



## **LGA/SOLACE response to the DfE consultation on Savings to the Education Services Grant for 2015 – 16**

### **Summary**

Councils have already made, and continue to make, cuts and efficiencies in their education services as a result of an unprecedented funding reduction over the last three year across the local government sector. We oppose the proposed additional cut of 20%, which will put further pressure on the ability of councils to support schools to improve and hold them to account for their performance. The recent events in Birmingham underline the important role that councils have ensuring high standards of performance and conduct in schools.

There is confusion about the role of councils with respect to academies. The LGA and Solace have called for stronger and clearer council powers of intervention in all schools. Recent statutory guidance from DfE encourages councils to concentrate their school improvement effort on maintained schools – which account for 82% of all schools. However, Ofsted inspectors support our view that councils retain a statutory responsibility for all schools in an area.

We take issue with many of the figures outlined in the consultation, as we believe them to be based on poor quality and inconsistent data. CIPFA has found the S251 data on which they are based to be 'unfit for purpose'. The Education Services Grant (ESG) is not ring-fenced so it is difficult to identify spending on specific services. Councils view ESG as part of their overall revenue budget, so will not necessarily cut education services to offset this proposed additional £200 million cut to funding to local government.

We do not believe that treating pupils in academies more favourably than those in maintained schools is fair and one area where savings could be found is in the additional protection already given to academies. We consider that the best way forward would be to establish the actual costs and spending on central services in academies and councils and see whether any savings can be found through this route.

**LGA and Solace oppose the proposed additional cut to council budgets of 20% of their ESG allocation, which will put further pressure on the ability of councils to support schools to improve and hold them to account for their performance.**

Councils have seen the biggest cuts in the public sector, with a 40% reduction in their grants from Government over the period since 2010. In 2012-13 there was an 11.4% reduction in net spending on local authority education functions, according to DCLG figures<sup>i</sup>. The implication in the consultation paper that councils need to look at innovative ways of making savings takes no account of the substantial savings that councils have already had to make as a result of significant reductions in their overall funding.

An LGA survey carried out in October 2013 found that the number of education improvement professionals employed by councils has reduced by 55% since the previous survey in 2011.<sup>ii</sup> A Solace survey on children's services last year also indicated that 84% of Chief Executives and Senior officers surveyed had seen their authorities cut their education workforce since 2010, while 79% had maintained or increased their children's social care workforce over the same period.<sup>iii</sup>

The consultation paper includes a number of case studies demonstrating where councils have been able to make savings. The reality is that all councils have had to make savings. They are already increasingly playing the 'more focused role' advocated in the paper, with schools increasingly taking responsibility for their own improvement and supporting other schools to improve. However, the recent events in Birmingham underline the important role that councils have ensuring high standards of performance and conduct in all schools.

Our joint report 'The council role in school improvement'<sup>iv</sup> includes a number of other examples, including Solihull which reduced the cost of school improvement services from £3.25 million to £1.25 million through a Lean Review. Devon has established a joint venture with Babcock International and transferred 300 staff to the new organisation. Hertfordshire set up 'Herts for Learning' in response to a reduction in funding for school improvement support from £84 per pupil to £27 per pupil. Durham has managed to provide a rich improvement offer by running school improvement as a traded service for more than 10 years. More than 97 per cent of its schools buy into the service, which trades across the county borders to support schools in Northumberland, Sunderland, Hartlepool and Manchester.

**There is confusion about the role of councils with respect to academies.**

One of the major challenges facing the local government sector is that the statutory and regulatory framework for their role in education remains confused. The LGA and Solace have called for stronger council powers of intervention in all schools. Parents need to know who they can go to if they have concerns about a school. So a simplified accountability system is needed which allows local councils to scrutinise and hold all schools to account regardless of their day-to-day management and governance arrangements.

There also appears to be a growing divide between the views of the Department for Education and Ofsted about the council role. For example, the consultation states in 4.3 that ‘it is the Secretary of State, not local authorities, who hold academies to account for their performance’. It also cites the Department’s view that local authorities who effectively champion excellence ‘understand the performance of maintained schools in their area’.

Yet in a letter to the Director of Children’s Services at North East Lincolnshire Council published last week (12<sup>th</sup> June) following focussed school inspections in that area, Ofsted identifies as an area of improvement ‘*processes to support and challenge underperforming academies are in place, but inspection evidence raises concerns about the rigour, depth and impact of these arrangements*’<sup>v</sup>

Councils continue to have wide-ranging statutory duties to promote high standards in education in their areas, as well as important duties to make sure there are sufficient school places locally and to support the most vulnerable pupils. In May last year Ofsted introduced a new inspection regime which inspects their knowledge of school performance and their ability to challenge and support all local schools. In this context we consider it particularly important that the £15 per pupil focused on statutory and regulatory duties is not reduced. Our estimate, on the basis of costing work with councils that we carried out prior to ESG replacing LACSEG, was that it cost councils £55 per pupil in 2012-13 to carry out these duties for all schools, including academies.

One of the suggestions made is that local authority funding for music services should cease. The consultation paper says the expectation is that such services should now be funded through music hubs. But as a campaign by ISM (Incorporated Society of Musicians) has highlighted, the DfE’s music plan includes an expectation that funding will come from local authorities.<sup>vi</sup>

**We take issue with many of the figures outlined in the consultation, as we believe them to be based on poor quality and inconsistent data.**

The consultation paper acknowledges that the Section 251 data that is used to compare council expenditure includes “variation in how local authorities record expenditure and interpret budget lines that could cause artificial variation in results”. This seriously understates the concerns that are widely shared across central and local government about the unreliability of S251 data, which CIPFA has found is “not fit for purpose”.

The figures given in the consultation suggest that councils are, on average, spending in line with the per pupil funding rates they are given for ESG. However, we do not believe that the data showing wide variation in spending on specific elements can be relied upon. This data, in reality, is more likely to reflect variations in the way that councils record spending on the S251 than it is to reflect real differences in spending.

The Education Services Grant is not a ring-fenced grant and as the consultation paper acknowledges, councils “do not consider ESG funding in isolation, but rather as part of their overall revenue budget”. When councils set their budget they do not have a note of their ESG allocation and the list of the services it is designed to support. They make decisions on the basis of the

wide-ranging statutory duties they have<sup>vii</sup> and the total amount of funding available to them. So we believe that the underlying premise of this consultation – that councils should be able to identify and account for the spending of this tranche of ‘DfE money’ - is fundamentally flawed.

As ESG is not ring fenced, it is also entirely a matter for councils to decide how they best strike a balance between different types of spending in a way which reflects the needs and particular context of their place. For example, the LGA survey referred to above found that while there had been a 55% reduction in school improvement staff, the number of educational psychologists employed by councils had only fallen by 14%, which shows that councils are making decisions about which areas to cut and which to protect.

The consultation asks about which services can be cut, or which councils should charge schools for, but the reality is that councils are already responding to cuts by developing a variety of models for supporting schools, as the case studies in the consultation paper and above show. There is no single model, so there is no straightforward answer to the question about what councils should no longer do.

Further, given the unrestricted nature of the ESG and other local government funding, there is also no guarantee that a 20% cut to ESG, will result in further cuts in support for schools. As is their right, local authorities may instead choose to cut other areas, such as planning, highways or economic development: areas that have seen the biggest cuts so far.

**We do not believe that treating pupils in academies more favourably than those in maintained schools is fair. The best way forward would be to establish the actual costs and spending on central services in academies and councils and see whether any savings can be found through this route.**

One area where savings could be found is in the additional protection already given to academies, which receive £140 funding per pupil, compared to £113 per pupil for pupils in maintained schools. Although the consultation paper argues that this protection comes from outside the ESG budget, it presumably comes from the unprotected part of the DfE budget on which it is seeking to make savings. We do not believe that treating pupils in academies more favourably than those in maintained schools is fair and this inequity contributes to the £720 extra per pupil, on average, that students in secondary academies receive as compared to pupils in maintained schools<sup>viii</sup>.

The Education Services Grant replaced the Local Authority Central Spend Equivalent Grant which was paid to academies to cover the cost of services that local authorities provide centrally to maintained schools. LACSEG was calculated on the basis of a DfE estimate of the cost of these services, authority by authority.

ESG moved from this to a simple per pupil amount. However the government did not seek to baseline the costs of these services for academies; instead it worked on the basis of s.251 local authority expenditure. We have already set out our deep concerns about the accuracy of S251 data.

It has been argued in the past there were not enough academies open to carry out an exercise to determine the real costs incurred by academies for the central services that ESG is meant to support. The LGA and Solace consider that, with over 3,500 academies now open, there should now be a sufficient sample to conduct a meaningful survey. However the DfE 'deep dive' exercise does not appear to have talked to academies in sufficient numbers to get a picture of their expenditure on these services and there is very little account in the consultation paper of what academies use ESG for.

We therefore recommend that the DfE carry out an exercise with academy trusts of all sorts, both multi-trust and single convertor academies, to baseline the real costs of additional expenditure which the academies have to incur because they are not local authority maintained schools. This would include, for example, the higher costs of the more demanding financial framework involving audited accounts and the responsibilities of academy trusts to the Education Funding Agency.

Having established an average cost per pupil, this should be paid to academies and to authorities in respect of maintained schools, so that pupils in each sector are treated on an equal basis. If savings can be found then they should be returned to Revenue Support Grant, less the £200m reduction proposed.

## **About the Local Government Association**

The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government. We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

## **About Solace**

Solace (the Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector in the UK. We are committed to promoting public sector excellence. We provide our members with opportunities for personal and professional development, and seek to influence debate around the future of public services to ensure that policy and legislation are informed by the experience and expertise of our members. Whilst the vast majority of Solace members work in local government we also have members in senior positions in health authorities, police and fire authorities and central government.

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<sup>i</sup> Revenue Outturn return for 2011-12 and 2012-13

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- <sup>ii</sup> Soulbury Workforce Survey 2014: [http://www.local.gov.uk/workforce-education-and-young-people/-/journal\\_content/56/10180/3510514/ARTICLE](http://www.local.gov.uk/workforce-education-and-young-people/-/journal_content/56/10180/3510514/ARTICLE)
- <sup>iii</sup> Solace Children's Services Survey, 2013  
[http://www.solace.org.uk/knowledge/reports\\_guides/Reclaiming-childrens-services-may14.pdf](http://www.solace.org.uk/knowledge/reports_guides/Reclaiming-childrens-services-may14.pdf)
- <sup>iv</sup> [http://www.local.gov.uk/web/guest/schools-and-education/-/journal\\_content/56/10180/4024029/ARTICLE](http://www.local.gov.uk/web/guest/schools-and-education/-/journal_content/56/10180/4024029/ARTICLE)
- <sup>v</sup> NE Lincs letter on the Ofsted website: <http://www.ofsted.gov.uk/local-authorities/north-east-lincolnshire>
- <sup>vi</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/180973/DFE-00086-2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/180973/DFE-00086-2011.pdf)
- <sup>vii</sup> 1,294 council statutory duties were listed in the DCLG review 200 of them 'owned' by DfE:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7541/1934356.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7541/1934356.pdf)
- <sup>viii</sup> 2011/12 the median total income (£ Per Pupil) for academies (secondary with KS4) was £720 higher than maintained schools and the median figure for primary academies was £419:  
<http://www.education.gov.uk/schools/performance/download/SFR24-2013.pdf>