

MEETING:	SCHOOLS FORUM
MEETING DATE:	24 OCTOBER 2014
TITLE OF REPORT:	EDUCATION SERVICES GRANT 2015/16
REPORT BY:	ASSISTANT DIRECTOR COMMISSIONING AND EDUCATION

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To note the implications of the DfE's final arrangements for the Education Services Grant (ESG) for 2015/16 following national consultation during the summer term 2014.

Recommendation(s)

THAT: Schools Forum

- (a) note the conclusion of the DfE's consultation on the proposed cuts in Education Services Grant; and**
- (b) receive a further report to Schools Forum in March 2015 on the savings proposals agreed by the council.**

Alternative options

- 1 No alternatives are proposed as this is a national cut in money, determined by national government.

Reasons for recommendations

- 2 To inform Schools Forum of the cuts to the Education Services Grant.

Key considerations

- 3 The Education Services Grant (ESG) was introduced in 2013 to replace the Local Authority Central Spend Equivalent Grant (LACSEG) which was paid to academies to cover the cost of services that local authorities provide centrally to maintained schools but that academies must secure independently. The LACSEG arrangements were designed when there were fewer academies and the rationale for the introduction of ESG was to make funding of education services more appropriate to the increasing numbers of academies and the increasingly autonomous school system. The introduction of a national per pupil rate for ESG has made the system for funding education services simpler, fairer and more transparent.
- 4 ESG is paid to local authorities and academies on a per pupil basis as an un-ringfenced grant. Local authorities receive additional funding for the obligations that they have to fulfil to both academies and maintained schools (known as “retained duties”) Table 1 below sets out the ESG rates for 2013/14, 2014/15 and 2015/16.

	2013-14	2014-15	2015-16
Total ESG	£1.03 billion	£1.02billion	£0.82billion
Retained duties rate (paid to local authorities for every pupil at maintained schools and academies)	£15	£15	£15
General funding rate (paid to LAs for pupils in maintained schools and to academies for their pupils)	£116	£113	£87
Academy top-up (paid to academies for their pupils)	£34	£27	£0 but protection rules apply

- 5 In May 2014 the Forum considered a response to a DfE consultation on the Department for Education (DfE) consultation on Savings to the Education Services Grant (ESG) for 2015-16. Responses to the national consultation are broadly as follows:
- a. Retained duties rate – responses indicated there is little scope to reduce the retained duties rate below £15 per pupil. DfE will therefore maintain the rate at £15 per pupil.
 - b. General funding rate – DfE has considered the section 251 budget data in conjunction with case studies. DfE recognised the variation in the quality of data within the section 251 responses but also noted it was the only data that was available. The DfE has concluded that the scope for local authorities to make savings appears to vary between different functions and different types of local authorities. Savings are reported as possible by the joining up of services, refocusing work on essential duties; collaboration with other local authorities; encouraging schools to take more responsibility; outsourcing; and restructuring and flexible deployment of staff. The DfE is satisfied that a general funding rate of £87 is sufficient for local authorities to deliver the services that ESG is intended to fund. A third of local authorities (48) planned to spend around £87 or less per pupil in 2013/14 on ESG relevant functions

for maintained schools.

6. The following sets out the DfE's key observations for each of the ESG relevant function in turn:

1. School Improvement

- A large majority of respondents (74%) felt further clarification or guidance on the role of local authorities in school improvement would be needed in order to have a clear set of expectations. The revised statutory guidance on schools causing concern (May 2014) serves this purpose.
- Identified savings opportunities include: collaboration between local authorities; school-to-school support; using external providers; greater flexibility in deployment of key staff; and using daily rates for specific projects rather than permanent arrangements.
- Reasonable to assume some local authorities could reduce spend considerably – and DfE have found no evidence of a relationship between spend on school improvement and improvement in the performance of schools.

2. Statutory and regulatory duties

- The main opportunities for reducing cost were identified as
 - Collaboration, for example sharing procurement or audit services with other local authorities
 - Reducing spend on back-office functions, for example by establishing an independent provider to provide these at a lower cost
- Transferring costs of some functions back to schools, for example audit and health and safety
- A high proportion of respondents asked for clarification of these services.
- A key feature is that local authorities retain some duties for both academies and maintained schools.

3. Education Welfare Services

- A key feature is that local authorities retain some duties for both academies and maintained schools.
- Many local authorities have already made savings and reduced services to the statutory minimum

4. Central support services

- DfE believe role for local authorities in this area is limited. Some local authorities reported that because there were no specific obligations for them to provide central support services (e.g. pupil support for clothing grants, music services, visual and performing arts and outdoor education), they were either trading these services at cost, or not providing these services and therefore incurring any expenditure, and had not done so for some years.

- The large majority of respondents were concerned about spending on music services and the impact on disadvantaged families and on local culture. The DfE have made it clear music education is provided by central hubs which are funded centrally for example £75m in 2015/16 direct from DfE. As ESG is an un-ringfenced grant, local authorities will continue to have total discretion about whether to spend any of the ESG budget they receive on providing music services.

5. Asset management

- Services were classified as capital programme planning, management of PFI initiatives and administration of academy leases
- Few respondents reported scope for savings given the statutory nature of the function.
- DfE have not yet found a satisfactory explanation for the wide range of reported expenditure but intend to consider further whether there is merit in providing new, clearer, information on the role and responsibilities for school asset management for local authorities and other bodies in the system.

6. Premature retirement and redundancy costs

- The statutory framework requires schools to pay for early retirement and for local authorities to fund redundancy costs in maintained schools by default unless there are good reasons not to.
- Some authorities have a local agreement that schools will meet the costs; others choose to bear all the costs themselves. The main barriers for passing cost to schools were cited as schools in financial difficulty and those facing falling rolls.
- DfE consider that the median spend of £0 may be difficult to achieve in some authorities, because, for example they have schools in circumstances such that they cannot afford to pay redundancy costs.

7. Therapies and other health-related services

- Most authorities said they use their high needs block funding to pay for these services and queried why therapies was listed as an ESG function.

8. Monitoring national curriculum assessment

- The majority of local authorities planned no spend in this area. DfE suggest this is probably explained by local authorities reporting spend on a different S251 budget – often cited as school improvement given the statutory duty Las have to monitor the administration of national curriculum assessment in maintained schools and to moderate teacher assessments at key stage 1.

7. Exemplar local authority

Planned spend on ESG services for pupils in maintained schools only			
Section 251 budget line	Possible expenditure (per maintained school pupil) based on median national spend	Herefordshire planned expenditure 2014/15 – general funding maintained schools only (see note 1)	Herefordshire planned expenditure – retained duties – all academies including non-recoupment
2.0.3 Education welfare services (DfE assume 15% cost is retained)	£11.90	£0	£0
2.0.4 School improvement	£31.00	£17	£0
2.0.5 Asset management – education (DfE assume 25% cost is retained)	£5.20	£1.50	£0.32
2.0.6 Statutory and regulatory duties – education (DfE assume 26% is retained)	£35.60	£43.50	£9
2.0.7 Premature retirement costs/ redundancy costs (new provisions)	£1.00	£14	£0
2.0.8 Monitoring national curriculum assessment	£0.50	£1	£0
2.0.1 therapies and other health-related services	£0.50	£0	£0
2.0.2 Central support services	£1.30	£0	£0
Total spend on ESG services for maintained pupils only – 48 LAs planned to spend at or below this level.	£87.00	£77	£9.32

Table – potential spend based on median spending patterns – general funding rate. General funding is based on 14,857 pupils in maintained schools and retained funding is based on 23,978 pupils in all maintained and academies including Steiner. Note 1: Planned budgeted expenditure may not be exactly the same as actual expenditure and Herefordshire may account for certain areas of spend in a slightly different way to that used by the DfE. This is recognised as a national issue in the compilation of the figures used for the consultation.

8. In response to the number of queries in the ESG consultation, the DfE have published a clarification of local authorities duties to provide education services to academies and maintained schools which could also help with achieving savings. The DfE guidance is attached as an appendix.

Impact on academies

9. At present academies receive higher levels of ESG than local authorities. In academic year 2014/15, all academies will receive an ESG top-up of £27 per pupil and a protection that ensures that the loss incurred by any academy as a result in changes in ESG and SEN LACSEG cannot exceed 1% of its total budget in academic year 2013/14.
10. In academic year 2015/16 there will be no top-up for academies, but they will continue to receive protection against reductions in ESG and the removal of SEN LACSEG. The protection is quite complex but means that a small number of academies that currently receive exceptionally high rates of ESG will see reduction approaching 3% of their budgets but the vast majority will enjoy a tighter protection in much the same way as the Minimum Funding Guarantee is applied to the DSG funded individual school budgets.

Impact on Local authority

11. The impact on the local authority is set out in the table below. The DfE revises the ESG calculations in year to take account of academy conversions and so the actual grant due is not finally known until year end. ESG for 2015/16 is based on the assumption that there will be no further conversions to academy status during 2015/16. In the longer term continued academy conversions will further reduce the ESG received by the local authority.

Education Services Grant	2013/14	2014/15 (Est)	2015/16 (Est)
ESG rate per mainstream pupils	£116.46	£113.17	£87
ESG rate per special place	£494.96	£480.97	£369.75
ESG rate per PRU place	£436.73	£424.38	£326.25
ESG pupil rate for retained duties	£15.00	£15.00	£15.00
Pupils in locally maintained schools (including VI forms)	13,972	13,364	12,757
Pupils in academies & free schools	8,364	8,928	9,493
Special school places	269	146 (ave)	114
PRU places	90	84 (ave)	80
ESG General funding	£1,799,778	£1,480,928	£1,148,183
ESG Retained duties funding	£340,427	£342,420	£336,660
TOTAL LA funding	£2,140,204	£1,823,348	£1,484,843
Year on year savings required		£316,856	£338,505

12. Children's Wellbeing Services has included the potential reduction in ESG in its three year budget plan and the approach will be confirmed as part of the council's budget setting process. Several respondents to the DfE consultation ESG commented that

small local authorities with fixed costs and low economies of scale were likely to have higher cost per pupil for statutory and regulatory duties – and this applies in Herefordshire.

13. In framing current and future proposals for budget reduction the local authority will take account of the statutory obligations of local authorities for all schools as set out in the appendix.

Community impact

14. The impact on schools and the wider community will be assessed as the budget plans are finalised. .

Equality and human rights

15. There is no impact on on equality and human rights at this stage.

Financial implications

16. The required savings are set out in the report and may increase further, dependent on future academy conversions. Proposals for meeting the savings will be considered as part of the council's financial planning process and reported to Schools Forum in due course.

Legal implications

17. There are no specific legal implications.
18. This report sets out the implications of the DFE's revised Education Services Grant for 2015 and the Schools Forum is asked to note the information provided on the proposed cuts and to receive a further report in March 2015 detailing the savings and proposals agreed by the council.
19. Regulation 10 of the Schools Forums (England) Regulations 2012 states that:
 - (1) the authority must consult the Schools Forum annually in respect of the authority's functions relating to the schools budget , in connection with the following:
 - (d) administrative arrangements for the allocation of central government grants paid to schools via the authority
 - (2) the authority may consult the forum on such other matters concerning the funding of schools as they see fit

Risk management

20. The risks relating to the budget saving proposals will be identified as part of the budget review process.

Consultees

21. None

Appendices

- Department of Education – Annex A Clarification of local authority statutory duties relating to services relevant to the Education Services Grant.

Background papers

- Department for Education – The Education Services Grant – Statement of final arrangements for 2015 to 2016 - July 2014

Department for Education – Consultation on savings to education services grant for 2016 to 2016 – government response - July 2014.