

Schools Forum

21st October 2014

Savings to the Education Service Grant 2015/16

Introduction

1. Both the Local Authority and the Schools Forum had submitted a response to this Consultation.
2. This paper informs the Schools Forum of the details of the DfE's recent announcement in respect of the Education Services Grant (ESG) arrangements for 2015-16

Summary

3. The government are implementing the reductions in the Education Services Grant for 2015 /16 that they initially proposed.

Detail

4. The Education Services Grant (ESG) was created in April 2013 by separating out funding for education functions of the Local Authority from the general revenue grant funding. Part of the context for this was the DfE's desire to make the funding for academies simpler and more consistent. Prior to the ESG, each authority had a different level of assumed expenditure upon educational functions and so the amount of LACSEG (Local Authority Children's Services Equivalent Grant) provided to academies depended upon the local authority in which they were located. ESG created a uniform amount per pupil across England and so the opportunity for a simpler funding system for academies.
5. The total value of ESG nationally is £1.020 billion in 2014/15. On 27th March 2014, the Government published a consultation document setting out proposals to achieve savings in the Education Services Grant (ESG) for 2015-16. The 2013 Spending Round had previously signalled a £200m cut in the national ESG quantum for 2015-16. The consultation closed on 19th June 2014 and a copy of this Forums response was provided at the last meeting. The DfE received 1,429 responses with a very high proportion of these due to a high-profile campaign (Protect Music Education) on funding for local authority music services. The remaining responses included 64 from local authorities, 13 from maintained schools, 5 from school forums, and 4 from academies. The Government announced its decisions for 2015-16 on 22nd July 2014.

6. By way of background, the ESG is an un-ringfenced grant introduced in 2013/14 and intended to fund such services as School Improvement, Educational Welfare Services and some other statutory local authority Education duties.
7. Details of the DfE announcement which can be found at <https://www.gov.uk/government/publications/education-services-grant-2015-to-2016> states that:
 - a. The General Funding rate will be £87 per pupil in 2015-16;
 - b. There will be no top-up for academies in academic year 2015/16 but, in order to provide continuing protection against large budget reductions, revised protection arrangements will be applied for academies against reductions to the ESG and the removal of SEN LACSEG; and
 - c. The multipliers for alternative provision and special schools will remain at 3.75 and 4.25 respectively.
8. The £26 per pupil reduction in the General Funding rate equates to 23% of the 2014-15 level. In effect the £200m planned saving has been taken from the General Funding element alone. The table below shows the funding rates of ESG over a 3 year period:

	2013/14	2014/15	2015/16
Retained duties rate (paid to local authorities for every pupil, both 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*
Multiplier for alternative provision	3.75	3.75	3.75
Multiplier for special schools	4.25	4.25	4.25

*There are potential protections for academies

9. Based on current ESG income levels, and ignoring the impact of academy conversions and other data movements, the reduction will reduce the Authority's ESG grant income by around £0.9m next year. The sharp reduction in ESG for the Authority follows and accompanies the severe reductions in Government funding between 2010/11 and 2015/16 of £52m. The Education, Early Years, and Complex Needs Service is to be reviewed to establish the scope for making further savings.
10. The announcement is also significant for individual institutions; item (b) above means that academies' ESG support will be based on the same per pupil rate as that paid to LAs i.e. £87 rather than the current £140 per pupil. Transitional protection arrangements will apply which will limit year on year reductions; tapered bands will ensure that academies currently receiving relatively low ESG payments will not be allowed to see a fall of more than 1% of their total funding, while academies that are currently receiving relatively high ESG payments (because they used to have high levels of LACSEG) will be allowed to see a fall of more than 1% in their total funding (up to a maximum of 3%). The reduced rate will also need to be taken into account in the financial planning of schools currently considering converting to academy status.

11. The Government is satisfied that a General Funding rate of £87 per pupil is sufficient for local authorities to deliver the services that ESG is intended to fund. They maintain that if LA's spent at the median or above for all LAs, the total could be contained within the £87 per pupil allocation. Clearly the validity of this analysis relies upon the robustness of the section 251 budget statements, statements which the DfE have already expressed concerns about. There is also a risk that the DfE analysis measures the impact of reductions in Council spending on these services before the impact of the ESG reduction in 2015-16. The DfE has published a list of 48 LAs, around one third of the total, which planned to spend £87 per pupil in 2013-14. Finally, the DfE's announcement included a narrative around the nature of the services which should be funded by the grant, by implication services not listed should be funded by other means, including charges to schools.

Recommendations

12. That Schools Forum is asked to note the contents of the report.

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