

Proposed Recoupment of Academy Conversion Costs

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1. Summary

To date Shropshire Council has been able to resource the work associated with schools converting from local authority maintained to academy status from within its existing capacity. In the last five years, up to 1 September 2016, 27 academy conversions have been processed in Shropshire. However, with the combination of reduced local authority funding and the anticipated increasing numbers of academy conversions, the approach of absorbing the costs of this work is no longer sustainable.

A report is going to Cabinet on 28 September 2016 proposing the introduction of a charge to converting schools to cover Council costs, to be charged against the Government grant they receive for costs relating to the conversion process.

2. Recommendation

That Scrutiny Committee consider and comment on the proposal to recoup the Council's costs in relation to the academy conversion process, in advance of a Cabinet decision on 28 September.

REPORT

3. Risk Assessment and Opportunities Appraisal

Local authorities have rights to protect their financial position from liabilities caused by the action or inaction of governing bodies. These rights are generally detailed in the local authority's Scheme for the Financing of Schools. While charging for academy conversions is not currently in the Shropshire scheme, the Council is able to add such rights.

The Shropshire Scheme for the Financing of Schools will therefore need to be amended to include the right to charge for academy conversions. It is proposed that this amendment is presented to Shropshire Schools Forum at the earliest opportunity following Cabinet approval on the recommendation to introduce a charge.

4. Financial Implications

The increased income from charging converting schools will cover the costs for the range of service teams directly involved in processing the transfer of schools from maintained to academy status and any additional services commissioned where the Council's capacity is limited, as the number and rate of conversions is anticipated to be significantly greater in the next few years given the Government's policy direction on academisation.

5. Background

The Academies Act 2010 gave all maintained schools the opportunity to become academies, operating independently and not under local authority control. There are different circumstances and conditions under which schools become academies – some choosing to convert and others required to convert with a sponsor in order to address performance concerns.

The Government policy, as articulated in the Education White Paper – *Education Excellence Everywhere* – is for all maintained schools to either become an academy by 2020, or have an Academy Order in place to convert by 2022. While there has been a subsequent step back from forcing schools to become academies, at the time of writing the policy objective remains.

The table below illustrates the position in Shropshire in respect of academisation as at 1 September 2016:

Phase	Maintained Schools		Academies/Free Schools		Total
Infant	5	100.0%	0	0.0%	5
Junior	5	100.0%	0	0.0%	5
Primary*	107	89.9%	12	10.1%	119
Secondary**	7	36.8%	12	63.2%	19
All Through	0	0.0%	1	100.0%	1
Special/PRU	2	66.7%	1	33.3%	3
Totals	126	82.9%	26	17.1%	152

* Includes Barrow 1618 CE Free School

* Sundorne and Grange academies became Shrewsbury Academy Trust from September 2016

Academy Orders have been received for a further 7 conversions over the autumn term 2016. Once these are completed there will be 119 maintained schools (78.3%) and 33 academies (21.7%) in Shropshire.

The profile of the Shropshire conversions dealt with each year since the Academies Act 2010 was introduced, is summarised below:

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Conversions	2	4	6	8	4	9*

* As at 1 September 2016

If the Government policy objective remains in place for all maintained schools to have an Academy Order in place by the end of 2021/22, this would require the Council to manage, on average, around 24 conversions a year through to 2021/22, which is significantly more than has been the case to date. However, as the process is not linear and is dependent on the decisions of individual school governing bodies (for those choosing to convert), or the Regional Schools Commissioner (for those required to convert via the sponsor route), the numbers of conversions in any given year from 2017/18 onwards is impossible to forecast and could be significantly higher in any given year.

This will require an increased call on the Council resources, currently deployed, to manage significant workload peaks.

6. Council Resources in Managing Academy Conversions

In order to make each conversion happen, there are a number of administrative tasks that the local authority is required to undertake, including:

- preparing documents for the transfer of land and assets
 - liaising with the school's approved solicitors on the lease and commercial transfer agreement
 - dealing with the TUPE transfer of all school staff to the receiving academy trust
 - closing down and reconciling the school's financial accounts.
- There is a great deal of officer time involved in ensuring that each transfer is completed effectively and within the required timeframe.

The Council teams with the greatest involvement in the conversion process for individual schools are:

- Business Support and Schools Finance in Learning and Skills
- Legal and Democratic Services
- Assets and Estate Management
- Human Resources and Development.

On a case by case basis, dependent on the circumstances relating to individual school sites, support will be sought from a range of other Council teams in relation to such issues as early years provision, children's centre accommodation, programmed building works and contracts, shared leisure facilities, insurance and site specific issues.

The Council does not receive a direct source of funding to cover the costs linked to academy conversions. While the majority of councils in England are currently absorbing the associated costs of the transfer process from within their existing resources, there is evidence that an increasing number are beginning to charge for officer time. Staffordshire, Leicester, Swindon, Norfolk, Portsmouth and Medway are among those charging for officer time, with a capped sum of £5,000 per conversion emerging as the average charge.

The Department for Education currently provides converting schools with a grant of £25,000 to cover costs related to converting their legal status, including setting up the academy trust company, establishing the governance structure, transferring staff and producing a funding agreement and leasing land.

7. Proposal

Given the relatively slow rate of conversions of Shropshire schools over the last five years, no detailed costs to the Council of managing each conversion have been captured. However, the current market average rate of £5,000 being set by other local authorities, requiring the same range of work and time per academy conversion, would seem to be an appropriate and fair charge to set locally to recoup the likely increased Council costs.

The proposed sum of £5,000 is regarded as a reasonable proportion of the £25,000 grant provided to converter schools to cover the Council's costs in transferring a school to academy status. The workload associated with each conversion will, and does vary according to the complexity of the process in each individual case. However, in general terms the time required to manage an individual conversion is not specifically related to the size or phase of school and so a standard charge is deemed appropriate.

The income received will be directed to the service teams directly involved in the conversion process, given the likely significant increases in workload to meet the anticipated accelerated transfer of Shropshire's remaining maintained schools to academy status over the next few years in line with the Government's policy direction on academisation. The apportionment of the income received across service teams has not yet been determined.

It is proposed that the charge is made at the start of the conversion process, after the Academy Order has been received, the process of conversion has commenced and the school has received their grant funding. Converting schools will be required to ensure that they make sufficient provision from the £25,000 Government grant to meet these costs.

Headteachers and governing bodies of maintained schools have not been advised of, or consulted on, this proposal. In the event that Cabinet approve the recommendation at their meeting on 28 September 2016, it is proposed that school leaders be informed of this development through the recognised representative forums. It is proposed that the charging is effective for any Academy Orders received from 1 January 2017 onwards.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) David Minnery
Local Member All Council members
Appendices