



Department
for Education

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Savings to the Education Services Grant for 2015-16

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This consultation will collect views about how local authorities and academies can achieve savings to the Education Services Grant for 2015-16.

To Maintained schools, academies, local authorities, governors, bursars, parents, school forums, trade union organisations

Issued 27 March 2014

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1 Introduction

- 1.1 We are transforming the education system so that, across the country, there is greater choice for pupils than ever before. We want to keep giving good schools the freedom and flexibility to teach children in a way that enables them to reach their full potential. In many areas, different types of schools are working collaboratively with local charities, voluntary organisations and local authorities to provide a diverse range of education services.

We have made significant improvements to how those education services are funded. Last year, we introduced the Education Services Grant (ESG) which is a simple per-pupil grant paid to both local authorities and academies. As we continue to make difficult decisions about public spending, the challenge is to consider how education services can be provided more innovatively and efficiently. The June 2013 Spending Round announced that we will need to make £200 million (around 20%) of savings from the ESG in 2015-16. However, the Department for Education's spending plans are constantly reviewed in response to demographic forecasts and are continually assessed for the scope to make savings, particularly from unprotected parts of the budget. We recognise that these savings will be challenging but we have prioritised protecting the core schools' budget in real terms over the course of this Parliament and in 2015-16 (including the pupil premium). This reflects our determination to protect frontline budgets that pay for the effective running of schools up and down the country.

The reported variation in spending on ESG funded services across the country, at present, suggests that some local authorities may be delivering education services more efficiently than others. We are aware that there is variation in how local authorities record expenditure and interpret budget lines that could cause artificial variation in the results; this consultation aims to give us a more accurate understanding. There are also different views about which services local authorities are required to provide, how they are required to provide them, and for which services they can charge maintained schools and academies. We recognise that, by charging schools, the cost is simply transferred from local authorities to schools. Our view, however, is that this gives schools both greater choice (over which services they choose to buy) and greater purchasing power (because they can buy services from a competitive market).

Over recent months we have received questions from some local authorities about their role in relation to school improvement. In response to this, we are updating the Schools Causing Concern statutory guidance. Section 4.2 of this consultation document sets out our expectation that schools should take greater responsibility for their own improvement, leaving local authorities to focus on their statutory functions (in relation to maintained schools). We give some examples of local authorities that are operating efficient school improvement services and delivering good results with limited spend. Our view is that many local authorities may be able to make significant savings on their spending on ESG services without damaging key capabilities.

To help inform this consultation, we visited 18 local authorities and 13 academies across the country to ask them how they prioritise and spend their ESG. This document reflects some of the findings from that fieldwork and gives some specific case studies drawn from our visits.

Achieving these savings will require local authorities and academies to think innovatively about services. Before we make any final decisions on the level of savings to the ESG, we want to gather views from the sector about how the grant is currently being used, how much money could be saved and the impact of making those savings. We are also interested in whether there is any further clarification or guidance we could provide in order to help local authorities and academies deliver these savings, as well as whether there are any functions that local authorities or academies should stop doing completely. **In responding to the questions in this consultation, we ask you to pay particular attention to any potential impacts on the protected characteristics set out in the Equality Act 2010 (sex, race, disability, age, religion or belief, sexual orientation, pregnancy and maternity, and gender reassignment).**

2 Background to the Education Services Grant

2.1 Before the introduction of the Education Services Grant (ESG), the Local Authority Central Spend Equivalent Grant (LACSEG) was paid to academies to cover the cost of the services that local authorities provide centrally to maintained schools but that academies must secure independently. The problem with LACSEG was that the rate for each academy was based on how much its local authority spent each year – leading to significant fluctuation and variation across the country. This created uncertainty for local authorities about how much money would be recouped, and for academies about how much funding they would receive from one year to the next.

In June 2012, the Department published a consultation document¹ that set out proposals for simplifying the LACSEG arrangements and creating a new grant paid on a simple per pupil basis – the ESG. In 2013-14, the ESG was paid to local authorities at a rate of £116 per pupil. The Department has confirmed that the ESG rate for local authorities in 2014-15 will be £113 per pupil in mainstream community schools and £424 and £481 per place in alternative provision and special schools respectively².

Academies receive the same basic rate per pupil but will also receive transitional protection of £27 per pupil in the academic year 2014/15, bringing their rate up to £140 per pupil. We have also introduced a new special protection that ensures that the loss incurred by any academy as a result of the changes in ESG and SEN LACSEG in academic year 2014/15 cannot exceed 1% of its total budget (including its post-16 funding) in academic year 2013/14. As we have always made clear, this transitional protection is funded from a part of the Department's budget outside the ESG, not from the ESG itself. We were also clear in the Government response to the LACSEG consultation² that this transitional protection will be removed over a limited period of time so that the rates for local authorities and academies align.

In addition to the basic ESG rate, local authorities received an additional £15 per pupil for all pupils attending a state-funded school in 2013-14 (regardless of whether it is a maintained school or an academy). As set out in the Government's response to the LACSEG consultation, this is to enable local authorities to fulfil the statutory duties that do not transfer to academies. The £15

¹ Replacing LACSEG: Funding academies and local authorities for the functions that devolve to academies.

² Replacing LACSEG with the Education Services Grant: Government Response.

per pupil rate will continue in 2014-15. Section 6 of the current consultation seeks views on whether there is scope to reduce the £15 rate in 2015-16.

3 Key findings from the Department's analysis and fieldwork

3.1 Variation in how local authorities prioritise and spend the Education Services Grant

All data about local authority expenditure on ESG services presented in this document are taken from annual local authority Section 251 budget returns. We are aware that there is variation in how local authorities record expenditure and interpret budget lines that could cause artificial variation in the results. In some cases, local authorities have reported £0 spending against services. This may be a reporting error or, as in the case of Cumbria set out later in this document, it may be because they are charging for services. Despite the variation in how Section 251 is completed, this is still the most reliable and comprehensive data available to us.

Local authorities tell us that they tend not to consider ESG funding in isolation, but rather as part of their overall revenue budget. During our fieldwork, many local authorities stated that they prioritise fulfilling their statutory duties and that discretionary services are considered afterwards. There was a wide variation in how much local authorities told us they could afford. Some felt that they could only just afford statutory functions, whereas other local authorities believed that they were fulfilling statutory functions and still had money to spend on discretionary activities. This is illustrated by the wide variation in total expenditure on ESG services as well as the variation in the amount of funding budgeted for each service.

Figure 1 in Annex B illustrates the variation in planned expenditure on ESG services in 2013-14.

Figure 2 in Annex B illustrates the variation in the total (per pupil) expenditure on ESG services for all local authorities in both 2012-13 and 2013-14. The median per pupil spending in 2012-13 was £126 and in 2013-14 the median planned per pupil spending is £125 (the rate of funding in local authorities was £116 in 2013-14). The graph shows that there was a very small overall change in the median expenditure on ESG services between the two years and that, although some

local authorities have increased their spending in this period, some have successfully decreased it. The graph also demonstrates an increase in the range of expenditure on ESG services between 2012-13 and 2013-14. We are interested in why there is such a wide range of expenditure and why spending is rising in some local authorities and falling in others.

3.2 Different ways services are delivered

Collaboration

Our fieldwork showed that collaboration is often a good way of generating savings. Local authorities can collaborate with one another or facilitate collaboration between schools. Collaboration between local authorities can be particularly helpful for small local authorities – helping them to secure economies of scale and increase their buying power. Schools can also benefit from collaborating with each other: they can benefit from experience and expertise from other schools; they can increase their buying power by grouping together to buy services; and they can buy services from one another. The case studies below provide specific examples of collaboration as a method of achieving savings to ESG services.

Case Study: Kent County Council

Kent secured a 36% reduction on school improvement spending between 2012/13 and 2013/14 through selling services to recover costs and developing greater collaborations between groups of schools. Performance at both Key Stage 2 and Key Stage 4 has increased since 2010, by 21% and 11% respectively.

Collaborations were introduced into Kent more formally in June 2012, though many of these have been built on very strong existing partnerships between groups of schools. Collaboration provides many advantages for schools particularly around school improvement but also in the potential for schools as a collective to maximise their purchasing power. The school collaborations are developing their ability to become more autonomous as school improvement units, with formal partnership agreements, specific improvement targets and some pooling of funding and other resources. The local authority is supporting, brokering and challenging this development to ensure that the collaboration or partnership is rigorous and robust in its pursuit of all schools being good or better, and with all Key Stage attainment and achievement results being in the top quartiles nationally. The partnerships are made up of academies and maintained schools working together.

The local authority is proactive in using good and outstanding headteachers to support schools that face particular challenges. This includes developing executive leadership models as well as extensive use of National and Local Leaders of Education (NLE and LLE). The local authority is also a commissioner of support from the local Teaching School Alliances and internal and external academy sponsors. The local authority has developed a quality assured procurement framework which has enabled effective commissioning to support school improvement. The combination of commissioning, partnership work with all schools and a strong central school improvement team has resulted in rapid improvement in Kent schools since 2011, from 58% good and outstanding schools to the present Figure of 74%. The impact to date, while still variable, is a more organised and sustainable school to school support system led by headteachers for the benefit of all schools, supported and overseen by the Kent Association of Headteachers.

The local authority also sees school collaboration as a cost effective means by which schools can negotiate and purchase all services that meet their needs through block purchasing from the local authority.

The local authority sees this as a win-win situation. The schools can afford to access services that they were too small to buy into individually and for the local authority, costs are reduced as they are managing one large contract rather than many small ones. The local authority also believes that this arrangement will continue to benefit schools as they will have more 'buying power' in the market and will therefore have a greater choice of providers.

Case Study: Wigan

Wigan has reduced its spending on school improvement by 78% since 2010 (in 2013-14 the planned expenditure was £16 per pupil). Performance at both Key Stage 2 and Key Stage 4 has increased by 16% and 14% respectively. 84% of schools in Wigan are good or outstanding according to published Ofsted data covering September 2005 to June 2013.

Over several years, Wigan has built a model of school to school collaboration and the vast majority of school improvement funding is delegated to school consortia. The core school improvement team in the local authority consists of only two members of staff. Schools work together in eight autonomous consortia to support school improvement and share expertise. It is the responsibility of the lead headteacher of the relevant consortium to work with a school deemed to be 'at risk' in order to identify areas for development and the support needed. There are two School Improvement Boards in Wigan, one for the primary phase and one for secondary. These boards monitor the effectiveness of improvement plans proposed by the consortia. If a school does not show sufficient improvement, it is for the consortium lead and the relevant School Improvement Board to recommend a way forward, including the possible use of the local authority's formal intervention powers.

Charging for services

During our visits to local authorities, a number of them described how they are charging schools for some education services. This system saves local authorities money and enables them to recover costs, which they can then reinvest in providing education services. The case study from Croydon Borough Council below demonstrates how this approach can be used to deliver almost all ESG related services and can generate savings.

Essex County Council is considering changing its delivery of services to fit with its increasingly commissioning-focussed role. In doing so, it is looking to develop a separate entity that charges schools for services and is also considering developing a private company to deliver services to schools. Bournemouth Borough Council is also increasing and developing the services that it charges schools for and is considering collaboration with other authorities.

By securing services themselves, schools should be able to achieve greater value for money. They will have access to a more competitive market and the freedom to collaborate with other schools to improve their purchasing power. This is illustrated in the Kent case study above and in the Tregonwell Academy Trust case study in Section 5.

Some local authorities have reported negative or zero expenditure against some ESG lines because they are charging for services and therefore recovering costs.

Efficiency savings through restructuring

Smarter and flatter management structures should also be considered when deciding how to make savings. Some local authorities are already generating savings by consolidating back-office functions and we are interested in whether there is scope to do more of this.

Case study: Croydon

School performance at Key Stage 2 has increased by 10% since 2010 and Key Stage 4 performance has increased by 18%. 73% of schools in Croydon are good or outstanding (according to published Ofsted data covering September 2005 to June 2013).

Action to date

In 2011, Croydon established a new programme to charge schools for discretionary education services. In 2012-13, all schools, academies and colleges bought at least one element of the school improvement service through this model. Other services included in this model include the education welfare services, HR and finance support. The local authority currently subsidises the cost of discretionary services with funding of £920,000 per year.

Croydon has significantly reduced funding for its Music and Arts Service. By 2015 the Service will become completely independent of the local authority as part of a charitable trust. Costs associated with premature retirement are passed to maintained schools. Therapies and other health-related services are funded directly by maintained schools from the high needs budget delegated to them by the local authority. Behaviour outreach is provided by a Pupil Referral Unit from which all schools in the area can buy this service.

Proposals for continuing savings

The local authority is examining the education services it provides with the aim of encouraging schools to take on increased responsibility for their own education services. Croydon plans to build on its existing model by creating a new mutual company, which will allow schools, employees and the local authority to be shareholders, and allow the local authority to recover a larger proportion of its costs than the current model. The accountability in the company will be split equally between shareholders, including the local authority and schools.

Croydon plans to include the same services in the mutual company as are currently sold, with the potential to include additional services if there is demand from headteachers to do so.

Croydon's proposals indicate that the mutual company would achieve savings to the local authority of £989,000 over the first two financial years of operation.

Case Study: Darlington

Since 2010, Key Stage 2 attainment has increased by 13% and Key Stage 4 by 18%. Local authority data show that the percentage of pupils achieving Level 4+ in Reading, Writing and Maths has increased by 4% since 2011 and Level 5+ performance also increased 4% over the same period. The three year trend data show at least a 2% increase in expected progress performance for Reading (2%), Writing (4%) and Maths (3%). Eighty-nine percent of schools in Darlington are good or outstanding according to published Ofsted data covering September 2005 to June 2013.

Darlington is focussed on working in partnership with schools and believes that with the growing proportion of schools that are academies, schools should be taking increasing responsibility for delivering services. The local authority and all publicly funded schools in Darlington established an unincorporated trust model in July 2008 as a part of the local school improvement strategy. This included a commitment from schools to share best practice and to support each other. The local authority initially provided some funding for schools to commission joint school improvement support.

The model was developed in 2010 when schools collectively reviewed all the Schools Forum's decisions about spending and identified services that they wished to decommission (e.g. E-Learning) and responsibilities that they wished to take on for themselves, either as individual schools or as schools collectively running services (e.g. support for pupils with English as an additional language as a school responsibility and low incidence SEN support as a service for all schools).

In order to ensure that the arrangement was equally effective for all schools, including small and large schools, rural and urban schools, and oversubscribed schools and those with spare capacity, schools agreed and signed a charter setting out the expectations that they had of each other.

The local authority has achieved savings of around £1 million to their school improvement service through this approach. The savings were made by shifting responsibility for services from the local authority to schools, in keeping with the local authority's view that schools are responsible for their own standards and should be held to account for their performance. The local authority has passed down as much funding as possible to schools to allow this shift in responsibility. The local authority believes that schools in Darlington have all of the resources

necessary to deliver high quality teaching and to buy in specialist support. If performance levels do not rise, the local authority holds the schools to account, and expects them to explain how they have used the money and how they have organised their leadership.

Previously, Darlington had operated a service with 18 school improvement staff plus specialist teams to provide support for, for example, e-learning, low incidence SEN, behaviour and attendance. There are now only two school improvement staff and the other services have been decommissioned or are paid for and run by schools themselves.

4 Clarification on the services funded by the Education Services Grant

- 4.1** This Section sets out how much local authorities report that they are spending on each ESG funded service and the level of variation across the country. We explain what each service line should cover and seek views on whether we should provide further clarity about our expectations. Section 5 gives information about and seeks views on how the planned savings will affect academies. Section 6 then sets out the services included in the local authority retained duties, covered by the £15 per pupil that local authorities receive for all pupils in state-funded schools.

We expect that many local authorities can adopt some of the strategies we have set out in Section 3.2 (such as collaboration and charging for services) to achieve savings to ESG services.

4.2 School improvement

Current spending patterns

The median planned spend on school improvement for 2013-14 is £31 per pupil and the 25th percentile is £19. There is a particularly wide range of expenditure for this service (as shown in Figure 3 in Annex B), with the minimum reported as £0 and the maximum as £239 per pupil. Between 2012-13 and 2013-14, the median spend on school improvement has remained fairly constant (£33 in 2012-13 and £31 in 2013-14) and the total range has increased slightly (£0-£225 in 2012-13 to £0-£239 in 2013-14).

The current position

The school improvement function covers a wide range of services and interventions designed to raise standards. Typically, this includes monitoring school performance, visiting schools to challenge their leadership teams, identifying the support required by schools, and intervening where necessary through, for example, issuing warning notices or appointing an interim executive board to replace the governing body.

The move towards a more autonomous and self-improving school system and the increasing number of schools choosing to become academies has left some local authorities uncertain about their role in school improvement.

A more focussed role for local authorities

Local authorities continue to have statutory responsibilities for educational excellence (as set out in Section 13a of the Education Act 1996). That duty states that a local authority must exercise its education functions with a view to promoting high standards. The education landscape is however changing, and over 60% of secondaries and 14% of primaries are now open academies or in the pipeline to become academies. As that number increases and there are more autonomous schools, there is a greater expectation that schools should lead their own improvement. All schools are now responsible for their own initial teacher training, continuous professional development and leadership development. We know that there are already a growing number of accredited school leaders who are embedding school-led improvement and support, building on the success of the London and City Challenges.

While local authorities have a duty to promote educational standards, they need to do so in the context of the increasing emphasis on school-to-school support and the direct accountability of academies and free schools to the Secretary of State. It is the Secretary of State, not local authorities, who hold academies to account for their performance. We are updating the Schools Causing Concern statutory guidance to make this clear and to support local authorities to fulfil their role in relation to the schools they maintain. As in the past, the guidance will set out the importance of early intervention and of swift and robust action to tackle failure, including the use of Warning Notices and Interim Executive Boards (IEB) in maintained schools.

The guidance will also be clear about the Government's expectation that academy status, with the support of a strong sponsor, is the best way of securing lasting improvement to weak schools. Local authorities should still, however, raise any concerns they have about academies directly with the Department. Beyond the statutory guidance, local authorities continue to have considerable freedom in delivering their statutory responsibilities.

The local authority's statutory functions do not require a highly resource intensive school improvement service. The Department's view is that local authorities who effectively champion excellence:

- understand the performance of maintained schools in their area, using data to identify those schools that require improvement and intervention;
- take swift and effective action when failure occurs in a maintained school, using Warning Notices and IEBs whenever necessary to get leadership and standards back up to at least "good";
- intervene early where the performance of a maintained school is declining, ensuring that schools secure the support needed to improve to at least "good";
- encourage good and outstanding maintained schools to take responsibility for their own improvement and to support other schools;
- build strong working relationships with education leaders in their area and encourage high calibre school leaders to support and challenge others;
- delegate funding to the frontline, so that as much as possible reaches pupils;
- enable maintained schools to purchase from a diverse market of excellent providers;
- signpost where schools can access appropriate support;
- secure strong leadership and governance for maintained schools that are

- not providing a good enough education, by identifying and supporting successful sponsors; and
- seek to work constructively with academies and alert the Department for Education when they have concerns about standards or leadership in an academy.

The relationship between local authority expenditure on school improvement and school performance

We looked at the comprehensive quantitative data, collected under Section 251, to see if sustained planned expenditure in school improvement leads to improvements in school performance. As Figures 4 and 5 in Annex B illustrate, currently the quantitative data does not provide any evidence that this is the case. There are many possible reasons for this lack of evidence, including strong external factors, such as changes to Key Stage 2 assessments and to the Ofsted inspection framework. Highlighted in each of these graphs are examples of local authorities that record a low per pupil expenditure on school improvement and achieve good performance outcomes in their schools (grouped in the blue boxes in Figures 4 and 5).

Given the role of the local authority in school improvement set out above, we believe there is significant scope for many local authorities to make savings on school improvement services. Indeed, we know that many local authorities are already adapting the way they deliver services, including school improvement. As well as the approaches we set out earlier in our case studies, we have also gathered examples of other authorities using third parties to provide school improvement (Surrey and North East Lincolnshire) and of scaling back services so that resources are focused on commissioning, rather than providing services (Essex). We think that there are opportunities for local authorities to learn from each other through sharing best practice and increased collaboration.

4.3 Statutory and regulatory duties

Current spending patterns

Statutory and regulatory duties, on average, made up the greatest share of ESG planned expenditure. As Figure 6 in Annex B shows, the median per pupil planned spend for 2013-14 was £48 and the 25th percentile was £28 per pupil. The level of spending in each local authority has generally remained similar between 2012-13 and 2013-14 with the exception of a few authorities such as Darlington (reduced from £190 to £77 per pupil) which made some savings through restructuring.

What does this cover?

This covers a number of statutory duties (set out in both primary and secondary legislation) that transfer to a school once it becomes an academy. This means that these duties are outside the scope of the £15 that local authorities receive for all pupils in both maintained schools and academies. A list of the duties is provided at Annex A, but in summary they include:

- HR functions, such as advising school governing bodies on the management of staff, determining the conditions of service for non-teaching staff, and functions relating to the dismissal of school staff;
- finance functions including revenue budget preparation, administration of grants, and internal audit; and
- compliance with health and safety.

Our fieldwork and informal discussions with local authorities have shown that there is wide variation in how statutory duties are being interpreted and fulfilled. Most local authorities suggested that the Department should provide clearer definitions of the statutory requirements.

4.4 Education welfare services

Current spending patterns

The median planned expenditure on education welfare services is £14 per pupil in 2013-14 and the 25th percentile was £9. As shown in Figure 7 in Annex B the range of planned per pupil expenditure for this service was high (£0-85) and has increased since 2012-13 (£0-61). The Royal Borough of Kensington and Chelsea had recorded a particularly high planned per pupil expenditure on this service for 2013-14 but they expect this to reduce by around 44% for 2014-15 due to a radical change in service delivery, as the borough moves to collaboration with two other local authorities – to create Triborough (Westminster, Hammersmith and Fulham and Kensington and Chelsea) provision.

What does this cover?

Education welfare services include the employment of Education Welfare Officers (EWOs) to promote the importance of regular school attendance and investigate the causes of poor attendance. EWOs prepare cases and work with the courts on prosecutions and do this working closely with parents, carers and school staff.

EWOs also investigate and monitor employment undertaken by young people aged 16 years and under, to ensure that it is legal and safe and that it does not harm or interrupt their education.

Most elements of this service, such as tracking children missing from education, prosecuting parents whose children do not attend school and safeguarding children in employment are funded by the local authorities retained duties rate (set out in Section 6) because they apply across both maintained schools and academies. Given that this is covered by the £15, we are not clear why there needs to be additional funding in the main ESG budget.

Some local authorities are already adopting different approaches in this area. For example:

- Croydon's behaviour outreach programme is provided by a primary pupil referral unit and other schools can buy into this if they wish;
- in Essex, the police accredit organisations to issue penalty notices. The local authority only gets involved at the point of court proceedings;
- Southwark operates an 'Early Help' programme (including early years and children's centres). The programme includes EWO support and focuses heavily on early intervention. Academies currently purchase this service from the local authority, although some of the larger chains employ their own EWOs;
- North East Lincolnshire is currently reviewing how it funds behaviour and attendance support given the increasing number of academies in the area. It is currently working with a third party organisation to develop a service that can be purchased by both academies and maintained schools.

The relationship between local authority expenditure on education welfare services and absence and exclusion rates in schools

We looked at Section 251 data for all local authorities, to see if planned expenditure on education welfare services leads to any improvement (decrease) in absence rates or any change in exclusion rates. Currently the quantitative data do not provide any evidence that this is the case. We would like to investigate the mechanisms behind the high variability in the relationship between expenditure and outcomes for education welfare services and we aim to gather more evidence on this through the responses to the consultation questions.

Figure 8 in Annex B highlights a group of local authorities that record a low per pupil expenditure on education welfare services and achieve good attendance (grouped in the blue box).

Given the apparent duplication of funding of education welfare services through both the standard ESG rate and the local authority retained duties rate, as well as the lack of evidence of a link between high expenditure on education welfare services at local authority level and good outcomes at school level, we believe there could be significant scope for savings to this service

4.5 Central support services

Current spending patterns

The median planned expenditure on central support services across all local authorities (2013-14) was £6 per pupil and the 25th percentile is £1. As shown in Figure 9 in Annex B, there was a very high range of expenditure on this service, with the lowest being -£10 (in Cumbria, see detail of this below) and the highest £155. The spending pattern on this service remained similar between 2012-13 and 2013-14, although some local authorities reduced spending significantly in this period, for example Central Bedfordshire local authority (£40 per pupil in 2012-13 and £12 per pupil in 2013-14) which made a 70% saving between 2012-13 and 2013-14, part of which can be attributed to efficiencies.

What does this cover?

This category of expenditure typically funds pupil support and extra-curricular activities. This includes: providing clothing grants; board and lodging grants; outdoor education, including field studies; music services; and visual and performing arts services.

As schools have greater autonomy over how they spend their money and in delivering the curriculum, we believe there is a limited role for local authorities in providing these services. This does not necessarily mean that local authorities should step back completely. They could commission services for schools and charge where appropriate (as exemplified in Section 3.2). Our fieldwork found that authorities were increasingly transferring responsibility for funding these services to schools, particularly on visual and performing arts and outdoor education.

Cumbria's reported spend on this service is -£10 per pupil because the authority sells some of its central support services (such as its Music Service, two outdoor activity centres and its Learning Support Service) and forecast that, in 2013-14, it will have gained around £10 per pupil (or around £540,000) overall by doing this. The revenue is then reinvested to pay for council overheads, HR and business support services.

Our expectation is that music services should now be funded through music education hubs (which can cover one or more local authority areas) and from school budgets, not from the ESG. More information on music education hubs can be found on the Arts Council website³.

³ <http://www.artscouncil.org.uk/>

4.6 Asset management

Current spending patterns

The median planned expenditure on this service for 2013-14 was £7 per pupil and the 25th percentile was £3. As shown in Figure 10 in Annex B, there was a high range of planned expenditure on this service (-£1⁴ per pupil to £129 per pupil). Overall, the pattern of spending on this service has remained similar between 2012-13 and 2013-14. Some local authorities have, however, achieved a saving in this period. For example, Doncaster has reduced its expenditure from £32 per pupil in 2012-13 to £0 in 2013-14 and Reading has reduced its spending from £16 per pupil to £5 over the same period, both by delegating these costs to schools.

What does this cover?

This is intended to support the effective and efficient management of school buildings and resources. However, much of the maintenance of school buildings is now dealt with by schools themselves from their delegated revenue and capital budgets.

Asset management also forms part of the £15 per pupil that local authorities receive for pupils in both academies and maintained schools (see Section 6). The £15 paid to local authorities is intended to cover necessary expenditure on capital programme planning, management of Private Finance Initiative contracts and administration of academy leases. There is no clear evidence on what is paid for by the separately reported funding for asset management *outside* this £15, and we therefore consider that there is scope for local authorities to cease to fund this separately.

⁴ We do not know at this stage why this local authority has recorded a negative planned expenditure on this service and we will explore this during the consultation period.

4.7 Premature retirement costs/ redundancy costs (new provisions)

Current spending patterns

More than half of local authorities did not spend any money on premature retirement or redundancy costs. As shown in Figure 11 in Annex B, the range of planned expenditure was £0-86 per pupil and the spending pattern has remained fairly constant since 2012-13. In 2013-14, 52% of local authorities reported no expenditure for this service.

In the case of Herefordshire, over a seven year period, the authority was experiencing falling rolls. This has now ended and has allowed them to reduce their redundancy costs. Herefordshire are taking steps to reduce redundancy costs further by capping redundancy payments at £450 per week, which will reduce the cost of each redundancy and reduce the number of voluntary redundancies taken by staff.

What does this cover?

This category of expenditure is intended to fund the costs associated with changes to school staffing structures – specifically when the school takes the decision to offer early retirement to employees, or where redundancies are necessary.

The statutory framework differs between early retirement and redundancy. In the case of early retirement, schools have a statutory responsibility for the cost, unless the local authority agrees to meet it. For redundancy, the cost falls to the local authority unless it has good reason to charge it to the school. ESG funding is therefore intended primarily for the cost of redundancy rather than early retirement. Any continuing costs in subsequent years fall within a line of Section 251 that is not covered by ESG, but is part of general local authority funding. ESG is not intended to cover historical costs associated with previous early retirements and redundancies (for example, in cases where the cost of redundancies are spread over a number of years).

4.8 Therapies and other health-related services

Current spending patterns

More than half of local authorities did not spend any money on therapies and other health-related services. As shown in Figure 12 in Annex B, the range of spending in 2013-14 was £0-£100 per pupil (the second highest planned expenditure was £30 per pupil). The median expenditure has remained constant between 2012-13 and 2013-14, but some local authorities have reduced spending significantly in this period, for example Stoke on Trent (£31 per pupil in 2012-13 and £17 per pupil in 2013-14) and Windsor and Maidenhead (£21 per pupil in 2012-13 and £4 per pupil in 2013-14), by funding therapies and other health-related services from their high needs budget.

What does this cover?

Local authorities currently work with health authorities to fund therapies and health services for children with additional needs. Historically, the arrangements have been that in cases where pupils require therapies in order to access education, the financial cost is met by the local authority. When the therapy is required but is not essential for the child to access education, then the cost is met by the health authority.

During the fieldwork some local authorities told us that they do not tend to use ESG for therapies and instead fund this service from their high needs budget.

There will be changes in the way that therapies are funded locally, as a result of the Children and Families Act 2014. The Act encourages better joint working between health commissioning bodies and local authorities. As a result of this, we think the need to fund therapies and other health-related services may be reduced by the improved joint working between education and health authorities.

4.9 Monitoring national curriculum assessment

Current spending patterns

This service was, on average, the lowest area of planned expenditure across all local authorities for 2013-14, as shown in Figure 13 in Annex B. More than half of local authorities did not spend any money on monitoring national curriculum assessments. The range of planned expenditure was between £0 and £25 per pupil in 2013-14.

What does this cover?

This category of expenditure is intended to cover the costs associated with monitoring national curriculum assessment arrangements. This includes activities such as:

- moderation of Key Stage 1 teacher assessments;
- monitoring of school arrangements to ensure that national curriculum tests and phonics checks are conducted under exam conditions; and
- an overall duty to investigate any allegations of cheating or maladministration.

The local authority provides this service for all maintained schools. Every academy has freedom to choose a moderation or monitoring provider but the home local authority is responsible for ensuring that the service is delivered to the academy in the same manner as a maintained school.

Some authorities, including the Triborough (Westminster, Hammersmith and Fulham and Kensington and Chelsea), have reduced administration costs and maintained standards of moderation and monitoring to schools by pooling resource with neighbouring local authorities. Partnering their process with school based staff or teaching schools has reduced central costs whilst also increasing the skills of school based staff.

5 How the savings will affect academies

- 5.1** The basic ESG rate paid to academies in academic year 2015 to 16 will reduce by the same proportion as we will apply to local authorities. We will consider what protection will be applied to academy ESG budgets for academic year 2015 to 16.

Our aim is to ensure that, over time, local authorities and academies receive the same ESG rate. We have already announced that, for academic year 2014/15, academies will receive a top-up of £27 and that we have introduced a new special protection that ensures that the loss incurred by any academy as a result of the changes in ESG and SEN LACSEG in academic year 2014/15 cannot exceed 1% of its total budget (including its post-16 funding) in academic year 2013/14.

Information from the fieldwork

During our fieldwork we collected evidence of academies using ESG funding efficiently and achieving savings. Many of the approaches taken by academies, such as collaboration, are similar to those described in Section 3.2 for local authorities.

Savings achieved through increased choice of services and providers

Academies can buy their own services to achieve greater value for money and to make informed choices about the types of services that they need. We have found examples of academies making strategic decisions about where to source services. For example, Invicta Grammar School (Kent) reported that it has saved money through buying services directly from suppliers which also had the benefit of allowing the school a direct relationship with all its providers. Kirkby High School (Knowsley) also takes this approach: it buys the services of an educational psychologist (as part of the education welfare service) on an hourly basis, meaning that it pays only for the level of service that it needs.

Savings achieved through charging for services

The TBAP Multi-Academy Trust (which includes the Bridge AP Academy in Hammersmith and Fulham) is developing a new pupil support service that other schools can choose to buy into.

The following case study about Tregonwell Academy Trust in Bournemouth illustrates a successful model for schools to charge for providing services, enabling it to recover costs to reinvest in education services. Bournemouth Borough Council told us that academies are increasingly buying services from each other as well as buying them from the local authority and other private providers.

Case Study: Tregonwell Academy Trust, Bournemouth

This multi academy trust includes four schools: two primary, one secondary and one alternative provision.

Charging for services

The executive head of the four academies is an appointed National Leader of Education, and the schools have been selected as National Support Schools. The Trust provides leadership support to underperforming schools, for example schools in Ofsted categories or those in the process of converting to academies.

Two of the schools in the Trust specialise in supporting pupils with behavioural difficulties. They have begun to market and sell their behavioural support service to other schools. The marketing includes the distribution of leaflets and brochures, and relies heavily on their previous success and recommendations.

The Trust charges local authorities and maintained schools for some services. Initially the executive head provided all of the services. As the Trust became more established, it built its team to include additional specialist staff to manage the demand. The costs recovered are reinvested in the Trust. Charging for these services provides a strong revenue stream for the schools.

The Trust is considering charging for additional services, including business services. It has some experience in this, having been asked to undertake a pilot on behalf of the National College for Teaching and Leadership. Now that the Trust employs a business team (business director and finance director supported by finance managers and support staff) it feels it is in a strong position to begin charging for this service.

General efficiencies

The Trust has made savings on administrative costs by negotiating on prices for services and salaries. The Trust believes that when procuring larger contracts (for four academies as opposed to one stand alone academy) it has greater negotiating power to secure value for money.

The Trust has also reduced its staff number compared to when the schools were separate; it now shares teams between all four schools. The Trust can also afford to replace services that it previously bought with an in-house service: for example, it employs one full time estate manager to look after all the school estates. The estate manager has business experience, and local knowledge, so can secure high quality services on behalf of the Trust.

6 The local authority retained duties funding

6.1 When we created the ESG we acknowledged that there are some statutory functions that remain with local authorities and do not pass to academies. Following consultation, we decided to separate funding for these retained duties and allocate it on a per pupil basis, at a rate of £15 per pupil, for every pupil in maintained schools and academies in the local authority area. This is allocated in addition to the standard £116 per pupil in maintained schools that local authorities receive for 2013-14 and the £113 they will receive for 2014-15. This Section considers whether there is scope to reduce this £15 per pupil in 2015-16.

The duties that are covered by the £15 fall into three of the ESG budget lines as listed below.

Education welfare services

Local authorities are responsible for most aspects of education welfare for children in academies. These duties include: prosecution of parents for non-attendance; tracking children missing from education; and issues relating to child employment.

We believe these services are important but, as set out in Section 4, our analysis does not demonstrate a discernible link between expenditure on education welfare services and attendance. This suggests that there could be scope for savings to be made to this budget.

Asset management

Academies do not receive capital funding to cover asset management, and therefore some degree of local authority expenditure on the management of academy buildings is to be expected, to cover services such as capital programme planning and functions relating to academy leases.

Statutory and regulatory duties

Given that all central services transfer to academies, we believe there is likely to be scope to reduce expenditure on finance, HR and legal functions covered by the funding for LA retained duties. This budget line also includes the strategic planning of children's services. Local authorities should be looking to use innovative ways of delivering services, such as collaboration or charging for services as discussed in Section 3.2, and are therefore likely to be able to reduce expenditure on all statutory and regulatory duties.

7 Next steps

- 7.1 We will consider the responses to the consultation in deciding the level of savings we will ultimately make to the Education Services Grant in 2015-16. We will publish final details, including changes to allocation of the grant, later this year alongside guidance to assist local authorities and academies in achieving the required savings.

8 How To Respond

- 8.1 Consultation responses can be completed online at www.education.gov.uk/consultations

by emailing: esg.CONULTATION@education.gsi.gov.uk

or by downloading a response form which should be completed and sent to:

Emily Barbour
Funding Policy Unit
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

9 Additional Copies

- 9.1 Additional copies are available electronically and can be downloaded from the Department for Education e-consultation website at: www.education.gov.uk/consultations

10 Plans for making results public

- 10.1 The results of the consultation and the Department's response will be published on the Department for Education e-consultation website in summer 2014.