

SCHOOLS FORUM**10th November 2016****Report of the Strategic Director for Children's Services****Education Services Grant (ESG)****1. Purpose of the Report**

To update the Schools Forum regarding the potential loss of ESG funding in 2017-18 and to consider potential options for mitigating the impacts in the short term.

2. 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 is in two parts:

ESG Retained Duties - is 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 the responsibilities in Appendix 1 in all institutions. The total grant in 2016-17 is around £1.57m.

ESG General Duties - is paid to local authorities in respect of maintained schools, and to academies in respect of their pupils, to enable them to fund their respective responsibilities as set out in Appendix 2. The current grant rates are £77, £288.75 and £327.25 per mainstream pupil, PRU place and special school place respectively.

The rates are set to reduce from April 2017 - new rate unknown- with the grant ceasing at 31 August 2017. Transitional protection arrangements will phase the losses to academies but not to local authorities. The amount received by Derbyshire LA and academies is estimated at ~£8.3m including special schools, PRUs and early years.

From April 2017 the Retained Duties element will cease and equivalent funding will transfer into the new Central Services Block of the DSG. Clarification on the role of the Schools Forum in determining the level of Central Services spend, previously funded by the Retained Duties grant, is awaited.

2.2 Loss of General Duties funding – mainstream schools and academies

The precise loss of General Duties funding is uncertain at this stage as the rate for April 2017 to August 2017 has still to be announced. Table 1 below looks at a range of potential losses and the impact on the mainstream ESG funding rates:

Table 1 – potential reduction in ESG rate 2017-18

2016-17 rate	£77.00	£77.00	£77.00	£77.00
Summer term 2017 – assumed % reduction	5%	10%	15%	20%
Implied summer term grant rate per pupil	£73.15	£69.30	£65.45	£61.60
Implied 2017-18 FY grant rate – per pupil (5/12 ^{ths})	£30.48	£28.88	£27.27	£25.67
2017-18 mainstream loss per pupil	£46.52	£48.12	£49.73	£51.33
2018-19 mainstream additional loss per pupil	£30.48	£28.88	£27.27	£25.67

The loss of ESG General Duties funding to schools and academies is a straight cut in resources. The DfE have, though, signalled their intention to review the role of local authorities going forward, the implication being that this will allow LAs to reduce spending. Further clarification on LAs' future role in respect of schools, and the link to reductions in ESG, is expected to form part of the second phase of the consultation on the National Funding Formula.

Appendix 2 gives an indication of the current services funded via the General Duties ESG. Unless replacement resources are provided from the Dedicated Schools Grant next year, these services will either have to be traded or cut.

The DfE advise that local authorities, with the approval of their School Forum, are permitted to top-slice funding from formula multipliers to offset the loss of ESG. Decisions on how much to retain for these services is a matter for the Schools Forum. Should the Forum not agree to an authority's proposals then the authority may make an application directly to the Secretary of State to retain funding.

Any top-slicing would only apply to maintained schools funding, not academies. If top-slicing were not approved then the responsibilities in Appendix 2 would transfer to individual schools. By contrast, academies cannot have their funding top-sliced and would remain responsible for the costs directly.

2.3 Loss of General Duties funding – High Needs and Early Years Blocks

The services in Appendix 2 are also applicable to schools and other providers funded via these Blocks. The current General Duties funding rates are £288.75 and £327.25 per PRU and special school place respectively and have a combined value of around £0.329m. General Duties funding is also triggered by pupils aged 3 and 4 in nursery schools and units (not in PVI provision) and this brings in an additional £0.215m per annum. Assuming a [mid-point] 10% reduction in the rate for the summer term before the grant ceases, the loss of funding in 2017-18 would be around £0.340m.

3. Potential ways forward

In order to address the loss of ESG funding several options could be considered including:

- (i) Continuing to maintain a central budget from top-sliced funding; and/or
- (ii) Allowing individual schools to meet the costs themselves either directly or through an increased traded offer; and/or

(iii) Reductions in services.

It is worth considering that, even if the DfE determine that local authorities' future role in respect of schools is to be significantly reduced, it will take time for councils to reshape their spending as a large proportion of the relevant costs are locked into staff salaries and premises; any savings in 2017-18 are likely to be modest.

One way of mitigating the impact on schools, academies and the Authority in 2017-18 would be to use some of the Council's accumulated DSG reserves. At 31st March 2016 the reserves, excluding de-delegated funds, were £12.4m. This figure is expected to reduce this year by around £5m due to various spending commitments, e.g. the one off £3.5m investment in secondary schools and a further general reliance on cash to support overall DSG spending of £1.59m. Therefore, going into 2017-18, there should be around £7.4m available, plus or minus any under or overspend against this year's budget.

In considering the use of DSG reserves, other pressures outside of the ESG losses which need to be borne in mind include:

- Possible transitional support for schools which lose resources under the National Funding Formula;
- A second year of support for secondary schools to help offset the impact of falling rolls (£3.5m was allocated in 2016-17);
- Transitional Early Years support in 2017-18 (see separate report); and
- Any unfunded pressures within the High Needs Block and/or transitional support should Derbyshire lose HNB funding as a result of the national changes.

Subject to the above pressures being clarified, it would be possible to utilise ~£2.3m of the residual reserves in 2017-18, leaving ~£5.1m for other pressures.

3.1 Mainstream schools and academies

Whilst the DfE have provided LAs and their School Forums with a way forward to help mitigate the loss of ESG funding via the DSG, in the absence of any new funding this merely means that the cut is being passed from one funding source to another. Given the other cost pressures facing schools and academies, e.g. pay awards, the Apprenticeship Levy, pension and price increases etc. top slicing existing formula multipliers would only exacerbate these challenges.

An alternative approach for 2017-18 would be to create a budget within the Central Services Block by delegating additional funding to schools and academies and then top-slicing the funding from schools (not academies). The additional delegated monies would be funded from DSG reserves. An increase in the AWPUP of £20 per pupil would cost around £1.9m and allow ~40% of the ESG losses in Table 1 to be covered.

3.2 High Needs and Early Years Blocks

The government has indicated there will be a modest increase in the HNB allocations for some LAs. Should this be the case for Derbyshire this would provide an opportunity to set aside resources to cover the loss of ESG funding for special schools and PRUs. If not, DSG reserves could be released to help cover the shortfall, at least for 2017-18. Unlike for mainstream schools, there is no requirement to delegate this funding to special schools and PRUs through the formula.

Due to the impending reductions in Early Years funding there is currently no spare capacity within the Early Years Block to cover the ESG loss. For 2017-18 this funding would also have to come from DSG reserves. Given the future restrictions on the amount of central funding it may be that the support has to be delegated and each individual school asked to return the funding to the LA or bear the financial responsibilities and risks themselves.

4. Summary/Outcomes

It should be noted that the use of DSG reserves as described above can only be a short term solution for 2017-18. However, bridging some of the shortfall next year would limit the impact on the ground and provide the LA and schools with time to:

- (i) assess service needs in the light of the expected further government advice;
- (ii) identify which services should continue to be funded via a top-slicing of school funding;
- (iii) identify which services should be offered via a traded service;
- (iv) agree which costs/responsibilities should be met directly by individual schools; and/or
- (v) determine which services should either reduce or cease altogether.

The use of DSG reserves would not cover all of the losses in 2017-18 and would leave a shortfall of around £2m for the Council to deal with as part of its budget strategy.

A more detailed report on the loss of ESG funding will be presented to the Schools Forum in December at which point the Forum will be asked to decide what level of support it is prepared to agree to delegate and/or top-slice in 2017-18.

There is one further issue to be considered and that is the impact of releasing DSG reserves on Minimum Funding Guarantee (MFG) protection. At the start of 2016-17 there were 90 primary schools and one secondary school in receipt of MFG support. The proposed £20 per pupil increase in mainstream funding in 2017-18 would, for these schools, result in MFG protection being reduced or in some case removed completely: in other words these schools would see either no increase in funding or an increase of less than £20 per pupil.

Despite the above impact, at the point that funding is top-sliced, these schools would still be required to return the £20 per pupil resulting in a real terms cut in their resources.

In order to avoid this scenario the Authority would wish to make an application for any increase in funding relating to ESG to be outside of the MFG arrangements so that the full £20 per pupil, or whatever figure is ultimately agreed, is delegated and the equivalent sum returned from schools. The deadline for MFG applications of this nature is 30th November 2016 which is before the next Schools Forum meeting. Schools Forum is therefore asked to support an in-principle application to exempt this delegation from MFG, accepting that a final decision on the level of any additional delegation won't be made until its December meeting.

5. 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.

6. Strategic Director's Recommendations

The Schools Forum is asked to:

- (i) Note the report;
- (ii) Give its views on the possible options for funding these services in the future;
- (iii) Note that a further detailed report on ESG funding will be considered at its next meeting; and
- (iv) Support an application to the DfE such that, should the Forum agree to release DSG reserves to help offset the loss of ESG funding, the delegated funds should be exempt from schools' MFG calculations.

Area	DfE heading - Local authority function/duty	Examples of services provided
School Improvement	<i>“When delivering their school improvement function, local authorities must have regard to the Schools Causing Concern statutory guidance. This guidance provides clarity about the role of local authorities in delivering school improvement for maintained schools and for academies.”</i>	<p>Linking with DfE/Ofsted and other external bodies</p> <p>Supporting and challenging schools causing concern</p> <p>Using full powers of intervention appropriately</p> <p>Working strategically with Teaching Schools to ensure strong locally based commissioning of school to school support</p> <p>Commissioning for vulnerable children</p> <p>Acting as champion for children and families</p> <p>Retaining regular contact with all schools to provide effective challenge on pupil outcomes</p> <p>Responding to underperformance of academies</p> <p>Supporting and facilitating system development</p> <p>Working strategically with the Education Improvement Partnership Board to improve outcomes</p> <p>Fulfilling statutory role in facilitating academy conversions</p> <p>Facilitating success</p> <p>Brokering effective school improvement solutions</p> <p>Supporting the development of strong Governance</p>

Area	DfE heading - Local authority function/duty	Examples of services provided
Statutory and regulatory duties	Appointing a Director of Children's services	Costs of appointment process, DfE to clarify scope of this item
	Strategically plan for its education service	Costs of departmental senior leadership relating to education
	Prepare revenue budgets, income and expenditure relating to education	Proportion of corporate and departmental finance functions
	Perform internal audit and other corporate finance responsibilities	<p>Assist the Council's Director of Finance to discharge their responsibilities under section 151 of the Local Government Act 1972</p> <p>SFVS Audit compliance reviews including an assessment of local governance arrangements, financial management procedures, information security policies and procurement activities</p> <p>Undertake information security reviews of high risk IT software solutions i.e. safeguarding applications</p> <p>Provide guidance and support to schools in respect of internal control and governance frameworks i.e. Audit Matters newsletter</p> <p>Respond to telephone calls requesting guidance and advice.</p> <p>Provide training to Governors, Head Teachers, Bursars and administrative staff on the management of public funds and reducing fraud exposure</p> <p>Completion of statutory returns including RA and RO forms</p>
	Providing information to or at the request of the Secretary of State	Examples include preparation of s251 budget and out-turn statement statements for schools, forecasts of pupil numbers and annual returns on school capacity. The latter are used by the department to allocate Basic Need funding for new school places to the Authority.
Education welfare services	Making arrangements to identify children not receiving education	Implement and monitor Children Missing from Education procedures in accordance with the Education (Pupil Registration) (England) (Amendment) Regulations September 2016

Area	DfE heading - Local authority function/duty	Examples of services provided
	Sending written notices/attendance orders to parents where children are not receiving suitable education; applying supervisory orders and taking prosecution action	<p>Enforce Section 7 of the Education Act 1996 i.e. parents have a legal duty to ensure that their child receives a 'suitable' education at school or otherwise</p> <p>School Attendance Orders.</p> <p>Where parents place their children on a school roll enforce Section 444 of the Education Act 1996 which requires parents to fulfil their legal duty to ensure their children attend regularly and on time.</p> <p>Parental responsibility measures, Penalty Notices, Education Supervision Orders, criminal prosecutions under Single Justice Procedures (SJP) or in Open Court</p>
	Publishing a code for penalty notices to address poor attendance and administrating the penalty notice regime	<p>The LA published Code of Conduct governs the processes and procedures whereby Penalty Notices are issued for unauthorised leave of absence from school e.g. holidays and general ad hoc unauthorised absences</p>
	Improving school attendance performance where schools report absence to them	<p>Advise and support schools on case related attendance matters Advocate where there has been a breakdown of communication or trust between family and school</p> <p>Act on referrals for children missing from education and children without an education including unsatisfactory elective home education</p> <p>Implement School Attendance Order process where children are believed to be without education</p> <p>Undertake casework in relation to children in part time employment where concerns have been identified</p>

Area	DfE heading - Local authority function/duty	Examples of services provided
		Initiate parental responsibility measures on parents of children Progress legal processes and apply fairness and public interest tests when deciding on prosecution
	Investigating the whereabouts of pupils who have poor attendance and are at risk of being deleted from the schools' admission register	Act on referrals regarding children missing from education and children without an education including unsatisfactory elective home education
	Complying with all its statutory obligations under the Education (Pupil Register) (England) Regulations 2006	The Education Welfare Service central team ensures that all schools comply with the statutory obligations and amendments regarding the registration and recording of pupils on a school roll or are deleted from the roll.
	Administering and enforcing requirements and protections for children under 16 taking part in employment or performances	Implement the Children (Performance and Activities) (England) Regulations 2014. Issue licenses/exemptions for children in entertainment and activities to ensure children are safeguarded. Undertake venue checks for children taking part in entertainment and activities (e.g. theatre/chaperone checks) to ensure their safety and well-being Adhere to and enforce the Children and Young Persons Acts 1933 and 1963 and Derbyshire Bye-Laws. Issue permits for children undertaking part-time work and investigate reports of illegal employment and take legal action where necessary
	Pupil support & extra-curricular activities including: providing clothing grants; outdoor education, including field studies; music services & visual & performing arts.	Costs of Sport and Outdoor Education Service e.g. Whitehall/Lea Green. Music Partnership funded by separate specific grant
Central support services	General landlord duty for all buildings which they let to academies and for all community school buildings	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

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		<p>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.</p> <p>The Authority 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 managed included all necessary approvals.</p> <p>For academies, the cost of undertaking annual landlord visits to ensure compliance with lease covenants and health and safety legislation.</p>
Asset management	Overall responsibility for capital strategy	<p>Fulfilment of duty to secure sufficient schools places, including assessing capacity of schools, forecasting future pupil numbers.</p> <p>Provision of information to DfE to secure Basic Need funding.</p> <p>Undertake condition surveys to secure DfE funding</p> <p>Responding to consultations on all planning applications for residential development, and where proposals are judged to put pressure on school places, seeking financial contributions from developers to provide new school places.</p> <p>For new schools securing a securing a sponsor and providing premises, even though the new school will operate as an academy.</p>

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School Improvement	<i>“When delivering their school improvement function, local authorities must have regard to the Schools Causing Concern statutory guidance. This guidance provides clarity about the role of local authorities in delivering school improvement for maintained schools and for academies.”</i>	<p>Delivery of Quality Development Dialogue, school and theme reviews and school audits</p> <p>Area Head Teacher meetings/ forum meetings to provide up-to-date information and guidance in relation to Ofsted/ Assessment/ provision</p> <p>Access to a single point of contact – with detailed knowledge of each school and its context - for school improvement advice and guidance with leadership and management issues</p> <p>Support before, during and after inspection</p> <p>Advice on curriculum, assessment matters and regulations</p> <p>Supporting and facilitating cluster group working/learning communities</p> <p>Engagement with Teaching Schools to support effective commissioning and brokering of school to school support</p> <p>Point of contact for schools for signposting to other services</p> <p>Quality assuring school self- evaluation</p> <p>Facilitating the sharing and development of good practice</p> <p>Supporting Governing Bodies and providing guidance on alternative models of leadership</p> <p>Support for schools causing concern</p> <p>Supporting and facilitating subject networks</p> <p>Development of cross county priority projects e.g. Inspire English, Inspire Enterprise,</p>

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		<p>Providing updates, advice and guidance on national developments, Ofsted inspection etc.</p> <p>Supporting new head teacher induction</p> <p>Supporting schools with urgent issues regarding staffing and leadership</p> <p>Advocacy for specific schools in meetings with Ofsted or RSC</p> <p>Joint planning and working with diocesan boards e.g. Open schools programme</p> <p>Recruitment and training for system leaders at all levels to support succession-planning e.g., middle leaders, aspirant headteachers, executive headteachers, associate school improvement advisers etc.</p> <p>Support for headteachers returning to work on phased return regarding school improvement activity</p> <p>Support in Schools Causing Concern to recruit key leaders</p>
Statutory and regulatory duties	Background checks on employees & others engaged to work in schools	Background checks on employees and others, currently undertaken as part of Recruitment traded service
	Providing advice to governing bodies on pay and workforce matters	Cost of producing and maintaining an annual pay policy for schools and dealing with associated school enquiries. More general workforce advice is provided under a traded HR service.
	Appointing Heads and Teachers on behalf of governing bodies	To fund the cost of attendance of LA representatives involved in Headship appointments
	Terminating the employment of school teaching staff on behalf of governing bodies	Local authority administrative costs of terminating the employment of school staff. DfE to clarify scope of this item

Area	DfE heading - Local authority function/duty	Examples of services provided
	Notifying the Secretary of State of cases of serious teacher misconduct	Administrative costs of notifying Secretary of State of cases
	Pay employer's contributions to the appropriate pension fund	<p>Updating payroll system with the implementation of changes to pension regulations as they affect pay</p> <p>Deducting contributions from employee's pay into collection accounts, plus the appropriate employer's contribution</p> <p>Reconciliation of deductions posted to collection account to payroll records to ensure they balance</p> <p>Transfer local government pension contributions to the pension scheme</p>
	Pay teachers' pension contributions to the Secretary of State	<p>As above, but complete a monthly return to Teachers' Pensions Agency</p> <p>Complete an annual return for Teachers Pensions' and External Audit</p> <p>Liaise with External Audit each year who verify that the correct amounts have been paid over</p>
	Appointing non-teaching school staff	Clarification needed – is this payroll processing or is it wider?
	Suspending a governing bodies' right to a delegated budget where necessary (when schools budgets and staffing decisions revert to the local authority)	Cost to LA in staff time of publishing notices to withdraw powers, and consequential costs of running schools when powers have been removed.
	Monitoring governing bodies compliance with local authority financial scheme	Costs of investigating non-compliance including undertaking investigations into alleged fraudulent activities or mismanagement of school assets

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	Sending to the Secretary of State governing bodies' financial statements	Production of Consistent Financial Reporting (CFR) statements
	Compliance with the Health and Safety at Work Act etc. in so far as compliance cannot be delegated to governing bodies	Monitoring of health and safety performance, provision of health and safety policy and guidance, production of generic risk assessments, provision of advice on compliance with statutory obligations.
	Monitoring and reporting functions as the supervisory authority of school companies formed by governing bodies	Further details awaited from DfE.
	Compliance with the Public Sector Equality Duty, publishing information to show compliance and setting itself specific, measurable equality objectives	Further details awaited from DfE.
	Setting up a standing advisory council on religious education	Costs of SACRE meetings
	Prepare an agreed syllabus of religious education	Nominated officer works with an Advisory Group of religious leaders and other interested parties to ensure that schools have access to the latest syllabus and training. This entails regular meetings with Derby City.
	The right to inspect school registers	The LA has a duty to inspect maintained schools' registers. The LA discharges this by reaching agreement with schools to carry out register audits to assist with their attendance policy procedures and absence management.
	Specific landlord duties for community schools under education legislation to ensure school buildings have certain facilities e.g. safe escape routes, playing	Undertaking condition surveys, fire risk assessments, asbestos surveys, glazing surveys, works to ensure compliance with health and safety compliance e.g. kitchen ventilation schemes, the

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	fields, weather resistant etc.	decommissioning and disposal of surplus school building stock, the provision of estates services in respect of lettings, wayleaves and easements granted by schools The Authority carries out 'landlord visits' and advises on maintenance responsibilities.
	General health and safety duties as an employer	Provision of Competent Persons to ensure compliance with statutory obligations, provision of health and safety training(traded), Approval of high risk visits and school visit guidance(traded), advice on safeguarding issues, other roles as outlined above.
	Managing the risk from asbestos in community school buildings	Provision of training for asbestos duty holders (Headteachers) and asbestos management surveys.
Premature retirement & redundancy costs	Funding redundancy costs (not premature retirement costs which are the responsibility of the school concerned) of school staff (unless good reason not to fund centrally)	Direct cost of redundancy payments to staff through VR/CR processes
Monitoring national curriculum assessment	Moderating teacher assessments for Key Stage 1 (equivalent duties for Key Stages 2 and 3 are funded through specific grants and not ESG). This service may be provided to Academies, but the duties lie with them.	<p>Ensuring that all schools are subject to moderation of assessments over a period of time.</p> <p>Identification and moderation of assessments in schools where outcomes appear to be atypical.</p> <p>Recruitment, induction and training for school based staff who work as moderators to ensure high quality and consistency.</p> <p>Quality assurance visits to ensure accurate moderation.</p> <p>Reporting outcomes of moderation to senior officers and DfE</p>

Area	DfE heading - Local authority function/duty	Examples of services provided
	Appointing a person to complete the assessment moderations. This service may be provided to Academies, but the duties lie with them.	<p>Lead senior advisers work with named advisers and consultants who are given guidance to carry out a programme of visits during test weeks to ensure robust monitoring of the administration of these tests.</p> <p>Investigation of reported maladministration of tests and report submitted to STA.</p>