

**TO: SCHOOLS FORUM**  
**DATE: 13 JULY 2017**

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**SCHOOL ACADEMY CONVERSION PROCESS:  
PROPOSAL TO RECOVER COSTS**  
Director of Children, Young People & Learning

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to consider whether schools undertaking the academy conversion process should be required to reimburse to the council relevant costs which can be funded from the £25,000 grant the Department for Education (DfE) allocates to schools to meet their conversion costs.

**2 RECOMMENDATION**

**To NOTE:**

- 2.1 **That in general, consultation responses from schools are supportive to the proposal from the council to recover from relevant schools reasonable costs associated with the academy conversion process.**

**That MAINTAINED SCHOOL MEMBERS on the Forum AGREE:**

- 2.2 **That relevant schools should be charged the average full cost to the council of undertaking the academy conversion process, currently estimated at £8,000 for primary schools and £10,000 for secondary schools**
- 2.3 **That where costs on specific conversions are expected to exceed the average cost by 50%, then the full actual cost can be recovered.**
- 2.4 **That the Scheme for Financing Schools is updated accordingly, with the text in paragraph 5.11.**

**3 REASONS FOR RECOMMENDATION**

- 3.1 Relevant schools receive direct grant funding from the DfE to meet their conversion costs and therefore have an income source.
- 3.2 The council needs to recover its costs associated with supporting the school academy process in order to retain sufficient resource to meet core business requirements and finance cost pressures.
- 3.3 Including a provision to charge schools in the Scheme for Financing Schools provides a legal power to the Council to facilitate this in a transparent and efficient way.

## **4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 For the council to continue to fully fund the conversion process. This was discounted due to the financial circumstances facing the council, the adverse impact experienced from diverting officers away from core business and that relevant schools receive direct grant income from the DfE to fund their associated costs.
- 4.2 Charging other than on an average cost basis was also considered but rejected due to the additional administration requirements and the difficulties presented to schools for budget management if the cost is not known until the completion of the conversion.

## **5 SUPPORTING INFORMATION**

### Background

- 5.1 When a decision is made for a school to become an academy, there is a process of conversion for the council to follow that requires a range of actions including establishing new legal contracts, managing property transfers, undertaking staff TUPE arrangements, securing pensions and payroll, and closing the school accounts.
- 5.2 The conversion is a critical process that deals with significant assets and legal issues and therefore needs to be adequately resourced, utilising appropriate professional expertise. Based on information collected from relevant staff, the average cost to the council of undertaking each conversion has been calculated at around £8,000 for a primary school and £10,000 for a secondary school.
- 5.3 Councils do not receive any additional income or grant equivalent to finance the process; it is obliged to undertake and the DfE has confirmed that reasonable charges can be made. The DfE allocates a £25,000 grant to schools to meet their costs of conversion.
- 5.4 Whilst an average cost of conversion has been calculated, it varies case by case depending upon the level of complexity involved in each individual academy conversion, particularly in regard to land, property and legal issues associated with that site. Costs also vary between primary and secondary schools, mainly as a result of the different scale of operations undertaken in different school phases.

### Issues now arising

- 5.5 In a climate of increasing volumes of academy conversions – there are 3 confirmed so far this year, with the likelihood of more to follow - combined with a significant decrease in income to the council through reduced revenue support grant, the implementation of a charge to schools undertaking conversion is now considered necessary in order to secure both the capacity for an efficient conversion process and the management of cost pressures to the council.
- 5.6 Whilst some LAs continue to absorb the associated costs of the transfer process, a number have already implemented charges or contributions with a range of options adopted to reflect local circumstances. Research of charges made by other councils in the south east shows an average amount of £6,000, with charges levied on a number of different bases including:
- fixed charges with differentiated increases for complex/protracted cases

## Unrestricted

- charges made based on actual costs, on a case by case basis
- fixed charges at to cover majority of LA costs
- scales of charges varied based on a range of factors

Taking account of the charging policies being adopted, the £6,000 average charge made by councils to schools is lower than the actual cost incurred.

- 5.7 The proposal from the council is to charge schools the average cost, currently calculated at £8,000 for primary schools and £10,000 for secondary schools. However, where costs on specific conversions are expected to exceed the average by 50%, then there should be a provision for the actual cost to be recovered.

### Consultation with schools

- 5.8 In order to gather views from schools on this proposal, a consultation was undertaken between 14 and 30 June, where schools were asked :

In respect of the school academy conversion process, taking account of the unfunded costs incurred by the council, and the £25,000 DfE grant allocated to relevant schools for this purpose, do you agree that once the process to convert to an academy has commenced, that the council should be able to:

1. Charge relevant school budgets for the average cost to the council of completing the process? Yes / No.

2. In circumstances where the council incurs costs estimated at more than 50% above the average cost, a further charge, equivalent to those additional costs can be made? Yes / No

- 5.9 15 schools (45%) made a response to the consultation, with 9 (60%) agreeing with question 1 and 7 (47%) agreeing with question 2. An accompanying letter was also received from Edgbarrow Secondary School that is set out in Annex 1, together with outline comments from the council which will form the basis of the formal response to Edgbarrow. (The response from Edgbarrow is included in the summary analysis above). Kennel Lane Special School commented that there needs to be further consultation with the Schools Forum and therefore declined to indicate a preference.
- 5.10 Taking account of the general support to the proposal from school responses to the consultation, and in order to retain a simple, straight forward and efficient charging system, it is recommended that the Forum approves a change to the Scheme for Financing Schools to grant the council permission to directly charge relevant school budgets at the fixed average cost estimate, with an additional provision to charge the actual cost if this is estimated to exceed the average by 50%. The power to amend the Scheme for Financing Schools rests with School Members of the Schools Forum, but must be after a consultation with governing bodies and head teachers.
- 5.11 The relevant text proposed to be included in the Scheme to permit a charge to be made is as follows:

**Circumstances in which charges may be made:**

Costs incurred by the LA in completing the academy conversion process, at the average estimated amount, as reasonably assessed by the LA. In circumstances where costs are reasonably assessed to have exceeded the average cost by more than 50%, then the higher amount can be charged.

**6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

Borough Solicitor

- 6.1 Subject to the School Forums approval the Council can levy reasonable charges for the costs of conversion to academy status.

Borough Treasurer

- 6.2 The financial implications are set out in the supporting information.

Equalities Impact Assessment

- 6.3 Not required.

Strategic Risk Management Issues

- 6.4 The main strategic risk relates to retaining sufficient professional expertise to complete core council business at the same time as undertaking what could be a number of simultaneous academy conversions that involves dealing with significant assets and legal issues. Charging schools provides an income stream to procure additional support if required.

**7 CONSULTATION**

Principal Groups Consulted

- 7.1 Governing bodies and Head teachers.

Method of Consultation

- 7.2 Formal consultation documents.

Representations received

- 7.3 Included in the report.

**Contact for further information**



Edgbarrow  
SCHOOL

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Headteacher  
Robert Elsey

27<sup>th</sup> June 2017

Dear Paul,

Please find attached our response to the consultation regarding the Scheme for Financing Schools.

We would also like to record our concern that this charge, which amounts to at least 40% of the conversion grant, is being imposed with very little warning on schools which have already started the conversion process. Losing such a large part of the conversion grant means that the remainder of the grant will not be sufficient to cover legal fees, actuarial charges and other conversion costs, so this money will have to be taken from the school's delegated budget and will therefore reduce even further the money which is available to spend on pupils.

We feel that the charge imposed is arbitrary, and we are particularly concerned about the ability to make a further charge for additional costs. With no cap on this, it will be impossible for schools to budget for the conversion grant accurately, and potentially means that the whole grant could be swallowed up by the LA charges.

With this in mind, our Governing Body would like to see details of the costs incurred by the LA, showing how you have calculated your estimate of £10,000.

We would also like confirmation that you will provide individual schools with an estimate of their total costs at the outset of the process so that they can plan accordingly. Previous experience must provide an indication of which schools are likely to incur additional costs.

Can you also confirm that the Local Authority has made representations to the Department for Education regarding their conversion costs, and is not just turning to schools as an easy way to recoup their expenses.

Finally, please would you confirm to us that these comments have been circulated to the members of the Schools Forum, and will be taken into account in their discussions about this matter.

Yours sincerely,

G Oakley, Chair of Governors

R P Elsey, Headteacher

**Outline comments from BFC to points made in the letter from Edgbarrow Secondary School**

1. In terms of the timing of this proposal, it is possible that whenever the consultation was published that a school or schools could be actively considering converting to an academy and may well have incurred costs. A 2 week consultation period is considered appropriate for this consultation as it is considered a straight forward matter.
2. The intention of the council from this proposal is to recover reasonable costs incurred as a result of a direct action from a school. We would expect the other advice being procured by the school to support the conversion to also be charged at reasonable cost. It is not just the charge from the council that may mean a school spends more than the £25,000 grant income. Schools are making other decisions on the conversion process that will incur costs.
3. The amount of charge is not an arbitrary amount. It has been calculated from an estimate of time taken by officers on the 2 most recent academy conversions. As both of these have been primary schools, and the council has limited recent experience of a secondary school conversion, a 25% premium to the primary school cost has been added to reflect the additional work that will result, for example agreeing a closing school balance on a bigger and more complex budget, completing TUPE preparations for a larger workforce takes more time than for a primary school.

Function	Days (for a primary school)
Finance	4.3
HR	4.0
Education Capital and Property	3.6
School Sufficiency and Planning	3.5
Property Services	4.0
Legal Services	6.8
<b>Total</b>	<b>26.1</b>

4. In terms of calculating the cost, this has been derived from the direct actual salary and on-costs of staff involved, plus a share of indirect costs such as accommodation, IT, insurances etc to arrive at full costs. This has then been divided by the number of productive days available from staff to arrive at a cost per hour / day. The average daily cost to the council for the academy conversion process is around £310.
5. In respect of the provision to charge a school more than the core £8,000 / £10,000 amount when additional work is involved, the council considers this a reasonable approach to take and is one most organisations would when their costs increase. However, to clarify the council's intention in relation to the concern that there is not a cap on the charge to schools, question 2 of the consultation mentions "can" make the higher charge, not "will". This is deliberate wording to provide flexibility for the council to take account of each circumstance as it arises and not be prescribed to act in a certain way as we can not predict all circumstances that may arise.
6. Upon request, the council will provide an estimate of costs to schools planning to convert to an academy.
7. The council has not made representations to the DfE in relation to the council's costs relating to the academy conversion process.