

Decision Maker: **Education Budget Sub-Committee**

Date: **9<sup>th</sup> September 2014**

Decision Type: Non-Urgent Non-Executive Non-Key

**TITLE: IMPACT OF ALL SCHOOLS CONVERTING TO ACADEMY STATUS ON THE EDUCATION PORTFOLIO BUDGET**

Contact Officer: David Bradshaw, Head of Education, Care and Health Services Finance  
Tel: 020 8313 4807 E-mail: david.bradshaw@bromley.gov.uk

Chief Officer: Terry Parkin, Executive Director of Education and Care Services

Ward: Boroughwide

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## **1. REASON FOR REPORT**

- 1.1 As schools convert to Academy status specific roles and responsibilities transfer from the Council to the Academy School. This report reviews the impact of schools converting to Academy status on the Education Portfolio budget.
- 1.2 The report shows the impact that this has on the Education Services Grant (ESG) that the Council receives for certain Education functions.

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## **2. RECOMMENDATIONS**

- 2.1 The Education PDS Budget Sub Committee is invited to note and comment on the report

### Corporate Policy

1. Policy Status: Not Applicable:
  2. BBB Priority: Children and Young People:
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### Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Education Portfolio budgets
  4. Total current budget for this head: £13,449k
  5. Source of funding: RSG, Council Tax, DSG, other grants
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### Staff

1. Number of staff (current and additional): 2,065 Full Time Equivalent, of which 1,777 are based in schools.
  2. If from existing staff resources, number of staff hours: N/A
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### Legal

1. Legal Requirement: Statutory Requirement:
  2. Call-in: Not Applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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### Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### **3. BACKGROUND**

#### **Pre 2013/14 – LACSEG and the move towards ESG**

- 3.1 When a maintained schools converts to Academy status, the Academy takes on a much broader range of responsibilities. This gives the Academy greater freedom to secure the right services for their pupils. Academies are responsible for providing a range of education services such as improving school attendance preparing financial accounts and asset management, whereas Local Authorities have responsibility for these on behalf of maintained schools.
- 3.2 Local Authorities received funding for central education services as part of their general grant or 'formula' grant. Formula grant is an unringfenced grant paid by the Department for Communities and Local Government (DCLG) and the education element is for all pupils in the Local Authority area. The funding that is paid to the Academies to meet the cost of securing these services was known as the LA Block LACSEG (Local Authority Central Spend Equivalent Grant).
- 3.3 Funding was initially top sliced from Authorities to pay for these services but this was seen as unfair to those Authorities where conversion to Academies had not progressed. In Bromley the pace had been quick and almost all secondaries and some primaries had converted by this point and therefore this was advantageous to Bromley.
- 3.4 However for 2013/14 the funding arrangements were changed. Government introduced a new methodology to recoup LA LACSEG from Authorities. The proposal top sliced, using a national average, an amount from all Local Authorities based on pupil numbers at £132 per pupil. Government then introducing a new grant called the Education Services Grant (ESG). This was subsequently split into two components. The first is an amount of £15 per pupil (for all pupils regardless of whether they are in maintained or academy schools) which will be given back to the LA to cover statutory duties. The second part of the funding was £116 per pupil for each pupil in a maintained school. There are some adjustments for pupils in Special Schools and PRUs whereby they attract additional funding.
- 3.5 This methodology greatly disadvantaged Bromley. Government used an average figure to top slice from Councils (£132 per pupil using S251 data) although the Bromley figure was nearer £87 per pupil. Therefore more funding was taken out than was being spent. As many schools had converted to Academy status the ESG grant we received was reduced. Overall around £3.3m of funding was lost by Bromley (see table below). Despite strong lobbying by Bromley this was introduced in the 2013/14 financial year.
- 3.6 The funding loss (to formula grant) was managed as part of the Medium Term Financial strategy (MTFS) and had no direct impact on the Education Portfolio.

## **LACSEG CALCULATION**

	<b><u>£'000</u></b>
DFE REMOVED FROM FORMULA GRANT	6,582
PUPILS ASSUMED BY DFE	49,775
<b><u>ESG FUNDING BACK FOR MAINTAINED PUPILS</u></b>	
ALL PUPILS FOR STATUTORY DUTIES	720
PUPILS IN MAINTAINED, SPECIAL AND PRU SCHOOLS	2,520
TOTAL ESG FUNDING	<u>3,240</u>
<b>DIFFERENCE BETWEEN NEW TOP SLICE AND ESG</b>	<b><u>3,342</u></b>

## **4. EDUCATION SERVICES GRANT (ESG)**

- 4.1 As ESG is an unringfenced grant, it is entirely at the discretion of local authorities how the funding is spent. Bromley 2014/15 receives £15 per pupil for the retained statutory duties and £113 per pupil for each pupil at a maintained school (down from £116 in 2013/14). In theory this covers the cost of various education functions both statutory to the LA regardless of a Schools status and covering duties for maintained schools only. However the figure bears no relation to the actual spend as it was derived from national average data so is difficult to attribute to individual services.
- 4.2 In 2013/14 the cost of these activities was estimated at £2.2m (based on 2013/14 S251 data). This includes recharges from other non-education departments. It is estimated that in 2014/15 these services will cost in the region of £1.745m (based on 2014/15 S251 data). Grant received for these years are £2.957m in 2013/14 and an estimated £2.213m in 2014/15.
- 4.3 This is expected as Bromley spend was well below the national average in the first instance.

### **What is the ESG funding for?**

- 4.4 The services covered by the ESG are as follows:-
- 1) School Improvement
  - 2) Statutory and Regulatory Duties including strategy, finance, information, HR, Health and Safety, Equality and Religious Education
  - 3) Education Welfare Service
  - 4) Central Support Services (mainly music service)
  - 5) Asset Management
  - 6) Premature retirement costs
  - 7) Therapies and other health-related services
  - 8) Monitoring national curriculum assessment
- 4.5 A more detailed listing including a breakdown of duties for maintained and academy schools are in Appendix A of this report.

## Future ESG allocations

- 4.6 Since 2013/14 and the initial allocation of ESG of £3.267m, the grant has reduced significantly as Schools convert

### ESG ALLOCATIONS

	<u>£M</u>
ORIGINAL ALLOCATION	3.267
ACTUAL ALLOCATION 2013/14	2.957
ESTIMATED ALLOCATION 2014/15	2.213
ESTIMATED ALLOCATION 2015/16	1.384
ESTIMATED ALLOCATION 2016/17	0.727

£727k IS THE STATUTORY ELEMENT FOR ALL PUPILS

- 4.7 The loss of grant will be accelerated by the fact that the Department for Education has announced a reduction in the grant for 2015/16 from £113 to £87 per pupil. The £15 per pupil covering statutory duties for all pupils remains the same.
- 4.8 Once all Schools convert the funding will remain static at £727k (assuming pupil numbers remain the same).

## 5. EDUCATION BUDGET IMPACT

- 5.1 The impact of Schools converting to Academies varies across the Portfolio.
- 5.2 The Controllable Education Portfolio budget is £4.946m. The Education elements of this amount to £1.038m (net of ESG Grant). This is the Revenue Support Grant Element of the budget. It is this part of the budget that contains the ESG funded services. Not all Education services are connected with ESG funding. Major parts such as SEN Transport, SEN assessment and monitoring, Education Psychology and Adult Education are still funded through the main formula grant.
- 5.3 It is expected that reductions in services would be made as responsibilities transfer. However this cannot be done piecemeal and needs to be carried out in a strategic manner that leaves the service able to operate for the existing maintained schools and offer a strategic statutory service for all schools including academies.
- 5.4 There may be a reduction in income as Academies withdraw from sold services. This is not the case across all services and is dependent on the Academy set up and its capability in managing the particular service on its own or within a multi academy trust.
- 5.5 The Dedicated Schools Grant (DSG) budget is £112.502m. Whilst there will be movement in some funding streams, the impact on DSG will be minimal as funding is self-contained. It would certainly have no effect on the overall bottom line of the Council

- 5.6 It was recognised early on by Bromley that the ESG formula set up by DfE was flawed and through the MTFs this has been dealt with. The separation of the reduction in grant and savings made in the Education Portfolio has meant that this can be dealt with strategically rather than crudely following a reduction in grant/reduction in service method. This would not work as Bromley was a low level spending Authority and did not spend to the ESG grant level. The ESG exists as a separate line in the budget as is not formally connected to any particular expenditure in the Portfolio. In fact as some of the expenditure in these areas are recharges (£675k in the 2014/15 budget), the expenditure stretches across other departments as well.

## 6. FINANCIAL IMPLICATIONS

- 6.1 The ESG is an unringfenced grant that will reduce over time as more Schools convert to Academy status. Once all Schools have converted there will be approximately £727k remaining to cover statutory services.
- 6.2 Funding is held in contingency to offset the remaining reductions in ESG, the expectation being that this will be used in the next few years as all schools convert.
- 6.3 The expectation is that the department will, as a separate exercise, make necessary savings and reductions in services to compensate for the loss of functions and responsibilities to academies and to reduce to statutory levels only where this has not already been achieved.
- 6.4 Bromley's expenditure compared to other authorities has traditionally been low. The grant that is received for these services more than covers the expenditure. However in 2015/16 when the grant reduces substantially (by 23%) expenditure and income will be more in line.
- 6.5 Although this appears to be a favourable position, this masks the loss of funding of £3.3m when the funding regime moved from the LACSAEG model to ESG (see paragraphs 3.1 to 3.6 above).
- 6.6 Since 2013/14 £3.302m of savings have been found in the Education Portfolio, some of which have been in 'ESG' funded areas. It is expected that further savings will be made as schools convert although the Department could argue that many services are already at a statutory minimum or close to it. Details of the savings are contained in the table below.

### SAVINGS IN THE EDUCATION PORTFOLIO

<u>YEAR</u>	<u>EDUCATION DIVISION £M</u>	<u>CSC DIVISION £M</u>	<u>EDUCATION PORTFOLIO £M</u>
2013/14	1,603	727	2,330
2014/15	612	360	972
	<b>2,215</b>	<b>1,087</b>	<b>3,302</b>

<b>Non-Applicable Sections:</b>	Legal Implications Personnel Implications
Background Documents: (Access via Contact Officer)	None