

MONEY MATTERS

JONATHAN POOLE, CHIEF FINANCE OFFICER AT BRIGHT FUTURES EDUCATIONAL TRUST, CONSIDERS THE FINANCIAL IMPLICATIONS OF CONVERSION TO ACADEMY STATUS...

Is the opportunity to manage your own budget a particularly attractive prospect when making the decision to become an academy?

A Under local management of schools, individual schools have managed their own budgets for a number of years. Certainly, there are some greater freedoms and opportunities bestowed upon schools via the Academies Act, but the additional freedoms would depend on what type of maintained school the predecessor school was. For example, at Altrincham Grammar School for Girls, part of Bright Futures Educational Trust, the school became a fully-advanced "chequebook" school in the 1990s, and achieved Grant-Maintained (GM) status, which is analogous to Academy status, with the school owning the land and buildings and employing the staff. In 2001, following a change in government, the school became a local authority foundation school, with the main change from GM being that the local authority then top-sliced the school's budget to pay for certain central services. Becoming an academy removed this level of top slicing and allowed the school itself to make all the decisions regarding its budget. This was not a daunting prospect as the school had previously managed at least 90% of its own budget within each of the previous 20 years. Despite the DfE soundbites insisting that conversion to academy status does not offer any financial advantages, with recent cuts to education budgets the management of this small additional portion can be crucial in turning a budget deficit into a budget surplus.

What would you say are the major advantages and disadvantages, in terms of finances, for secondary schools that convert to academy status?

A The main advantage is the freedom to make all decisions about the running of the school rather than have certain decisions made at local authority level. There is also greater flexibility in deciding staff pay and conditions, although many schools have not exercised this.

Academies are also subject to a more rigorous financial audit process, which can be seen as both an advantage and a disadvantage. The advantage is that procedural weaknesses and potential improvements can be

identified and dealt with more easily, but this does place an increased workload onto the schools. As registered companies and charitable entities (exempt from registration), academies must comply with Companies, Charities and Education legislation – and this does confer additional burdens.

Are there a few key questions that school leaders should bear in mind when considering such a change?

A From a financial perspective, a due diligence process should be followed which should flag up any liabilities that may transfer to the school/Trust. Key areas for investigation are:

- Five-year financial forecast for the school. Are assumptions realistic, particularly with respect to pupil numbers, which is the key financial driver?
- Are there any pending disciplinary and grievance issues which are known about and where liability may transfer?
- What is the state of the school buildings?

Are there any potentially costly issues to remedy?

- Is the school part of a PFI agreement? If so, what are the terms of this, and can some of the liability/responsibility remain with the local authority? Discussions with the relevant section of the Local Government Pension Scheme should take place early in the process to find out their methodology regarding transfer values, which will have an effect on future employer contribution rates.

Are there organisations out there that can help schools as they take control of their own budgets?

A There are many organisations in the marketplace that can assist Academies and MATs with their financial management in a number of different ways. It should be noted that many of these organisations also assist local authority maintained schools with budget management, and that the budget management aspects are comparable in both sectors. For a number of years, there has been a growing trend of schools purchasing products and services from the private sector, and the academisation programme has seen a natural extension of this trend rather than a revolution.

One final piece of advice would be, therefore: don't be daunted, the change is evolution rather than revolution, and there are many other Academies and organisations that can support the process at many levels.



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