

## SCHOOLS FORUM

### Academy Funding Survey

14 January 2016

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools		Pre School	
Academies	X	Foundation Stage	X
PVI Settings		Primary	X
Special Schools / Academies		Secondary	X
Local Authority	X	Post 16	
		High Needs	

#### Purpose of Report

Content Requires;		By;	
Noting	X	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	X

1. This report presents the outcome of the academy financial survey undertaken in the autumn term and some of the conclusions that may be drawn from the responses.
2. The report also sets out the situation on funding age range changes and addresses the misconceptions regarding funding which can be seen from the consultation responses.

#### Recommendations

3. That Schools Forum notes the outcome of the academy financial survey and the issues arising from it.

## Introduction

4. The local authority does not see financial data for academies, as a result this leaves a significant gap in the financial information available to the local authority which in turn hampers strategic financial planning and the local authorities lobbying position in respect of fairer school funding. To address this gap in knowledge a survey was issued asking secondary academies to set out the financial issues they are facing, this was widened to primary academies following the meeting of the Schools Forum on 21 September.

## The Survey

5. 27 schools responded to the survey;

Maintained Special	1
Maintained Primary	1
Maintained Secondary	1
Primary Academy	7
Secondary Academy	17

6. The full survey responses are shown as Appendix and are summarised below;

a)	81.5% of responses report a worsening financial position in 2014/15 from the previous financial year
b)	81.5% of responses report a worsening financial position for 2015/16, 18.5% report a breakeven position
c)	The current ratio assesses the ratio between current assets and current liabilities and is widely used an indicator of liquidity. This is widely used by the Skills Funding Agency within their assessment of the financial health of their providers, any ration under 1 identifies an inability of an organisation to fund its current liabilities. The lowest ratio was 1.58:1, the highest 6:1.
d)	73.7% of the responses identified a decreasing current ratio
e)	3 schools undertook teaching redundancies in 2013/14 and removed 16.1 FTE posts
	The survey collected information on redundancies but not the reasons for them so it is not possible to know whether these have been made as a result of changes in the number on roll or the prime driver is to reduce and / or contain costs within the budget envelope;
f)	1 school reports non-teaching redundancies in 2013/14 removing 1.3 FTE posts
g)	3 schools report teaching redundancies in 2014/15 removing 20.45 posts
h)	7 schools report non-teaching redundancies in 2014/15 removing 27.43 posts
i)	4 schools report teaching redundancies in 2015/16 removing 20 posts
j)	5 schools report non-teaching redundancies in 2015/16 removing 16.76FTE posts
k)	61.5% of schools expect to make redundancies in the next three financial years

7. The survey asked schools to set out the financial challenges and issues that had been encountered in the past two financial years and asked the same question for the next three to five years. Many of the issues reported occurred in both sections and identified the following financial pressures;

- a) the impact of increased salary payments, including pension, national insurance and the minimum wage
- b) funding changes aligned with age range changes, this is considered in more detail in the next section of this report.
- c) falling rolls, often mentioned alongside age range changes
- d) increased expenditure as a result of academy status
- e) reductions in both revenue and capital funding
- f) expectations on the allocation of the additional 'fairer funding' money in 2015/16

### **Funding Age Range Changes**

8. The first age range changes in Leicestershire academies were in September 2013. These were instigated independently of the local authority by each academy and were approved by the Education Funding Agency (EFA). The academies undertaking the changes were fully aware that the school funding system in place at that time was based on lagged student numbers and therefore they would not receive funding for the additional pupils until the academic year following their intake. However age range change was implemented by six academies without any agreement being in place for funding the retention of the additional year group.
9. The local authority repeatedly informed both academies undertaking or planning age range changes and the EFA that the funding formula would not and could not be changed to reflect the change in pupils from the start of the academic years. The EFA subsequently provided additional funding for the September 2013 academy age range.
10. The EFA changed the financial position for the 2014/15 financial year, and therefore for academies undertaking age range change in September 2014. Following revised EFA guidance and pressure the local authority was required to seek approval from the Secretary of State under the School and Early Years Finance (England) regulations laid by the DfE to vary the pupil count for schools undertaking or affected by age range change. The alternative to this was that the EFA would remove such funding as it deemed necessary from the local authority to enable them to provide funding as they had for the 2013 changes.
11. The funding mechanism put in place was formulated and recommended by a working group that consisted of headteachers, business managers, governors and LA finance officers. It was;
  - Subject to two separate consultation exercises, the first saw 15 responses and the second 18
  - Discussed at 4 Schools Forum meetings
  - Agreed by the County Council's Cabinet
  - Approved by the Secretary of State for Education, 2014/15 and 2015/16
  - Reviewed during 2013/14 by a further formula review group who recommended no change
  - Unchanged since its introduction in 2014/15
12. No maintained school or academy is ever funded for 100% of the pupil that it ever has on roll for a financial year. The mechanism for funding age range changes has not, and will not, change this position. It will also not ever provide funding for other changes that affect an academies pupil numbers such as demographic growth or

decisions made by individual schools to increase admission numbers. Schools, whether undertaking age range changes or not, need to factor this type of issue into financial planning.

13. It must also be recognised however, that whilst age range schools feel that they should have funding for 100% which isn't possible, the local authority has responded to the academy led changes and does deliver funding appropriate and proportional to the changes which does allow financial planning both pre and post implementation.

### **Conclusions**

14. It has been encouraging that 27 schools responded to the financial survey, however it is also essential that both maintained schools and academies actively engage with the local authority and the Schools Forum when school funding issues are being formulated, considered and decided.
15. The level of understanding of the financial implications of age range changes in schools is concerning. The finance service has, and will continue, to provide advice and guidance on the application of the funding mechanism to academies who require that support. However it should be recognised that the process has been in place for two years and a process will need to be in place until no further age range changes are present in Leicestershire. It is essential that academies fully understand what it may mean for them and factor it into their financial planning process.
16. The survey has highlighted that the issues being faced in academies appear to be little different to that in maintained schools. Issues such as increased salary costs and reducing income are issues that are prevalent across the public sector and are unlikely to be addressed by any additional funding until the austerity measures introduced by the former and current governments are fully implemented.
17. The announcement of the additional funding for 2015/16 was widely misinterpreted by schools, the local authority made a number of statements in the aim of managing school expectations of what this would mean in Leicestershire and why schools would not get the additional figure quoted widely in the media. There is no one single view of what is fair, every school will have a view of what this means to them. It is imperative in moving to whatever the next phase of school funding reform may be that schools buy into a vision of 'fair funding' for all Leicestershire schools and academies rather than on an individual perspective.
18. The local authority will use the relevant data, where appropriate to do so, within discussions regarding school funding in Leicestershire. Although it was hoped that the survey would provide specific information on specific issues, the findings relate largely to the overall financial pressures within the public sector and some issues pertaining to financial understanding and planning.

### **Background Papers**

None

### **Officer to Contact**

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