

Schools Forum 23rd September 2016

Agenda Item: Education Services Grant 2017/18

1 DfE plans for Removal of ESG Funding

- 1.1 As part of the July 2016 announcement regarding schools funding it was confirmed that there will be a reduced allocation of ESG from April 2017 to August 2017 - the amount yet to be confirmed – and from September 2017 the Education Services Grant (ESG) will cease to exist.
- 1.2 In 2016/17 the allocation of ESG for T&W was £2.032m so this is a major cut to education funding. ESG in 2013/14 was £2.85m so even the current amount reflects a very large reduction.
- 1.3 The £2.032m is made up of two amounts:
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| £1.622m | ‘General funding’, allocated on the basis of £77 per pupil in each maintained school (scaled up by 3.75 for maintained PRUs and 4.25 for maintained special schools) |
| £0.410m | ‘Retained duties funding’, allocated on the basis of £15 per pupil for all pupils, whether in academies or maintained schools and regardless of the type of school (no scaling up for specials and PRUs) |
- 1.4 This allocation will be reduced if any schools convert to academies after 1 May 2016. The retained duties element will be transferred to DSG from September 2017, although there isn't a firm commitment from the DfE regarding what amount that will be.
- 1.5 For academies, their allocations of ESG will be protected to an extent until 2020, after which the allocations will cease.
- 1.6 After this change to ESG, some of the duties formally funded from retained ESG may be able to be funded from centrally retained DSG. Details of exactly how this will work in practice, for example the Schools Forum role in approving any central retentions will be “*included in our forthcoming consultation on changes to the School and Early Years Finance Regulations*”.

2 Services Currently Funded from ESG

- 2.1 This funding change is intrinsically linked with the issues around local authority's future role in the education system.
- 2.2 Currently, ESG funds the following statutory LA duties:
- School improvement: the LA must have regard to the School Causing Concern statutory guidance, and has the power to require governing bodies to enter into

arrangements, appoint additional members and provide for interim executive members;

- Education strategy (the LA must appoint a Director of Children's Services and strategically plan for its education service);
- Finance (preparation of revenue budgets, incorporation of income and expenditure into its accounts, dealing with external audit of grant claims and returns relating to education, internal audit);
- Provision of information requested by the Secretary of State;
- Core human resources functions for maintained schools (general school workforce advice, appointment and termination of staff, payment of pension contributions);
- Core finance functions for maintained schools (monitoring compliance with Scheme for Financing schools, ensuring CFR data is passed to the Secretary of State);
- Health & safety functions for maintained schools that cannot reasonably be delegated to school governing bodies;
- Monitoring and reporting on any school companies set up by maintained schools;
- Ensure compliance with the Equality duty for maintained schools;
- Set up a standing advisory council on religious education and prepare an agreed syllabus of religious education for maintained schools;
- Attendance functions (for all schools including academies): make arrangements to identify children not receiving education, send notices to parents followed by school attendance orders and supervision orders where appropriate, publish and administer a code for penalty notices, improve attendance, investigate whereabouts of children with poor attendance;
- Enforce requirements and protections for children below compulsory school leaving age taking part in employment or performances;
- Asset management: responsibility for capital strategy for all schools including academies e.g. basic need, general landlord duty for all buildings let to academies and for all community school buildings;
- Asset management for maintained schools, ensuring that all schools have appropriate facilities, are safe, weather resistant, have appropriate heating, lighting and ventilation, adequate water supplies and drainage, adequate playing

- fields. LAs also must manage the risk from asbestos and has a general health and safety duty for employees and others who may be effected;
- Redundancy costs for maintained schools unless there is a good reason not to fund them.
 - Jointly (with NHS) commission services to support disabled children and young people and those with SEN in all schools including academies who need therapy support;
 - Moderate KS1 assessments in maintained schools (KS2 and KS3 moderation is funded by specific grants).
- 2.3 These duties are more fully described in the DfE's document "Clarification of local authority statutory duties relating to services relevant to the Education Services Grant" published in July 2014.
- 2.4 As a non ring-fenced grant, ESG can also be used to fund non statutory services – for example funding:
- the payment of remission of fees for deprived pupils from maintained schools attending Arthog or taking music lessons from the Council's music service.
 - primary school swimming lessons.
- 2.5 In the 'Schools National Funding Formula: Stage 1' consultation in March and April earlier this year, the DfE stated that:
- "We recognise that local authorities will need to use other sources of funding to pay for education services once the general funding rate has been removed. We therefore propose amending regulations to allow local authorities to retain some of their maintained schools' DSG to cover the statutory duties that they carry out for maintained schools."* (paragraph 5.13)
- 2.6 As illustrated in the summary of LA statutory obligations above, LA duties are a mixture of those applying to all schools including academies and those just applying to maintained schools. This obviously has implications in terms of Schools Forum voting arrangements, to the extent that funding for these services will be determined by Schools Forum votes.
- 2.7 After ESG ends, services for schools can be funded via the following income streams;
- Centrally retained DSG (likely to only be possible with Forum approval);
 - Service charges (SLAs) with schools;
 - LA resources (general fund)

In the context of ongoing savings required in LA budgets, extra spending from LA resources is difficult to conceive.

3 **Comments and Next Steps**

- 3.1 T&W commented in our response to the Stage 1 consultation that the concept of having to request funds from the Schools Forum in order to carry out statutory duties represents a novel approach to funding on the part of the DfE. It is an illustration of just how extreme the DfEs pro-academy and anti-LA agenda has become.
- 3.2 To the extent that funding for these duties is found from DSG, it also potentially becomes a reduction in resources for schools, particularly maintained schools. Academies ESG allocations are to some degree protected until 2020.
- 3.3 The DfE's Operational Guide to 2017/18 school funding, published in July states that:
- “Local authorities will need to ensure that they retain sufficient funding centrally to cover responsibilities previously funded by the ESG retained rate in addition to the responsibilities that are already funded from centrally retained DSG. The split of former ESG duties to be funded from centrally retained schools block funding (for all pupils) and from the mechanism set out below (for maintained school pupils only) will be set out when we consult on the Schools and Early Years Finance Regulations later this year.”*
- 3.4 The DfE does not commit itself to any particular deadline for this consultation. Until the precise details of these arrangements are published, we are not able to present proposals to the Forum.

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