



Schools Funding Forum 14th September 2017 ITEM 8

Subject Heading:

Education Services Grant Reduction

Report Author:

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Manager**

Eligibility to vote:

LA maintained school members

SUMMARY

Following the cessation of the Education Service Grant from September 2017, local authorities are considering options for the future delivery of education services and how they are funded. This item sets out the financial position in Havering and requests additional funding from LA maintained schools to support the costs of services previously funded by Education Services Grant.

RECOMMENDATIONS

That the Schools Funding Forum considers the allocation of Schools Block funding to maintain a range of LA services for 2018-19 as set out in the report detail below.

REPORT DETAIL

1. Education Services Grant

LA Education services have been historically funded from the Council's General Fund (funded from Council Tax, Revenue Support Grant (RSG) and income etc) but in 2011 approximately £5m of RSG which related to Education services was converted into Education Services Grant (ESG).

The ESG has been allocated each year since then at £15 per pupil for a retained services element and a general rate per pupil to either LAs or academies depending on where pupils were on roll. Initially, this amount was £116.46 per pupil but over the years was reduced to £77 in its final year of 2016-17.

Allocations since 2015-16 have been as follows:

Funding	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
Retained duties @ £15 per pupil	564	570	589	589 (estimate)
General rate @ £87/£77 per pupil	1,980	1,766	0	0
Transitional rate @ £66 per pupil	n/a	n/a	568	n/a
Total	2,544	2,336	1,157	589

The reductions in the amounts received by the LA each year reflect an increase in the number of academies and a reduction in the rate allocated per pupil. From an initial allocation of £3.5m the LA has had to make savings each year to meet the funding gap.

2. Financial Year 2017-18

In 2017-18 the retained service element of £589k was transferred into the Schools Block of the DSG and the Schools Funding Forum agreed that it be allocated for statutory LA services that were funded by grant when it was ESG.

There was a transitional allocation to LAs of ESG at £66 per pupil for the period April to August and the general rate ceased altogether from September 2017. Havering's indicative transitional allocation was £606k which was later reduced to £567k following further academy conversions.

Further savings were made in the Education service of £590k.

The funding gap of £589k has been reported to Havering Council and consideration is being given to how it can be funded in the current financial year.

In 2017-18 the reduction in grant has been funded as follows:

	£000	£000
ESG allocation 2016-17	2,336	
Cost savings		590
Retained duties		589
Transitional ESG		568
Council funding		589
Total	2,336	2,336

A number of local authorities raised this issue with their Schools Forums in anticipation of the funding gap in financial year 2017-18 and various amounts were agreed. Havering's Schools Forum was advised of the new power of LAs to seek funding from schools at the meeting held on 22nd September 2016 but no funding was requested.

3. Financial Year 2018-19

For financial year 2018-19 there will be no further transitional ESG funding so the gap between the reduced costs of £1,746k (the original £2,336k less the £590k savings) and the only remaining funding of £589k for retained duties is £1,157k. This assumes that the £589k remains at the same amount once it is transferred into a new central services block as part of the new national funding formula arrangements.

Given the increased size of the funding gap, the LA is now seeking the approval of The Schools Funding Forum to charge some of the costs of central services to the budgets of LA Maintained schools for 2018-19. The relevant extract from the DFE operational guidance is attached at Appendix A.

The services for which charges are to be made and the charge per pupil are set out in the table below. The per pupil charge for mainstream schools is multiplied by 3 to reflect the higher amount of ESG that LAs received for special schools.

Section 251 2017-18					
	Chargeable service	DSG funded (ex ESG)	Core funded	Requested transfer to School Budgets	Cost per pupil
Service Strategy & Regulation		£416,663	£655,432	£251,000	£15.01
Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 2, 56)	No				x 3 for special schools = £45.03 per place
Budgeting and accounting functions relating to maintained schools (Sch 2, 73)	Yes				
Functions relating to the financing of maintained schools (Sch 2, 58)	Yes				

<p>Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 2, 57)</p>	<p>Yes</p>				
<p>Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 2, 58)</p>	<p>Yes</p>				
<p>Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA 1972 for maintained schools (Sch 2, 59)</p>	<p>Yes</p>				
<p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 2, 60)</p>	<p>Yes</p>				
<p>Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct management of the headteacher or governing body (Sch 2, 61)</p>	<p>No</p>				
<p>Functions related to local government pensions and administration of teachers' pensions in relation to staff working at maintained schools under the direct management of the headteacher or governing body (Sch 2, 62)</p>	<p>Yes</p>				

Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 2, 75)	No				
HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 2, 63); determination of conditions of service for non-teaching staff (Sch 2, 64); appointment or dismissal of employee functions (Sch 2, 65)	Yes				
Consultation costs relating to staffing (Sch 2, 66)	Yes				
Compliance with duties under Health and Safety at Work Act (Sch 2, 67)	No				
Provision of information to or at the request of the Crown relating to schools (Sch 2, 68)	Yes				
School companies (Sch 2, 69)	No				
Functions under the Equality Act 2010 (Sch 2, 70)	No				
Establish and maintaining computer systems, including data storage (Sch 2, 71)	Yes				
Appointment of governors and payment of governor expenses (Sch 2, 72)	Yes				
<u>Education welfare</u>					
Inspection of attendance registers (Sch 2, 78)	No	£127,820	£57,190	£0	£0

<p><u>Asset management</u></p> <p>General landlord duties for all maintained schools (Sch 2, 76a & b (section 542(2)) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> • appropriate facilities for pupils and staff (including medical and accommodation) • the ability to sustain appropriate loads • reasonable weather resistance • safe escape routes • appropriate acoustic levels • lighting, heating and ventilation which meets the required standards • adequate water supplies and drainage • playing fields of the appropriate standards <p>General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974)</p> <p>Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012)</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>£44,517</p>	<p>£41,543</p>	<p>£41,543</p>	<p>£2.48</p> <p>x 3 for special schools = £7.45 per place</p>
<p><u>Central support services</u></p> <p>Clothing grants (Sch 2, 52)</p>	<p>No</p>	<p>£0</p>	<p>£90,960</p>	<p>£0</p>	<p>£0</p>

Provision of tuition in music, or on other music-related activities (Sch 2, 53)	No				
Visual, creative and performing arts (Sch 2, 54)	No				
Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 2, 55)	No				
<u>Premature retirement and redundancy</u>					
Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 2, 77)	No	£0	£0	£0	£0
<u>Monitoring national curriculum assessment</u>					
Monitoring of National Curriculum assessments (Sch 2, 74)	Yes	£0	£61,000	£40,000	£2.76

In summary the charge to schools that is requested is as below:

	Cost of services £	£ per pupil	x 3 for special per place
Central Services	0	0.00	0
Education welfare service	0	0.69	0.00
Asset management	41,543	2.48	7.45
Statutory/ Regulatory duties	251,000	15.01	45.03
Monitoring national curriculum assessment	40,000	2.39	0.00
Total	332,543	19.89	59.66

Extract from Operational Guidance on Schools Revenue Funding

Services for maintained schools

Local authorities are able to fund services previously funded from the general funding rate of the ESG (for maintained schools only) from maintained school budget shares with the agreement of maintained school members of the schools forum.

The amount to be retained by the local authority will need to be agreed by the relevant maintained schools members of the schools forum (primary, secondary, special and pupil referral units (PRUs)). If the local authority and schools forum are unable to reach a consensus on the amount to be retained by the local authority, the matter can be referred to the Secretary of State.

Local authorities should set a single rate per 5 to 16 year old pupil for all mainstream maintained schools, both primary and secondary. In the interests of simplicity, this should be deducted from basic entitlement funding. Adjustments to other factors will not be allowed and the rate will not include early years or post-16 pupils, who are in any case funded through different formulae. Local authorities may choose to establish differential rates for special schools and PRUs if the cost of fulfilling the duty is substantially different for these schools. The rate will be expressed per place rather than per pupil for special schools and PRUs¹.

As with de-delegation, the amount to be held by the local authority will be determined after MFG has been applied.

If a school converts to academy status, the amount retained for that school will be recouped from the local authority's DSG for the remaining months of the financial year that the school is an academy. The academy will be reimbursed in its monthly general annual grant (GAG) payment from the point of conversion. Unlike for de-delegated services (see paragraphs 136 to 147 below), there will be no phased transfer of funding following conversion so there will be immediate recoupment of this part of the budget. For example, if a school converts on 1 January 2019, 3/12ths of the retained amount relating to that school will be recouped.

Local authorities will need to provide sufficient evidence to their schools forum to enable them to make an informed decision on the amount of funding to be held centrally. This could include:

- planned total spending for 2018-19 on each of the headings set out in table 4 below
- spending shown to at least the level of detail provided in the 2018-19 section 251 budget statement

¹ The multipliers used in ESG previously were 3.75 for PRUs and 4.25 for special schools.

- comparable figures for previous years' spending, split where relevant between those relating to all schools and those for maintained schools only
- consequences for the funding and delivery of each of the services provided if the request was not approved
- the impact on individual school budgets and their overall financial position
- the impact on the local authority if the amount was not held centrally
- detail of the results of the equalities impact assessment carried out to assess the impact of the central retention of the funding on children or other people who have one or more of the protected characteristics under the Equality Act 2010

The split of services between responsibilities local authorities hold for all schools and those that relate to maintained schools only are shown at table 4 below. References are to the schedules in the current [schools and early years finance \(England\) regulations 2017](#).

Table 4: Central services that may be funded with agreement of schools forums

Central Services	
Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)	Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)
<u>Statutory and regulatory duties</u>	<u>Statutory and regulatory duties</u>
Director of children's services and personal staff for director (Sch 2, 15a)	Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 2, 56)
Planning for the education service as a whole (Sch 2, 15b)	Budgeting and accounting functions relating to maintained schools (Sch 2, 73)
Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 2, 22)	Functions relating to the financing of maintained schools (Sch 2, 58)
Authorisation and monitoring of expenditure not met from schools' budget shares (Sch 2, 15c)	Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 2, 57)
Formulation and review of local authority schools funding formula (Sch 2, 15d)	Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 2, 58)
Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools (Sch 2, 15e)	Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA 1972 for maintained schools (Sch 2, 59)

Central Services	
Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)	Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)
<p>Consultation costs relating to non-staffing issues (Sch 2, 19)</p> <p>Plans involving collaboration with other LA services or public/voluntary bodies (Sch 2, 15f)</p> <p>Standing Advisory Committees for Religious Education (SACREs) (Sch 2, 17)</p> <p>Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 2, 21)</p>	<p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 2, 60)</p> <p>Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct management of the headteacher or governing body (Sch 2, 61)</p> <p>Functions related to local government pensions and administration of teachers' pensions in relation to staff working at maintained schools under the direct management of the headteacher or governing body (Sch 2, 62)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 2, 75)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 2, 63); determination of conditions of service for non-teaching staff (Sch 2, 64); appointment or dismissal of employee functions (Sch 2, 65)</p> <p>Consultation costs relating to staffing (Sch 2, 66)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch 2, 67)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch 2, 68)</p> <p>School companies (Sch 2, 69)</p> <p>Functions under the Equality Act 2010 (Sch 2, 70)</p> <p>Establish and maintaining computer systems, including data storage (Sch 2, 71)</p> <p>Appointment of governors and payment of governor expenses (Sch 2, 72)</p>
<p><u>Education welfare</u></p> <p>Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch 2, 20)</p> <p>School attendance (Sch 2, 16)</p> <p>Responsibilities regarding the employment of</p>	<p><u>Education welfare</u></p> <p>Inspection of attendance registers (Sch 2, 78)</p>

Central Services	
Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)	Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)
children (Sch 2, 18)	
<p><u>Asset management</u></p> <p>Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (Sch 2, 14a)</p> <p>General landlord duties for all buildings owned by the local authority, including those leased to academies (Sch 2, 14b)</p>	<p><u>Asset management</u></p> <p>General landlord duties for all maintained schools (Sch 2, 76a & b (section 542(2)) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> • appropriate facilities for pupils and staff (including medical and accommodation) • the ability to sustain appropriate loads • reasonable weather resistance • safe escape routes • appropriate acoustic levels • lighting, heating and ventilation which meets the required standards • adequate water supplies and drainage • playing fields of the appropriate standards <p>General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974)</p> <p>Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012)</p>
<p><u>Central support services</u></p> <p>No functions</p>	<p><u>Central support services</u></p> <p>Clothing grants (Sch 2, 52)</p> <p>Provision of tuition in music, or on other music-related activities (Sch 2, 53)</p> <p>Visual, creative and performing arts (Sch 2, 54)</p> <p>Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 2, 55)</p>
<p><u>Premature retirement and redundancy</u></p> <p>No functions</p>	<p><u>Premature retirement and redundancy</u></p> <p>Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 2, 77)</p>

Central Services	
Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)	Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)
<u>Monitoring national curriculum assessment</u> No functions	<u>Monitoring national curriculum assessment</u> Monitoring of National Curriculum assessments (Sch 2, 74)
<u>Therapies</u> No functions	<u>Therapies</u> This is now covered in the high needs section of the regulations and does not require schools forum approval
<u>Other ongoing duties</u> Licences negotiated centrally by the Secretary of State for all publicly funded schools (Sch 2, 8) – this does not require schools forum approval Admissions (Sch 2, 9) Places in independent schools for non-SEN pupils (Sch 2, 10) Remission of boarding fees at maintained schools and academies (Sch 2, 11) Servicing of schools forums (Sch 2, 12) Back-pay for equal pay claims (Sch 2, 13) Writing to parents of year 9 pupils about schools with an atypical age of admission, such as UTCs and studio schools, within a reasonable travelling distance (new addition to CSSB, to be included in 2018-19 regulations). ²	
<u>Historic commitments</u> Capital expenditure funded from revenue (Sch 2, 1) Prudential borrowing costs (Sch 2, 2(a)) Termination of employment costs (Sch 2, 2(b)) Contribution to combined budgets (Sch 2, 2(c))	

²Funding for this duty was previously delivered to local authorities via a s.31 grant. Additional funding will be added to the CSSB baseline for this from 2018-19.

Central Services

Responsibilities local authorities hold for all schools (funded by the central school services block with the agreement of schools forums)	Responsibilities local authorities hold for maintained schools (funded from maintained school budgets only with agreement of the maintained school members of the schools forum)
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Additional note

Services set out in the table above will also include administrative costs and overheads relating to these services (regulation 1(4)) for:

- expenditure related to functions imposed by or under Chapter 4 of Part 2 of the 1998 Act (financing of maintained schools), the administration of grants to the authority (including preparation of applications) and, where it's the authority's duty to do so, ensuring payments are made in respect of taxation, national insurance and superannuation contributions
- expenditure on recruitment, training, continuing professional development, performance management and personnel management of staff who are funded by expenditure not met from schools' budget shares and who are paid for services
- expenditure in relation to the investigation and resolution of complaints
- expenditure on legal services

School improvement is not included in the arrangements set out in table 4. Local authorities receive a separate grant covering their statutory intervention functions and monitoring and commissioning of school improvement support. This grant is up to £50 million per full year, allocated to local authorities on the basis of the number of maintained schools, an area cost adjustment and top-up to ensure each local authority receives a minimum allocation of £50,000. In addition, we're continuing to make available to academies and maintained schools a new £140 million Strategic School Improvement Fund. This fund is aimed at ensuring resources are targeted at the schools most in need of support to help them drive up standards, use their resources effectively and deliver more good or outstanding school places. For further information on this fund, including how to access the support, please see the guidance on the [school improvement grant](#). Finally, schools forums can agree to de-delegate further funding for additional school improvement provision, in 2018 to 2019 (see section on [de-delegated services](#)).