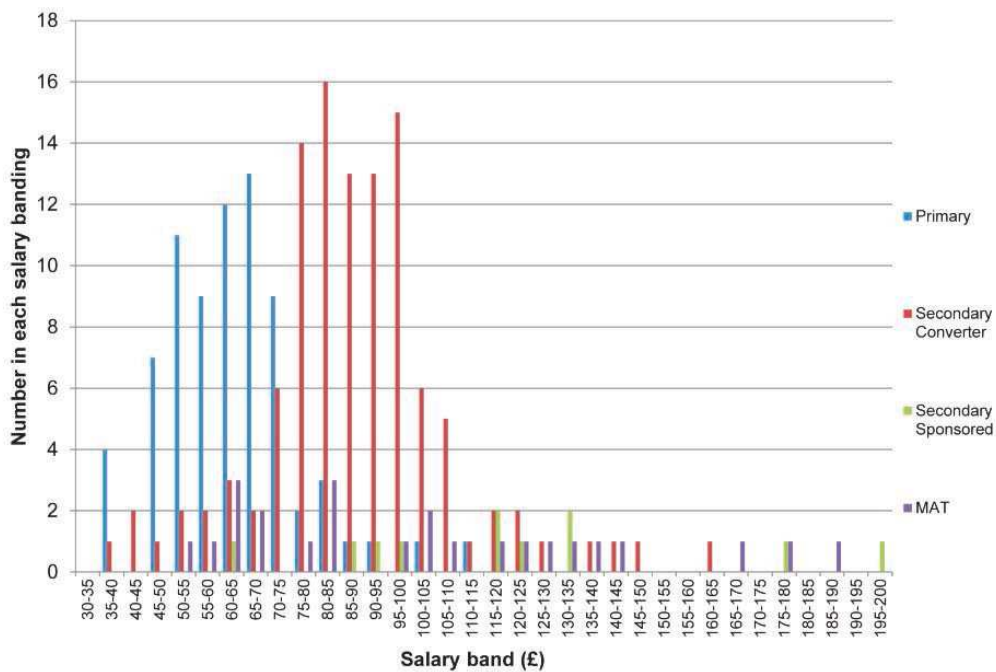
6.1 Staff Costs

Staff costs are the significant expenditure in schools. The amount spent though can vary This ratio is influenced by the number of staff employed, the experience of the teaching staff and the level of outsourcing The average spend on staff costs in academies as a percentage of total costs by primary academies is 71.2% (2012: 72.3%), with 71.7% (2012: 73.9%) for secondary academies.

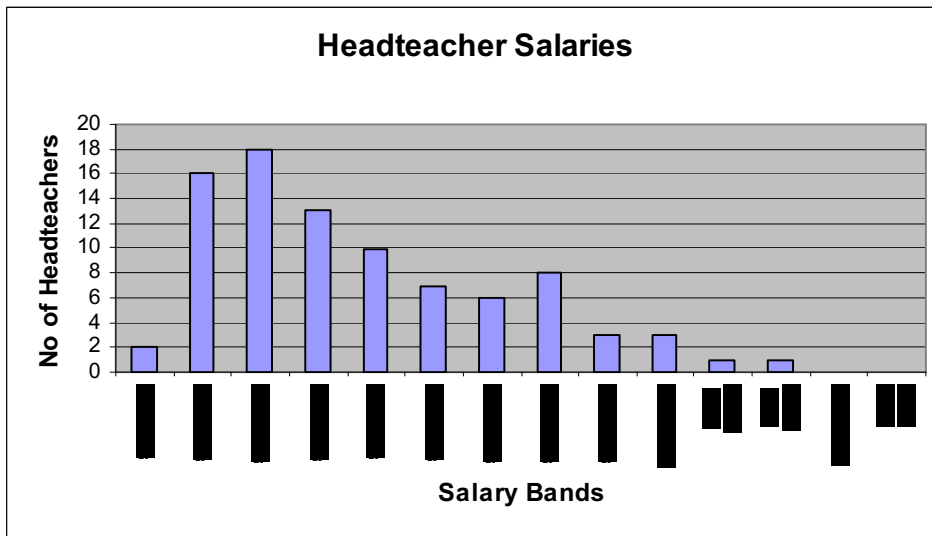


The average position in Lewisham is 69% in both Primary and Secondary

6.2 Head Teacher salaries



The position in Lewisham is as follows

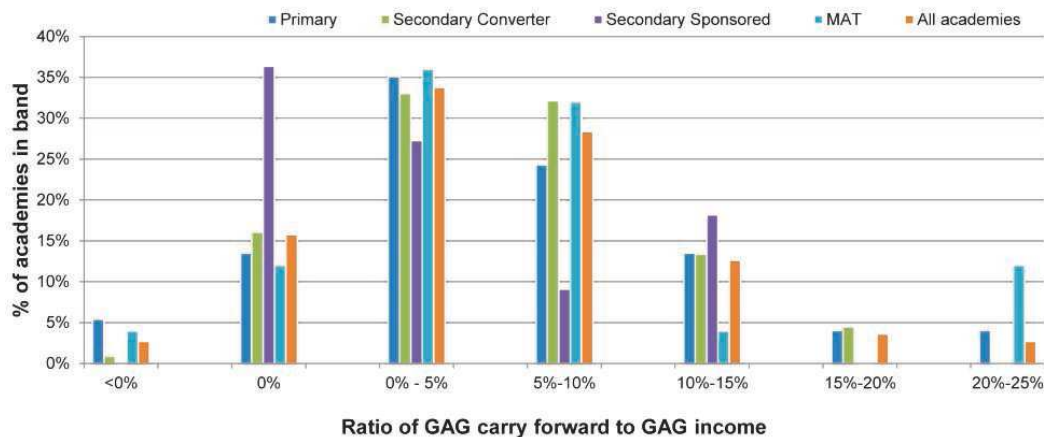


6.3 Pupil teacher ratio

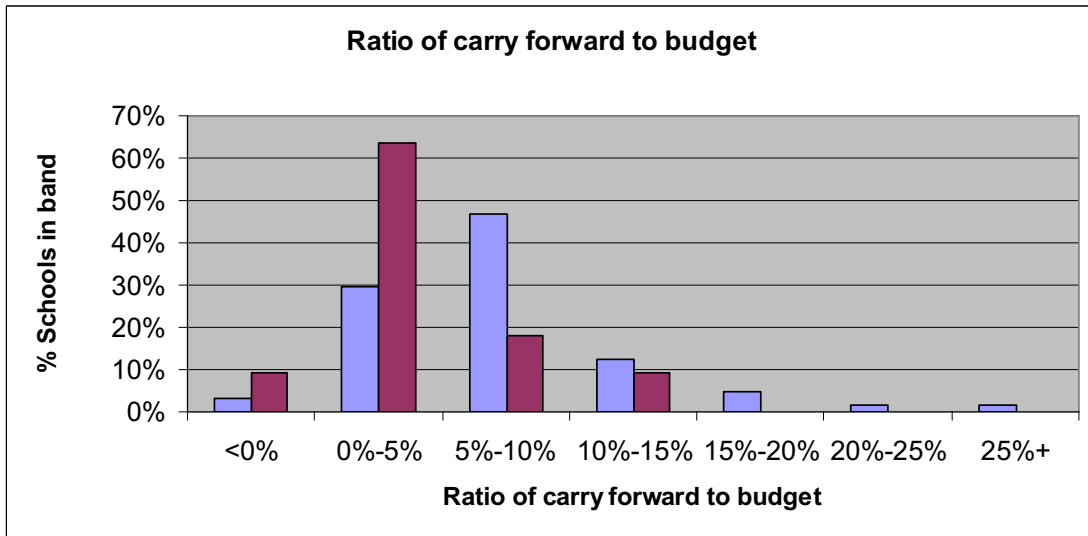
- Primary Academies - 24.3
- Secondary Converter Academies - 16.3
- Secondary Sponsored Academies - 13.9
- Multi-Academy Trusts - 18.3

6.4. Surpluses and Deficits

Previously the EFA was allowing academies to apply to remove the carry forward cap (12%) on the GAG that could be carried forward. The removal of this GAG carry forward limit has now been automatically granted to schools that are census funded, some of the older sponsored academies have kept their old style funding agreements as these have other beneficial clauses.



The position in Lewisham maintained schools are as follows



7. Conclusion

There are undoubted differences between the funding of academies and maintained schools. These differences have narrowed over the last few years and broadly both academies and maintained schools are funded on the same basis and at the same level. There are differences though in the services academies will need, usually the Local Authority will provide these on behalf of maintained schools but this is not the case in academies where there is more choice to choose between LA services, the market places or self-provide.

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