



## Education Services Grant (ESG) – a guide to changes for the 2015 to 2016 academic year

The Department for Education (DfE) recently announced [changes to ESG](#) for the 2015 to 2016 academic year. This note provides additional information for academies and free schools and explains how the tapered protection works.

In the 2014 to 2015 academic year the rate per pupil of Education Services Grant (ESG) paid to academies comprises:

- basic per pupil rate of £113 plus a top-up of £27 per pupil for mainstream academies and free schools
- academies receiving SEN LACSEG in 2012 to 2013 have 50% deducted in 2014 to 2015<sup>1</sup>
- a protection to ensure that the loss incurred by any academy as a result of the changes in ESG and SEN LACSEG cannot exceed 1% of its total budget (including post-16) in 2013 to 2014

For the 2015 to 2016 academic year the rate per pupil of ESG paid to academies will comprise:

- basic per pupil rate of £87 for mainstream academies and free schools with no per pupil top-up
- the remaining 50% of 2012 to 2013 SEN LACSEG will be deducted
- a protection against reductions to ESG and the removal of SEN LACSEG

The multiplier<sup>2</sup> applied to uplift ESG for special and alternative provision (AP) academies will remain the same in the 2015 to 2016 academic year as in 2014 to 2015: 4.25 for special academies and 3.75 for AP academies.

---

<sup>1</sup> From 2011/12 local authorities were given responsibility for providing Special Educational Needs (SEN) services to academies free of charge. Academies continued to receive money directly from the DfE for these services until academic year 2012/13, which meant they were double funded. This element of LACSEG ceased to be paid in academic year 2013/14 but was included in academies' baselines for calculation of the minimum funding guarantee. We announced in February 2014 that we would recover the overpayment made in academic year 2012/13 over two academic year allocations: 50% in 2014/15 and 50% in 2015/16.

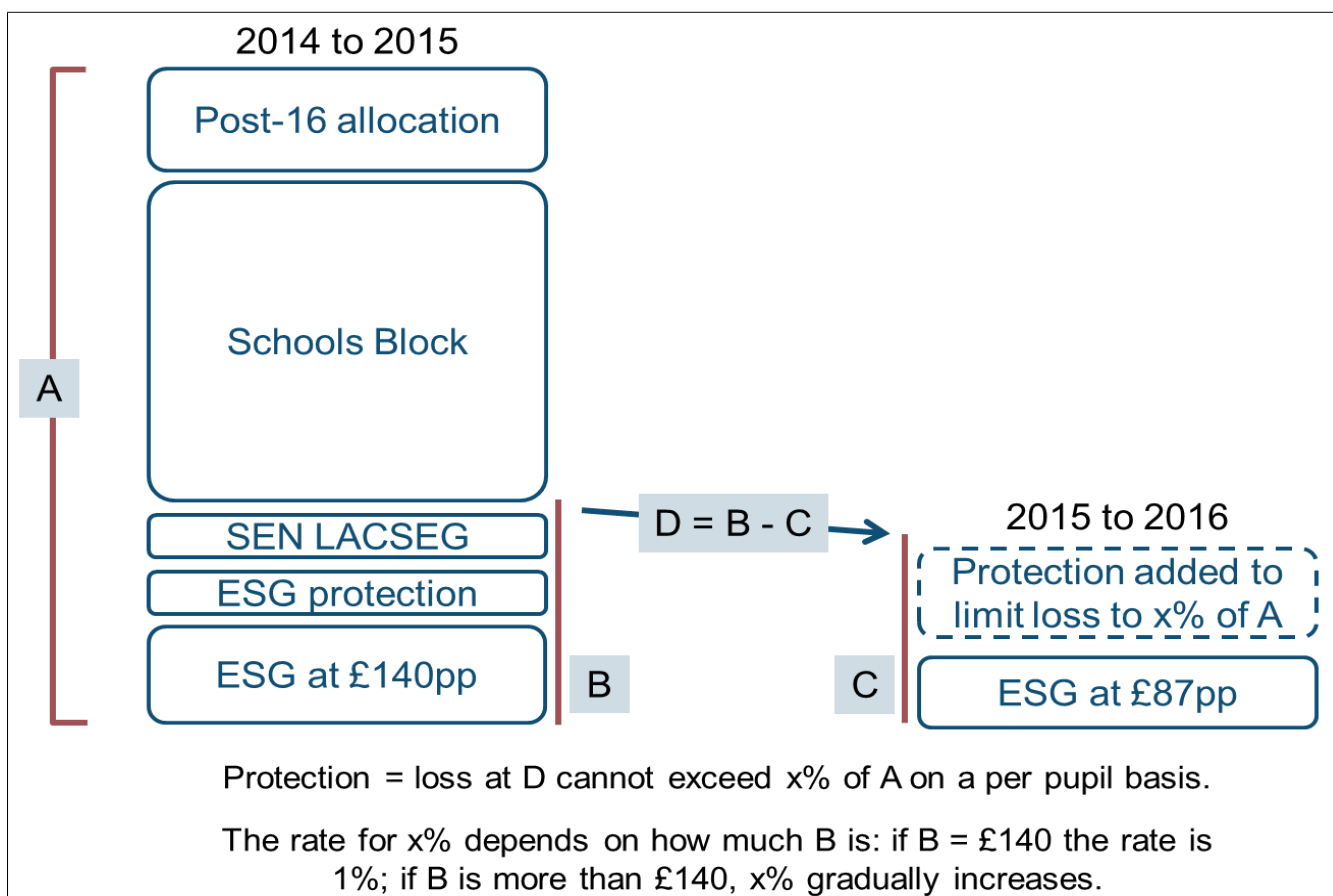
<sup>2</sup> Special schools, special academies, pupil referral units (PRUs) and alternative provision (AP) academies have smaller group sizes and offer intensive support, which means they need more space per pupil and have much higher staffing ratios - around four to five times higher than in mainstream settings. These factors all result in increased overheads and higher staff-related costs.

## Protection in the 2015 to 2016 academic year

A protection will be applied to minimise the losses for academies as a result of changes to ESG. This will be similar to the protection that operated in 2014 to 2015, but will be a tapered protection, not a flat rate.

The protection takes account of the reduction in funding and limits it to a calculated amount relative to the academy's whole school budget (including post-16). Each academy will therefore have its own level of protection. The protection ensures that the loss in funding resulting from these changes cannot be greater than a specified percentage of the overall budget on a per pupil basis.

**Figure 1: Education Services Grant Protection**



The percentage protection for an academy is determined by its level of ESG per pupil (ESG + SEN LACSEG + ESG protection) in 2014 to 2015. For academies that had no SEN LACSEG and no ESG protection the level of ESG per pupil would be £140; for others with legacy funding from LACSEG, SEN LACSEG and ESG protection, the level of ESG per pupil will be higher. For those academies that received ESG of £140 per pupil in 2014 to 2015 the protection will limit their loss to 1% of their total schools and post-16 budget on a per pupil basis; those with ESG of greater than £140 per pupil in 2014 to 2015 will be allowed to see a fall of more than 1% in their total funding on a per pupil basis. Table 1 shows the thresholds used in calculating the protection rate.

Applying these thresholds, an individual mainstream academy's protection rate in 2015/16 will be calculated as follows:

- £140; plus

- twice the amount of ESG per pupil that the academy receives between £140 per pupil and £160 per pupil; plus
- three times the amount of ESG that the academy receives over £160 per pupil
- that total is divided by the total amount of ESG the academy receives per pupil to give a percentage protection rate.

Table 2 below shows examples of the tapered protection rate for mainstream academies based on a series of 2014 to 2015 per pupil funding rates for ESG and SEN LACSEG after protection is applied. This is not an exhaustive list: some academies will have significantly higher per pupil rates than £240 in 2014 to 2015.

For special and AP academies, the multipliers applied to uplift ESG rates will also be applied to the £140 per pupil and £160 per pupil thresholds of the academies protection, to ensure that special and AP academies are not disproportionately affected by the new tapered protection.

Table 1

	<b>£pp ESG funding rate (14/15)**</b>	<b>% Protection</b>
<b>Mainstream academy thresholds (per pupil)</b>	<b>140</b>	-1%
	<b>160</b>	-2%
	<b>Over 160</b>	-3%
<b>Special academy thresholds (per place)</b>	<b>595</b>	-1%
	<b>680</b>	-2%
	<b>Over 680</b>	-3%
<b>Alternative provision academy thresholds (per place)</b>	<b>525</b>	-1%
	<b>600</b>	-2%
	<b>Over 600</b>	-3%

Table 2

<b>£ per pupil** ESG funding rate (14/15)</b>	<b>% Protection</b>	<b>£ per pupil** ESG funding rate (14/15)</b>	<b>% Protection</b>	<b>£ per pupil** ESG funding rate (14/15)</b>	<b>% Protection</b>
<b>140</b>	-1.00%	<b>175</b>	-1.29%	<b>210</b>	-1.57%
<b>145</b>	-1.03%	<b>180</b>	-1.33%	<b>215</b>	-1.60%
<b>150</b>	-1.07%	<b>185</b>	-1.38%	<b>220</b>	-1.64%
<b>155</b>	-1.10%	<b>190</b>	-1.42%	<b>225</b>	-1.67%
<b>160</b>	-1.13%	<b>195</b>	-1.46%	<b>230</b>	-1.70%
<b>165</b>	-1.18%	<b>200</b>	-1.50%	<b>235</b>	-1.72%
<b>170</b>	-1.24%	<b>205</b>	-1.54%	<b>240</b>	-1.75%

**\*\*Note – the £pp ESG funding rate is the per pupil/place level of ESG + SEN LACSEG + ESG protection paid in 2014 to 2015**

The important point to remember here is that the percentage protection is calculated by reference to the level of ESG + SEN LACSEG + ESG protection paid in 2014 to 2015 but it will be applied to the total schools and post-16 budget in 2014 to 2015 to calculate the protection per pupil.

Annex A shows a worked example of an ESG protection calculation for a mainstream academy. Example calculations for special and AP academies are included at Annex B and Annex C.

## **ESG for converter academies from 1 September 2014**

Schools converting to academy status during the 2014 to 2015 academic year will receive ESG at the per pupil rate of £140. As with all other academies the rate of ESG will reduce to £87 per pupil in 2015 to 2016 and 2014 to 2015 converters will be subject to the same ESG protection as others.

Schools converting from 1 September 2015 onwards will receive the revised per pupil ESG rate of £87.

## ESG protection – worked example: mainstream academy

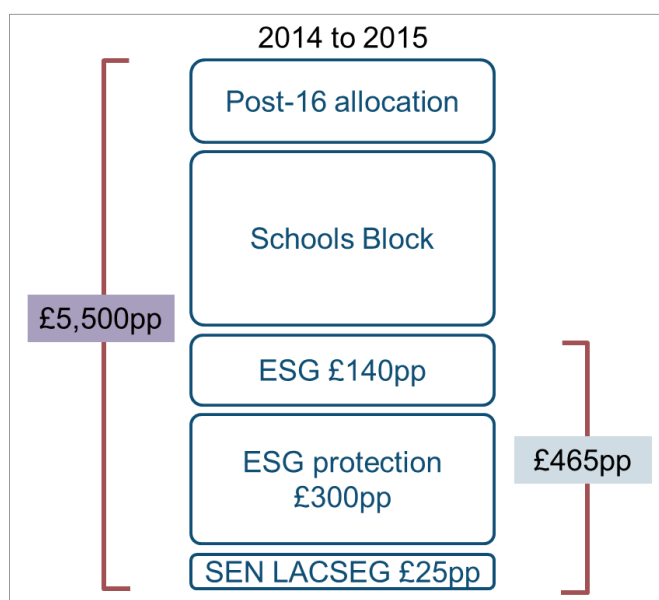
The following worked example shows how we would calculate the protection for an illustrative mainstream academy.

### In 2014 to 2015:

Its total per-pupil funding – including the schools block, post-16 funding, ESG and previous ESG protection funding in 2014 to 2015 – is £5,500. This £5,500 includes £465 per pupil (pp) consists of:

- ESG of £140pp
- previous ESG protection funding of £300pp
- SEN LACSEG of £25pp. This is illustrated in figure 2.

Figure 2

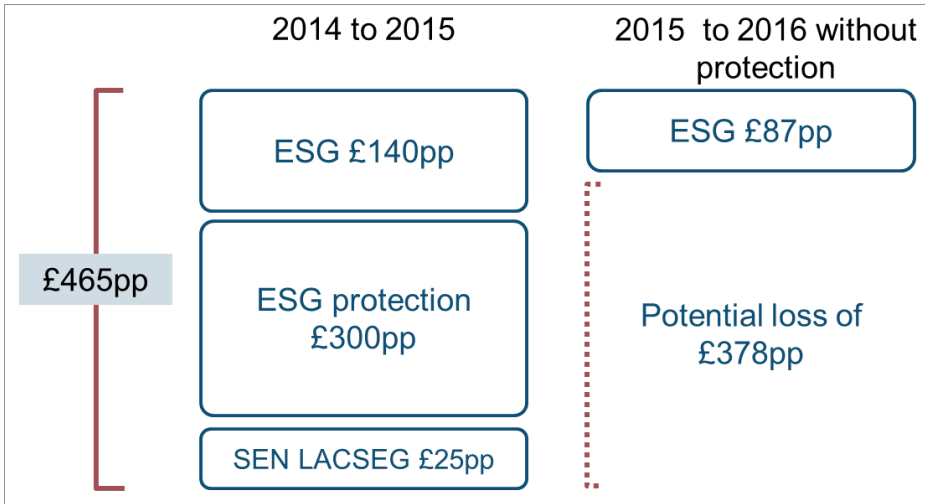


### In 2015 to 2016:

Without protection the academy would lose:

- £53pp from the ESG reduction from £140pp to £87pp
- £300pp from the removal of the ESG protection
- £25pp from the removal of SEN LACSEG
- a total loss of £378pp. This is illustrated in figure 3.

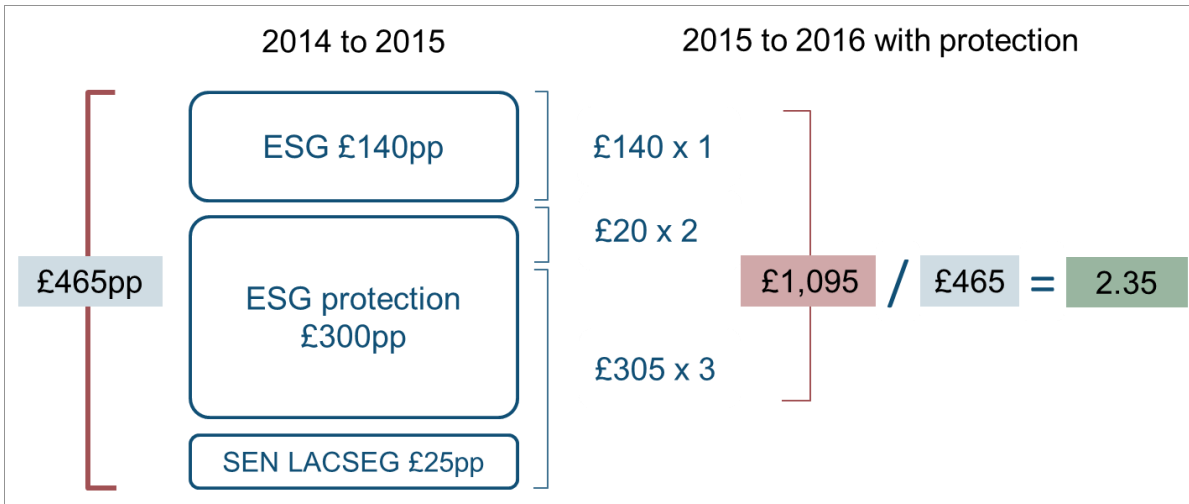
Figure 3



But there is protection in 2015 to 2016 and for this academy the rate is 2.35%. This is made up of:

- £140 multiplied by 1 plus
- £20 multiplied by 2 plus
- £305 multiplied by 3
- the total of £1,095 being divided by £465 to give a ratio of 2.35 as illustrated in figure 4

Figure 4



This ratio is applied as a percentage protection rate of 2.35% to the total budget of £5,500pp to give a maximum loss of £130pp. Against a starting gross loss of £378pp the academy has therefore received £248pp of protection. This is illustrated in figures 5 and 6.

Figure 5

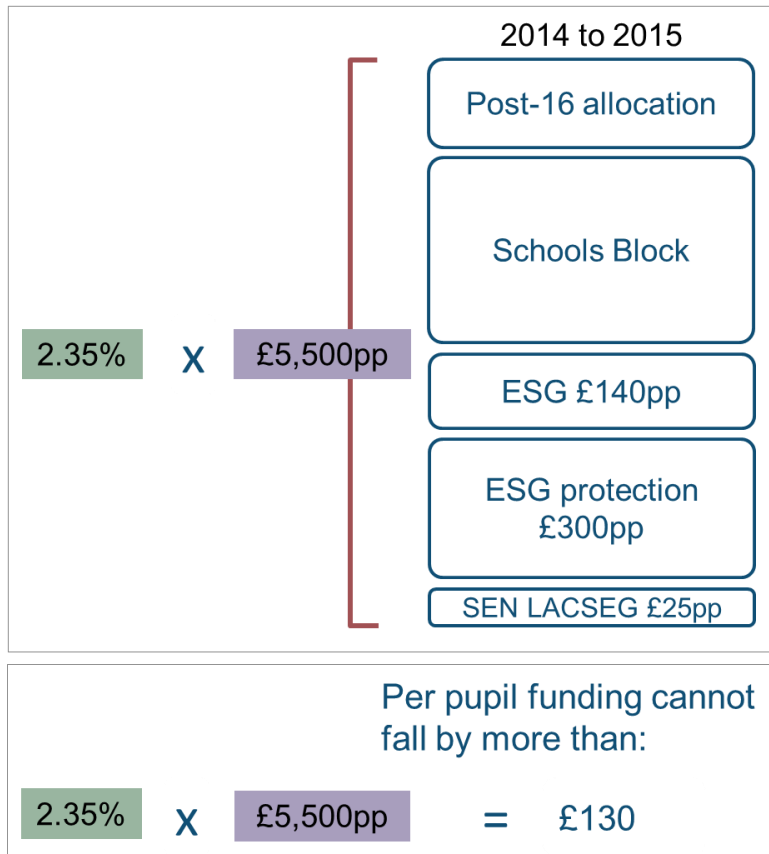
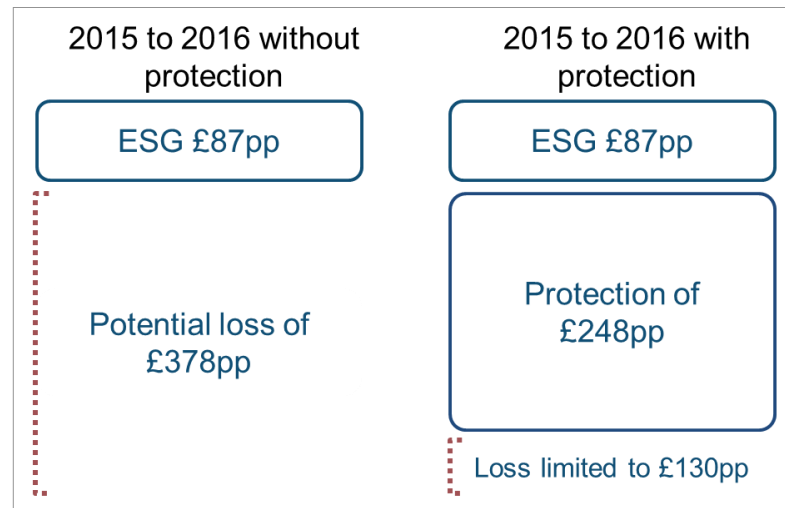


Figure 6



## ESG protection – worked example: special academy

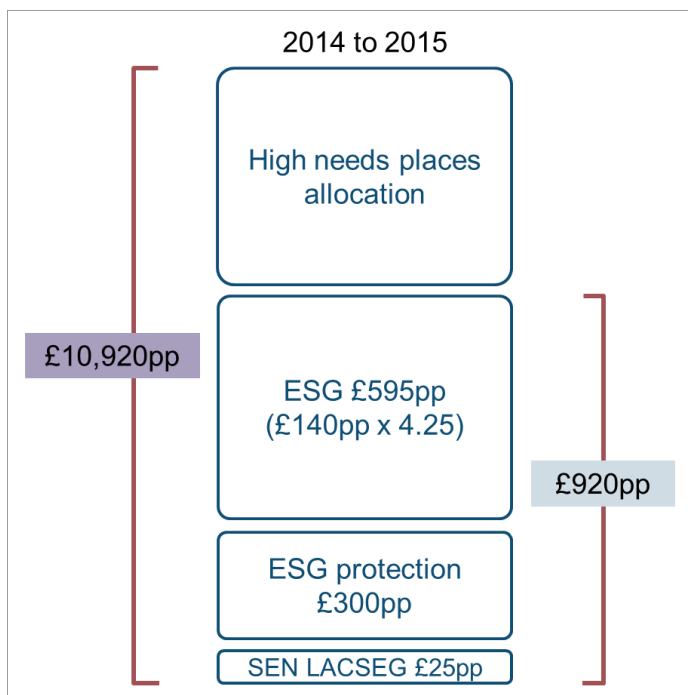
The following worked example shows how we would calculate the protection for an illustrative special academy.

### In 2014 to 2015:

Its total per place (pp) funding – including pre- and post-16 place funding, ESG and previous ESG protection funding in 2014 to 2015 – is £10,920. This £10,920 includes £920 per place consists of:

- ESG of £595pp
- previous ESG protection funding of £300pp
- SEN LACSEG of £25pp. This is illustrated in figure 7.

Figure 7



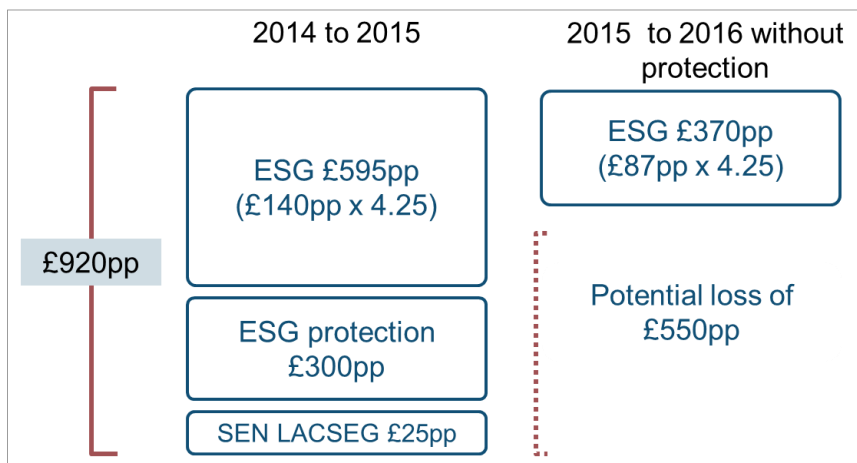
### In 2015 to 2016:

Without protection the academy would lose:

- £225pp from the ESG reduction from £595pp to £370pp
- £300pp from the removal of the ESG protection
- £25pp from the removal of SEN LACSEG
- a total loss of £550pp. This is illustrated in figure 8.



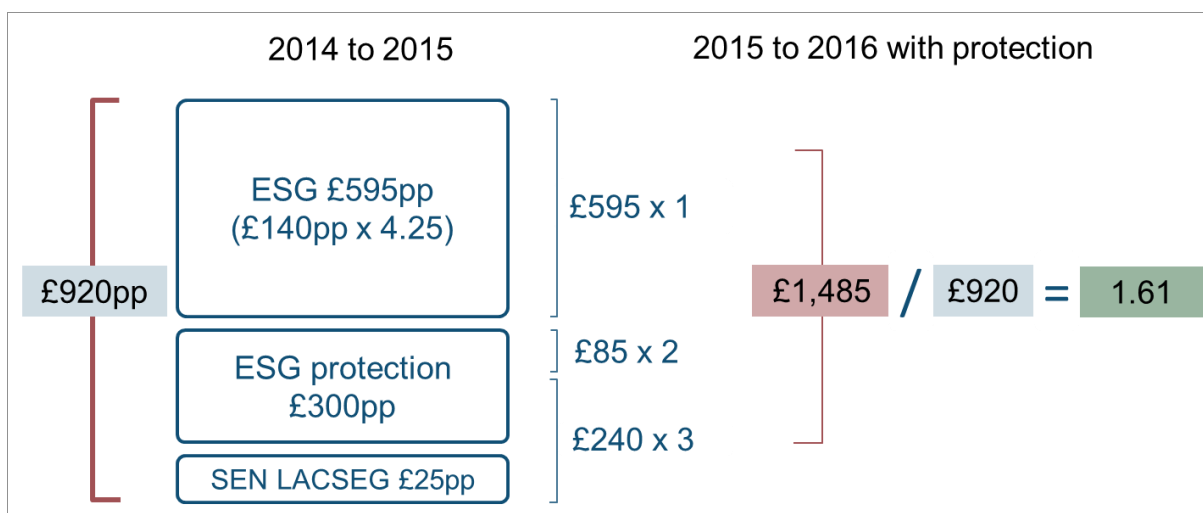
Figure 8



But there is protection in 2015 to 2016 and for this academy the rate is 1.61%. This is made up of:

- £595 multiplied by 1 plus
- £85 multiplied by 2 plus
- £240 multiplied by 3
- the total of £1,485 being divided by £920 to give a ratio of 1.61, as illustrated in figure 9

Figure 9



This ratio is applied as a percentage protection rate of 1.61% to the total budget of £10,920pp to give a maximum loss of £176pp. Against a starting gross loss of £550pp the academy has therefore received £374pp of protection. This is illustrated in figures 10 and 11.

Figure 10

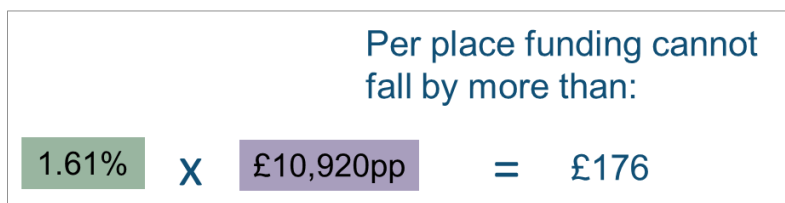
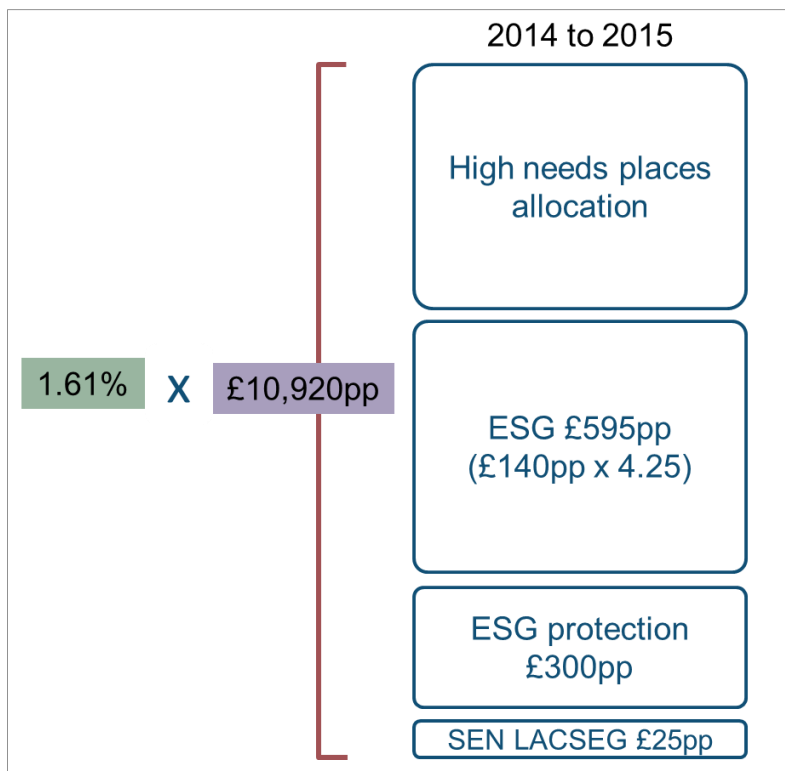
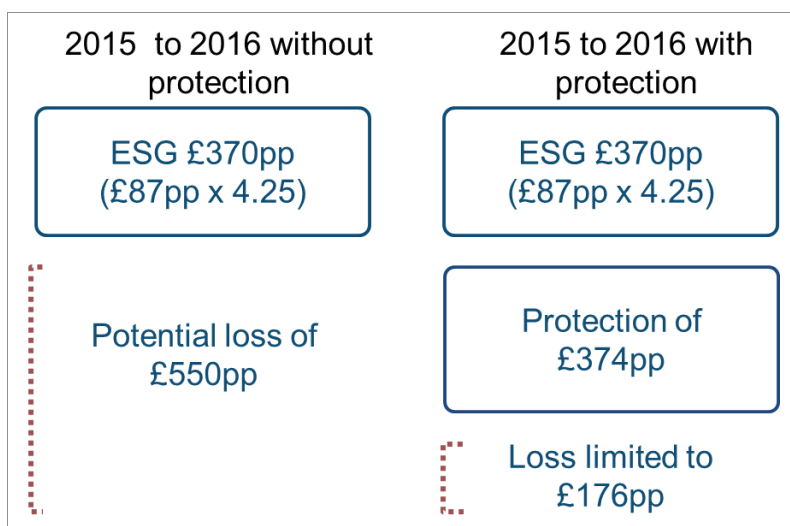


Figure 11



## ESG protection – worked example: alternative provision academy

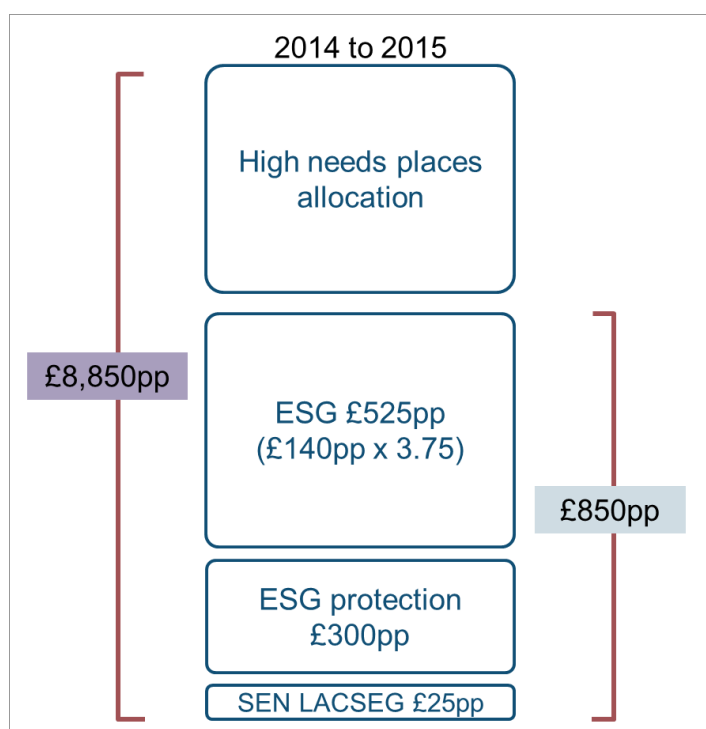
The following worked example shows how we would calculate the protection for an illustrative alternative provision (AP) academy<sup>3</sup>.

### In 2014 to 2015:

Its total per place (pp) funding – including pre-16 place funding, ESG and previous ESG protection funding in 2014 to 2015 – is £8,850. This £8,850 includes £850 per place consists of:

- ESG of £525pp
- previous ESG protection funding of £300pp
- SEN LACSEG of £25pp. This is illustrated in figure 12.

Figure 12



### In 2015 to 2016:

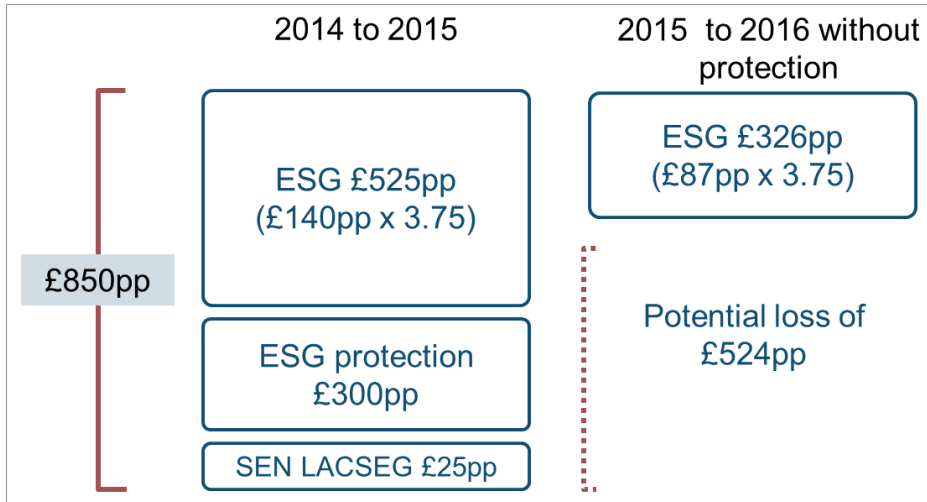
Without protection the academy would lose:

- £199pp from the ESG reduction from £525pp to £326pp

<sup>3</sup> The example used is an academy with pre-16 pupils only

- £300pp from the removal of the ESG protection
- £25pp from the removal of SEN LACSEG
- a total loss of £524pp. This is illustrated in figure 13.

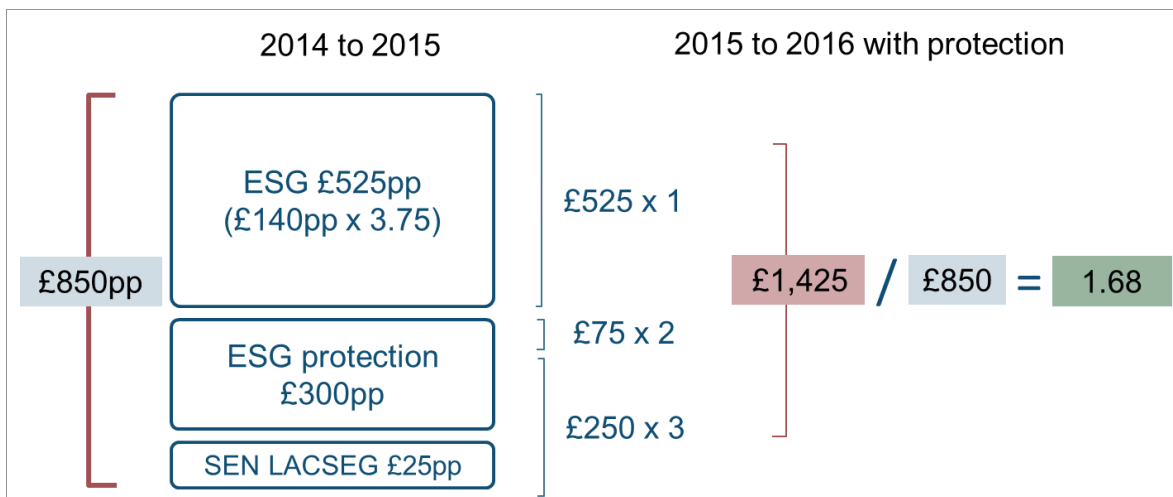
Figure 13



But there is protection in 2015 to 2016 and for this academy the rate is 1.68%. This is made up of:

- £525 multiplied by 1 plus
- £75 multiplied by 2 plus
- £250 multiplied by 3
- the total of £1,425 being divided by £850 to give a ratio of 1.68, as illustrated in figure 14

Figure 14



This ratio is applied as a percentage protection rate of 1.68% to the total budget of £8,850pp to give a maximum loss of £148pp. Against a starting gross loss of £524pp the academy has therefore received £376pp of protection. This is illustrated in figures 15 and 16.

Figure 15

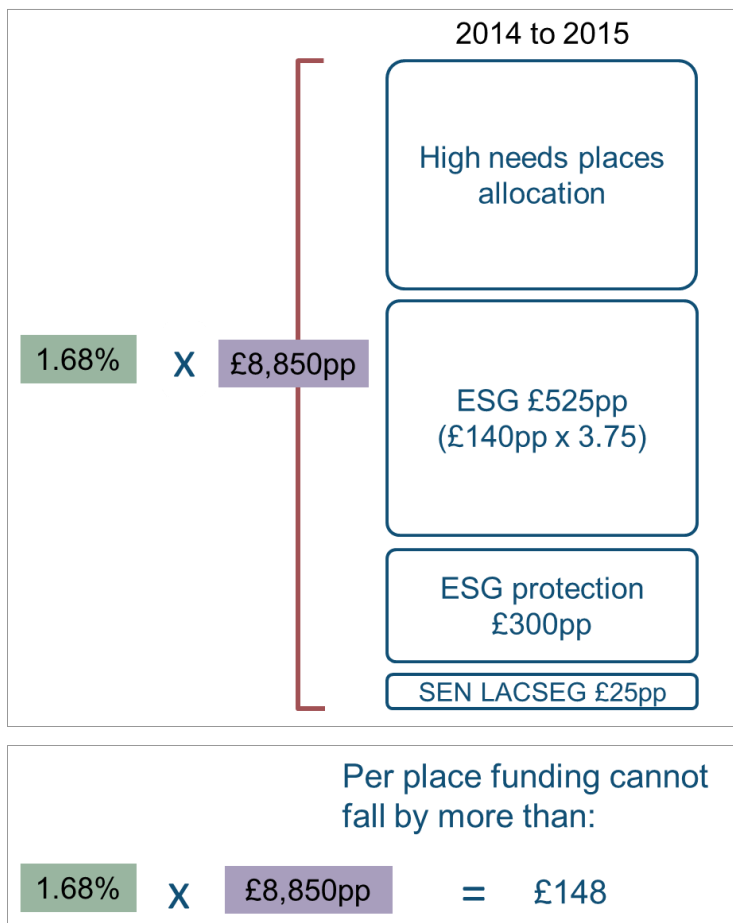


Figure 16

