

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>9<sup>th</sup> July</b>
3.	<b>Title:</b>	<b>School Funding 2015/16 and Beyond</b>
4.	<b>Directorate:</b>	<b>Children and Young People's Services</b>

### 5. Summary

This report provides Members with details of recent Government announcements with regard to future funding for schools and summarises the potential financial implications for the local authority, its maintained schools and academies

- On the 27<sup>th</sup> March the Department for Education (DfE) issued the Consultation: Savings to the Education Services Grant (ESG) for 2015/16.
- On the 13<sup>th</sup> April the DfE issued the Consultation: Fairer Schools Funding in 2015/16 which set out the Departments proposal to allocate an additional £350m to Local Authorities for School Funding from 2015/16.
- On the 6<sup>th</sup> May 2014 HM Treasury (HMT) published the final Directions and the expected outcome of the Teachers' Pension Scheme valuation resulting in an increase in the employer contribution rate.

### 6. Recommendations

**Cabinet is asked to note the details of the Government announcements and the potential financial implications for the Council, Rotherham Schools and Academies.**

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## 7. Proposals and Details

### 7.1 Background

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 relevant funding amount to be recouped annually from local authorities and paid over to academies was based on how much the local authority spent each year on such services. This methodology led to a significant fluctuation and variation across the country in the amounts paid over by each local authority making it difficult for the local authority to estimate 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 document that set out proposals for simplifying the LACSEG arrangements and creating a new grant paid on a simple per pupil basis – the Education Support Grant (ESG). Grant Academies receive the same basic rate per pupil but will also receive transitional protection.

The grant is paid to local authorities in place of Revenue Support Grant. As the number of schools converting to an academy increases in a local authority area, the value of ESG paid to a local authority is reduced.

The services deemed to be funded from ESG are: education welfare services, asset management, central support services, statutory and regulatory duties, premature retirement costs/redundancy costs (new provisions), therapies and other health related services, monitoring national curriculum assessment.

In addition to the basic ESG rate, local authorities received an additional amount per pupil for all pupils attending a state-funded school in 2013-14 (regardless of whether it is a maintained school or an academy). This is to enable local authorities to fulfil the statutory duties that do not transfer to academies. These duties are: education welfare services, asset management, and statutory and regulatory duties.

#### 7.1.1 Proposals

The June 2013 Spending Round announced that DfE would need to make £200 million (around 20%) of savings from the ESG in 2015/16 with the stated priority being 'the protection of core school budgets'. The consultation seeks responses as to how the £200m reduction in funding might be dealt with by Local Authorities.

To help inform the consultation, the DfE visited 18 authorities and 13 academies across the country to gain an understanding of how they each prioritised and spent their ESG. This analysis led them to suggest areas where efficiencies might be obtained by Local Authorities - these are outlined in the consultation and are summarised briefly below:

- **Collaboration** – collaboration with other Local Authorities, facilitation of collaboration between schools; thus achieving economies of scale and increased buying power.
- **Charging for Services** - charging schools for some education services, thus saving local authorities money and enabling cost recovery to reinvest in providing education services.
- **Efficiency Savings through restructuring** –consideration of smarter and flatter management structures and consolidation of back-office functions.

### 7.1.2 Impact on Rotherham MBC

For 2013/14 the amount of ESG paid was £4.679m. For 2014/15, due to the estimated number of academy convertors during the year, the value of grant to be paid is expected to reduce by approximately £1.2m and by a similar amount in 2015/16. These anticipated grant reductions will contribute to the overall funding gap of the Council as the reduction in grant has been treated as a corporate matter. The estimated grant reductions have been taken in to account in the Council's financial planning.

Rotherham Planned expenditure per pupil for 2013/14 when compared to all England local authorities shows that the Council is either similar to or lower than the England average, but is lower than the maximum. (N.B – DfE benchmarking information for planned expenditure 2014/15 is due to be published in August)

Service	All England Average £ per Pupil	Planned Expenditure Per Pupil 2013/14			
		Maximum £ Per pupil All England	Minimum £ Per pupil All England	£ per Pupil – Rotherham Planned Spend 2013/14	Rotherham £ Per Pupil Compared to All England +/-
School Improvement	31	239	-2	19	-12
Statutory and Regulatory Duties	48	324	-6	7	-41
Education Welfare Services	14	85	0	15	+1
Central Support Services	6	155	-10	14	+8
Asset Management	2	129	-1	7	+5
Premature Retirement Costs/Redundancy Costs (new provisions)	0	86	0	0	0
Therapies and Other Health Related Services	3	100	0	3	0
Monitoring National Curriculum Assessment	0	25	0	0	0

It is not yet known how the reduction of £200million of ESG nationally will be applied, however the above shows that there is little scope for reduction in expenditure in the service areas based on the above comparator information and given that the number of academies opening in Rotherham is increasing.

### 7.2 Consultation: Fairer Schools Funding in 2015/16

The Consultation – Fairer Schools Funding in 2015-16 issued by the Department for Education (DfE) on the 13<sup>th</sup> March 2014 sets out the DfE's proposal to allocate an additional £350m to Local Authorities in 2015/16 financial year.

## 7.2.1 The Government's Proposal

To give every local area a minimum level of funding for each of its pupils and schools (Dedicated Schools Grant – Schools Block), making the distribution of funding to local areas fairer whilst ensuring no area receives a cut to its per-pupil budget.

The consultation invites views on how to set the minimum funding levels, and how the Department should distribute the additional £350m funding.

DfE calculations estimated that 62 Authorities currently attract less than the indicative minimum funding levels. This calculation is based on October 2013 schools pupil number Census and the 2013/14 factor values which drive the level of funding to individual schools budgets. The authorities that are likely to attract funding will gain between £24.5m (Surrey) and £0.4m (Bedford).

In 2014/15 the amount of Dedicated Schools Grant allocated to Rotherham Schools Block (Total £183.773m) on a per pupil basis (£4,844.16) ranks 32<sup>nd</sup> out of 151 England authorities and is 3.5% higher than the Metropolitan Authority average and 6.8% higher than the Yorkshire and the Humber average.

## 7.2.2 Impact on Rotherham MBC

The DfE calculation for Rotherham estimates that the level of funding to be allocated to the Council's schools in 2015/16 will be standstill in cash terms – **Rotherham is not expected to benefit or lose as a result of the proposals.**

## 7.3 Teachers' Pension Scheme Valuation

### 7.3.1 Proposals

The Government Actuary's Department published its final report on the 9<sup>th</sup> June confirming a total (employee / employer) **contribution rate of 26%** from September 2015. . Given the Teachers' Pension Scheme proposed final agreement provides that Scheme Members will pay an average contribution rate of 9.6% the new employer contribution rate will be **16.4%** which will be payable from September 2015. Until then, the existing rate of 14.1% will be payable.

. The Department for Education will be consulting in April 2015 on implementation of the new contribution rate. The new employer rate will be payable until the outcome of the following valuation is implemented, which is expected to be April 2019.

### 7.3.2 Impact on Rotherham MBC

Assuming pay awards of 1% and estimated teachers' pensionable pay of £74.9m in 2015/16 a 2.3% increase in employer's contributions would cost approximately £1.7m (excluding the impact of any proposed academy conversions).

Of the total of teachers' pensionable pay (£74.9m) approximately £0.5m relates to teachers who are employed directly by the Children and Young People's Service. The resulting pressure on the Directorate will be around £12k per year.

The remaining pressure will need to be met by individual schools and academy budgets for which the DfE have indicated that there will be no additional funding.

## **8. Finance**

**The Financial issues are covered in 7. Above.**

## **9. Risks and Uncertainties**

**Schools and academies:** There is a risk that existing cost pressures and those resulting from the increase in pension costs will result in individual school and academy budget deficits in 2015/16 and beyond.

**The Council:** the impact of the Fairer Schools Funding consultation will not impact directly on Council budgets however, it may result in a reduction in the value of services purchased by Schools and Academies from the Council. It is not yet known how the proposed reduction in Education Services Grant will be distributed to local authorities, but there is already an increasing pressure on the Council budget due to the increasing number of academies opening. It is possible, but not certain at this time, that the pressure could be increased further should the level of ESG given to authorities is reduced significantly at a local level.

## **10. Policy and Performance Agenda Implications**

Stimulating the local economy and helping local people into work

- We will focus on all children, young people and their families to improve their qualifications and skills and for them to be economically active through lifelong learning

## **11. Background Papers and Consultation**

**DfE Consultation Document: Savings to the Education Services Grant for 2015/16**

**DfE Consultation Document: Fairer Schools Funding in 2015/16**

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