**DERBYSHIRE COUNTY COUNCIL**

Agenda Item 8

Rep 716

**SCHOOLS FORUM**

**6th November 2017**

**Report of the Strategic Director for Children’s Services**

**Education Services Grant**

1. **Purpose of the Report**

To ask Schools Forum to determine the funding arrangements for 2018-19 for services previously funded by the Education Services Grant - General Duties.

1. **Information and Analysis**

**2.1 Background**

The Chancellor of the Exchequer’s 2015 Autumn Statement announced that the Education Services Grant (ESG) would cease at the end of August 2017. The ESG was in two parts:

**ESG Retained Duties** – was paid to local authorities on the basis of the number of pupils in schools and academies at the rate of £15 per pupil and is designed to support authorities for a range of responsibilities for all institutions. For 2017-18 the grant was absorbed into the overall Dedicated Schools Grant at the rate of £15 per pupil and for 2018-19 will continue as part of the new Central School Services Block of the DSG. The total grant in 2017-18 is worth around £1.6m.

**ESG General Duties** – was paid to local authorities in respect of maintained schools, and to academies directly, to enable them to fund their respective responsibilities. The statutory functions covered by the grant are set out in Appendix 1. At the point that the grant ended in August 2017 it was worth £66.00, £247.50 and £280.50 for each mainstream pupil, PRU place & special school place respectively.

**2.2 Impact in 2017-18**

In order to help mitigate the effects of the loss of grant, the DfE made three changes:

1. A new £50m national grant was announced from August 2017 to support school improvement services;
2. Regulations were amended to allow funding to be top-sliced from schools’ delegated budgets for all of the former ESG General Duties-funded functions, with the exception of school improvement services; and
3. The previous list of services for which funding could be de-delegated e.g. (insurance, contingencies etc.) was extended to include additional school improvement services.

The Schools Forum considered this matter at its January 2017 meeting and agreed to re-pool funding for additional school improvement services and top-slice funding for school redundancy costs from schools’ budgets. The Forum agreed to release monies from DSG reserves so that, in effect, all schools and academies were compensated for the additional costs in 2017-18.

**2.3 Issues for 2018-19**

The funding of school improvement services and school redundancy costs for 2018-19 for mainstream schools have been considered under the previous item on this agenda. This leaves the question of how to fund the remaining ESG General Duties functions.

Appendix 1 gives an indication of the services funded via the General Duties ESG and, where available, the estimated current cost. The services listed are statutory functions so the work must be undertaken, either by schools or the local authority.

The options going forward are therefore:

1. To top-slice funding from schools’ budgets; and/or
2. For the LA to carry out the work and charge individual schools; and/or
3. require schools to undertake the work themselves.

The costs set out in Appendix 1 have been summarised in Table 1 below:

**Table 1 – Summary of former ESG funded services costs**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Service | Cost of service | Notional HNB/EY adj\* | Mainstream cost of service | M/stream Cost per pupil |
|  | £k | £k | £k | £ |
| CS Finance – budget/Scheme | 15 | 0.75 | 14.25 | 0.21 |
| Corp Finance - Internal Audit | 140 | 7.00 | 133.00 | 1.96 |
| CS Finance – CFR returns | 2 | 0.10 | 1.90 | 0.03 |
| CS HR – Investigations | 10 | 0.50 | 9.50 | 0.14 |
| Corp Finance – Pensions | 30 | 1.50 | 28.50 | 0.42 |
| CS HR – Advice and guidance | 46 | 2.30 | 43.70 | 0.64 |
| CS HR – Consultations | 20 | 1.00 | 19.00 | 0.28 |
| CS HR – TUPE related work | 5 | 0.25 | 4.75 | 0.07 |
| CS HR – Compliance with H&S | 224 | 11.20 | 212.80 | 3.13 |
| CS HR – Equalities Act | 8 | 0.40 | 7.60 | 0.11 |
| CS ICT – Data transfer | 10 | 0.50 | 9.50 | 0.14 |
| CS ICT – Information to the Crown | 54 | 2.70 | 51.30 | 0.75 |
| CS - Development | 70 | 3.50 | 66.50 | 0.98 |
| Total – excluding Corporate Property | 634 | 31.70 | 602.30 | 8.86 |

\*notional 5% deduction as the gross costs in Appendix 1 relate to all schools

In addition to the items in the above table, the Authority spends around £0.855m (£0.9m less 5% notional high needs and early years deduction) on its corporate asset responsibilities, equivalent to £12.57 per mainstream pupil -. However, if this cost were to be recovered in full this would increase the total cost per mainstream pupil to £21.43.

The Authority is mindful that, despite the overall increase in DSG funding over the next two years, the financial position for many mainstream schools will remain tight, particularly for those that do less well under the National Funding Formula.

In order to keep costs to schools manageable, the Authority is seeking an abated contribution of £5 per pupil for 2018-19 in respect of corporate property. The position would then be reviewed in 12 months’ time with the Authority meeting the shortfall in the interim.

If the Forum were to agree to top-slice funding from mainstream schools’ budgets for all of the services in this report, a total levy of £13.86 per pupil would apply. For an average sized primary school with 170 on roll this would equate to a charge of ~£2,360 for the year. An average sized secondary school with 825 on roll would be charged ~£11,430.

The Authority considers that top-slicing of schools’ budgets is the preferred option for 2018-19. If monies are not top-sliced then, as the services are still statutory functions, the Authority or schools would still have to undertake the necessary work. Where the Authority provides the service to schools this would either be covered by a traded services arrangement or in some cases, by a separate charging structure. The Authority is concerned that many schools, particularly small schools, will not have the capacity to discharge all of the responsibilities effectively.

The decision on whether or not to top-slice services is a matter for the schools representatives on the Schools Forum. However, the DfE expect that any monies are top-sliced on a simple per-pupil basis across both sectors. Top-slicing of budgets is an annual issue so any decisions to top-slice would apply for 2018-19 only.

**4. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

**5. Strategic Director’s Recommendations**

Mainstream school representatives on the Schools Forum are asked to consider:

1. Which of the services in Table 1 should be funded by a top-slice from schools’ budgets in 2018-19; and
2. Whether or not to agree to a top-slice of £5 per pupil in respect of Corporate Property services for 2018-19.

**Jane Parfrement**

**Strategic Director for Children’s Services**

**Summary of ESG General Duties Funded Services – Services to Maintained Schools only Appendix 1**

|  |  |  |  |
| --- | --- | --- | --- |
| **Responsibilities local authorities hold for maintained schools only** | **Narrative** | **Est’d value**  **(£m)** | **Impact of not retaining funds centrally** |
| 1. **Statutory & regulatory duties** | |  |  |
| Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 2, 56) | Marginal additional cost | **-** | No contribution sought for 2018-19 |
| Budgeting and accounting functions relating to maintained schools  (Sch 2, 73) | Revenue budget preparation, preparation of income and expenditure accounts for incorporation into the Authority’s annual statement of accounts, external audit of grant claims and returns relating to education, in so far as those functions relate to maintained schools | **0.010** | No access to financial support, advice or guidance beyond that provided through the traded services arrangement. Alternative would be to increase traded services prices |
| Functions relating to the financing of maintained schools (Sch 2, 58) | Checking compliance with Financial Scheme of Management, monitoring community facilities operated by governing bodies, help with SFVS | **0.005** | Less external scrutiny of school operations, weaker governance, financial management and control. Increased risk of fraud |
| Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets and related financial administration  (Sch 2, 57) | N/A – no schools have had powers removed in recent years | **-** | No contribution sought for 2018-19 |
| 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) | Mainly covered by internal audit below | **-** | No contribution sought for 2018-19 |
| 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) | Provide guidance and support to schools in respect of internal control and governance frameworks i.e. Audit Matters newsletter. Respond to telephone calls requesting guidance and advice. Provide training to Governors, Head Teachers, Bursars and administrative staff on the management of public funds and reducing fraud exposure e.g. governor training sessions scheduled in November 2016. Undertake investigations into alleged fraudulent activities or mismanagement of school assets. Ensure the Council meets its statutory accounting requirements. Provision of banking and exchequer services. Completion of statutory returns including Revenue Account (RA) and Revenue Outturn (RO) forms | **0.140** | Less external scrutiny of school operations, weaker governance, financial management and control. Increased risk of fraud.  Schools would be required to commission external audit to a standard and specification set by the Authority. This is likely to be more expensive than the current arrangements. |
| Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 2, 60) | Preparation and submission of returns required DfE analysing schools budget and spending | **0.002** | Schools would have to prepare and submit the returns to the DfE directly. Support would be available but would be charged for. Ability of some schools, particularly small schools, to complete the returns a concern. |
| 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) | Advice /Training/Policy Re: Disclosure and Barring Service (DBS) Trace Checks/Certificate of Good Conduct Waivers  LA Designated Officer (LADO) Meetings  Referrals to DBS and National College for Teaching and Learning | **0.010** | Schools would be required to undertake investigations themselves and meet the costs of any specialist HR advice directly. |
| 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) | Complete monthly return to Teachers’ Pensions. Complete annual return for Teachers’ Pensions and external audit.  Liaise with external audit annually who verify that the correct amounts have been paid  Updating payroll system with the implementation of changes to pension regulations as they affect pay. Deducting contributions from employees’ pay into collection accounts, plus the appropriate employer’s contribution. Reconciliation of deductions posted to collection account to payroll records to ensure they balance. Transfer local government pension contributions to the pension scheme. | **0.030** | Schools would be required to undertake this work themselves and meet the costs of any specialist Finance or pensions advice directly. |
| Retrospective membership of pension schemes where it would be inappropriate to expect a school to meet the cost (Sch 2, 75) | Very rare, if cost significant school can claim for support from re-pooled contingency fund | - | No contribution sought for 2018-19 |
| 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) | Dismissal Hearings including appeals (Redundancy, Ill Health, Disciplinary and Capability) – Attendance at hearings, issuing of dismissal letters, administration of process. | **0.020** | Schools would be required to undertake this work themselves or buy them in, including the cost of any specialist HR support or advice. |
| Employment Tribunals – Where the Council is named as a co-respondent, manage the response to ET applications. | **0.003** |
| Safeguarding Training | **0.001** |
| Single Status and JE Queries - Monitoring and reviewing the application of the approved Job Evaluation scheme for Support Staff in Schools including the moderation of evaluated posts in schools. | **0.010** |
| Headteacher Induction and Aspirant Heads |  |
| School Progress Review Meetings | **0.003** |
| Parental Complaints, FoI/Subject Access Requests, Cabinet Reports and other conditions of service work (e.g. removal of SSSEN allowance) | **0.008** |
| Providing advice and guidance to schools in relation to disputes and strike action. | **0.001** |
| Consultation costs relating to staffing (Sch 2, 66) | Work for SJCC including Formal meetings, working parties, preparation time and completion of actions.  Review, update and reissue policies and procedures for schools that are recommended to Governing Boards for adoption.  Facilities Time – Coordinating and advising on facilities and time off for representatives of the recognised Teachers Associations/Trade Unions  Responding to consultation documents from the DfE, LGA etc. on employment matters  Undertaking consultations and negotiations with staff representatives on Council wide issues e.g. Single Status, Living Wage, Holiday pay etc. that may impact on maintained schools | **0.020** | Costs would either have to be recouped via a traded service, but this would fragment the current arrangements.  Work associated with facilities time could be recovered by an increase in the de-delegation rate  Alternatively less work would be done in these areas which could increase the risk of employment relations becoming more difficult |
| TUPE processes where transferring staff are employees of the Authority. | **0.005** | Costs would be charged to individual schools |
| Compliance with duties under Health and Safety at Work Act  (Sch 2, 67) | Children’s Services - Provision of safe systems of work and safe equipment. Provision of a safe place of work with safe access and egress. Provision of information, instruction, supervision and training as required. Ensure that schools provide a safe working environment. Consultation with employees on HR related matters. Ensure schools have a written Health and Safety Policy. Ensure safe use, handling, storage, and transport of articles and substances. Assess and manage significant risks | **0.224** | Schools would be required to undertake this work themselves or buy them in, including the cost of any specialist HR support or advice. |
| Provision of information to or at the request of the Crown relating to schools (Sch 2, 68) | Assimilation and submission of school census x3 and School Workforce Census. | **0.054** | Schools would be required to undertake this work themselves or buy them in, including the cost of any specialist ICT support or advice. |
| School companies (Sch 2, 69) | Minimal spend | - | No contribution sought for 2018-19 |
| Functions under the Equality Act 2010 (Sch 2, 70) | Advice and guidance and reasonable adjustments relating to policy and procedure e.g. recruitment, absence, redundancy; maternity cases, grievance. | **0.008** | Schools would be required to undertake this work themselves or buy them in, including the cost of any specialist HR support or advice. |
| Establish and maintaining computer systems, including data storage  (Sch 2, 71) | Maintenance of secure portal for information sharing/data transfer. | **0.010** | If schools wanted continued access to systems a traded charge would have to be applied |
| Appointment of governors and payment of governor expenses (Sch 2, 72) | No figure | - | No contribution sought for 2018-19 |
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| 1. **Education welfare** | |  |  |
| Inspection of attendance registers  (Sch 2, 78) | No figure | - | No contribution sought for 2018-19 |
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| 1. **Asset management** | |  |  |
| 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:  • 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  • General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc Act 1974)  • Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012) | Corporate Resources Department: Undertaking annual landlord visits to ensure statutory compliance and in preparing floor layout plans for use in undertaking specific asset management duties such as fire risk assessments and asbestos surveys, maintaining schools access to the Council’s asset management database which contains condition survey information, review and appropriate appeals of schools’ rating assessments  The Council maintains condition surveys on maintained schools for which it provides capital funding. Funding for school places is secured from the DfE and housing developers. Investments in schools are manged and include all necessary approvals.  Children’s Services: General support and advice from the Development Section on sites and buildings issues. Also extended service to maintained schools, briefing and advising headteachers, talking to governing bodies re school places etc. | **0.900**  **0.070** | The LA still carries the responsibility, if funding is not top-sliced individual schools would be charged for any work undertaken by the LA.  Schools would be required to undertake this work themselves or buy them in, including the cost of any specialist support or advice. |
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| 1. **Central Support Services** |  |  |  |
| Clothing grants (Sch 2, 52) | No spend, schools can provide support via PPG | **-** | No contribution sought for 2018-19 |
| Provision of tuition in music, or on other music-related activities (Sch 2, 53) | Music Partnership activities funded by a grant from the Arts Council | **-** | No contribution sought for 2018-19 |
| Visual, creative and performing arts  (Sch 2, 54) | No contribution sought |  | No contribution sought for 2018-19 |
| Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 2, 55) | LA subsidises its Outdoor Education Service – Lea Green and Whitehall. |  | No contribution sought for 2018-19, schools buy the service directly |
|  |  |  |  |
| 1. **Monitoring national curriculum assessment** | |  |  |
| Monitoring of National Curriculum assessments (Sch 2, 74) | Schools receive moderation and monitoring visits in line with all statutory requirements:   * moderation of end of EYFS assessments at least once every four years * moderation of end of key stage one teacher assessments at least once every four years in primary schools (and every other year in infant schools if this remains a statutory requirement) * moderation of Year 6 writing teacher assessments at least once every four years * unannounced monitoring visits to observe administration processes for the phonics screening check at least once every four years * unannounced monitoring visits to observe administration processes for key stage two SATS   More frequent visits are arranged if there are teachers new to teaching in Year 2 or in Year 6; if head teachers request moderation; if the school is in an Ofsted category. These visits are also in line with statutory requirements of the DfE. | **0.050** | The LA still carries the responsibility, if funding is not top-sliced individual schools would be charged for any work undertaken by the LA. |