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Report title:	Education Services Grant and Retained & General Duties Future Funding 2017-18	
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Executive Summary

This report sets out the position for 2017-18 regarding the Education Services Grant (ESG), which the Local Authority usually receives to fund statutory services, part of which is now being mainstreamed into the Dedicated Schools Grant (DSG).

Schools Forum Actions

The Schools Forum is asked to note the report and the required decisions for the January 2017 meeting covering:

- Pending more information from the DFE, the detailed retained statutory duties for maintained and academy schools will need to be funded from ESG that is to be absorbed into the DSG. The Schools Forum will need to agree the amount to be retained centrally from the DSG for these duties which is estimated to be approximately £600k for 2017-18.
- In addition, for LA maintained schools, PRUs and special schools, the Schools Forum will be asked to retain/de-delegate an amount for general statutory duties to the extent that the general duties element of the ESG (currently £2m) becomes part of the schools block in the DSG. Again this is subject to receiving information from the DFE on the allowable amount.

Education Services Grant 2016-17

1. ESG is split into 2 elements
 - Retained Duties – allocated to LAs at a rate of £15 per pupil, for all pupils aged 3-19, whether in maintained schools or academies.
 - General Funding – allocated to LA's at the rate of £77 per pupil (higher rates for PRU and special school pupils) only.
2. The general funding element is reduced pro rata in-year if any schools convert to academy status. The initial allocation to Southwark in 2016-17 was:
 - Retained Duties ESG - £604,254
 - General Duties ESG - £2,003,771
3. There is an in-year reduction in grant when schools convert to academy status.
4. ESG is a non-ring fenced grant and therefore there is no obligation on the LA to spend grant on the areas identified by the DFE as ESG funded duties. However, in practice the Authority spends more than it is funded for in terms of grant received.

5. The retained duties element, relating to services provided to all schools including academies has been added into the schools block for 2017-18. The DFE have yet to disclose how much the reduced rates between April 2017 and August 2017 will be.

Arrangements to Fund Services in 2017-18 formerly funded by ESG

6. The Schools Forum will have to approve any central retentions of ESG for the LA to fund services – even though these are mainly statutory services, i.e. the LA is legally required to provide them. The DFE state in their School Revenue Funding 2017-2018: Operational Guide (the Guide) that *‘If the LA and schools forum are unable to reach consensus on the level of DSG to be retained by the LA, the matter will need to be referred to the Secretary of State’*.
7. The approval mechanism will depend upon whether the services are deemed to be provided to all schools including academies or just maintained schools. We do not yet know precisely how this will work as the Guide states *‘The split of former ESG duties to be funded from the 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’*.
8. For services that are deemed to be just for maintained schools the Guide says *‘The amount to be retained by the LA will need to be agreed by the maintained members of Schools Forum’*.
9. It would therefore seem that a third mechanism is to be added to the existing de-delegations and central retentions. Until now there has been:
 - De-delegation, only applying to mainstream maintained schools and with separate votes for secondary and primary representatives
 - Central Retentions, applying to all schools and decided by a whole Schools Forum vote
10. It appears that added to this will be a central retention, but only for maintained schools, at *‘a single rate for all mainstream maintained schools (both primary and secondary). They (LA’s) may choose to establish differential rates for special schools and PRUs if the cost of fulfilling these duties is substantially different for these schools’*. It appears likely that this category of central retentions will be subject to a vote by all maintained representatives on Schools Forum.
11. This report covers those services provided to maintained schools only, providing some background details in preparation for Schools Forum being asked to provide specific sums, once the DFE have issued the necessary regulations.

Duties and Services Formerly Funded by ESG

12. The DFE’s document *‘Clarification of LA statutory duties relating to services relevant to the Education Services Grant (July 2014)’* described the services funded by ESG. The 2016-17 budgeted expenditure contribution by ESG to supplement any general fund budget where appropriate in these service areas is as follows:

Service Area	£000
Education Welfare	380
School Improvement	989
Asset Management	71
Strategy and Regulation	1,137
Speech and Language	16
Monitoring of NCA	15
Total	2,608

13. With the exception of some central support services included in strategy and regulation, although the statutory element is reduced for academies in some of the areas.
14. Financial budget benchmarking information from Section 251 (a statutory document produced by all LAs for 2016-17) published in September 2016 by the DoE is summarised in the table below to provide some context to Schools Forum.

2016-17 DoE Benchmarking

Budget per Pupil £					
Service	LBS	England National Mean	Median	Max	Min
Statutory and Regulatory Duties	63	58	37	742	-13
Monitoring national curriculum	3	1	0	24	0
1 Therapies and health Education	0	3	0	25	0
Welfare	32	15	13	118	0
2 School Improvement	33	34	27	228	3
Asset Management	4	10	6	293	-13

Notes

- 1 Number may have been too small to register
- 2 The figure has been restated as the published figure included the Councils contribution to free healthy school meals

Description of Statutory Areas covered by ESG split by all schools (funded by retained duties ESG) & Maintained Only (funded by retained and general ESG)

School Improvement

All Schools

15. There is statutory guidance published in March 2016 describing LA responsibilities in this area '*Schools causing concern; Intervening in failing, underperforming and coasting schools, Guidance for LAs and Regional School's Commissioners (RSCs)*'.

16. This states that '*Academies are accountable to the Secretary of State. Therefore LAs should focus their school improvement activity on the schools they maintain. LAs should raise any concerns they have about an academy's standards, leadership or governance directly with the relevant RSC*'. However to date Ofsted has continued to treat LAs as being responsible for standards in all schools in its area, including academies, despite the lack of power of intervention in academies.

Maintained Schools Only

17. The LA must have regard to the Schools Causing Concern statutory guidance, and has the power to issue warning notices, require governing bodies to enter into arrangements, appoint additional members and provide interim executive members.
18. The RSC has the power to do these as well, both for maintained and academies, as well as the powers to define and judge what action to take for 'coasting schools', to close schools, issue academy orders etc.

Statutory and Regulatory Duties

All Schools

19. LAs have significantly more duties in this category for maintained schools compared to academies, but for all schools are obliged to:
- Appoint a Director of Children's Services and strategically plan for its education service
 - Prepare revenue budgets for all schools (i.e. the EFA communicates budget allocations to academies, but the determination of the funding formula which determines most of this is performed by the LA) and incorporate income and expenditure into the LAs annual statement of accounts and arrange and pay for the external audit of grant claims and returns relating to education (e.g. S251)
 - Perform internal audit and other tasks necessary for discharging chief financial officer responsibilities
 - Provide information as required by the Secretary of State.

Maintained Schools Only

Finance

20. The LA has the duty to monitor maintained schools budgets and the ultimate power to suspend a school's delegated financial powers and must also monitor compliance with the requirements of the Scheme for Financing Schools and send relevant financial information to the Secretary of State.

Employment/ performance protection

21. Enforce requirements and protections for children below compulsory school leaving age taking in part in employment or performances.

Joint (with NHS) commissioning of therapy support for pupils.

22. Jointly (with NHS) commission services to support disabled children and young people who including those in academies who need therapy and support.
- Provision of information requested by the Secretary of State
23. Provision of information requested by the Secretary of State.
- Core human resource functions
24. This is generally a traded service, however carrying out suitability checks for potential employees, general school workforce advice, appointment and termination of staff and payment of pension contributions are all statutory functions which do not form part of the traded service (this is currently done by finance)
- Health and Safety Functions
25. The LA is responsible for health and safety functions in schools that cannot reasonably be delegated to school governing bodies.
- Monitoring and Reporting on school companies
26. The LA is the supervisory authority for any school companies set up by maintained schools.
- Ensure Equality Duty compliance
27. Ensure compliance with the Equality duty for maintained schools by publishing information to show its compliance and set specific measurable objectives.
- Standing advisory council on religious education (SCARE)
28. Set up SACRE and prepared an agreed syllabus of religious education for maintained schools.

Education Welfare

All Schools

29. LA's have similar duties for all schools with the only additional power regarding maintained schools being the right to inspect registers. The duties are to:
- Make arrangements to identify children not receiving education
 - Take enforcement action regarding parents whose children are not receiving education
 - Publish a code for penalty notices to address poor attendance and administer it.
 - Improve attendance where schools report absence to them.
 - Investigate the whereabouts of pupils who have poor attendance
 - Comply with all other obligations under the Education (Pupil Registration) (England) Regulations 2006
 - Administer and enforce protections for those below compulsory school leaving age taking part in employment.

Maintained Schools Only

30. The same as for all schools.

Asset Management*All Schools*

31. LAs have a general landlord duty for all buildings leased to academies (under the relevant academy lease) and for all community school buildings. LAs have overall responsibility for capital strategy, including basic need, for all pupils.

Maintained Schools Only

32. As landlord for all maintained schools, the LA must ensure that maintained schools have appropriate facilities for pupils and staff, are safe, weather resistant, have suitable escape routes have appropriate acoustic levels, have appropriate heating, light and ventilation, have adequate water supplies and drainage and adequate playing fields. LAs must also manage the risk from asbestos and has a general duty for employees and others who may be affected.
33. Any underspends at the year-end will be carried forward to fund the Statutory Functions of the LA in 2018-2019.

Therapies and other health related services*All Schools*

34. The Children and Families Act 2014 places a statutory duty on LAs and local health bodies to commission services jointly to support disabled children and young people with special education needs, including those needing therapy support.

Maintained Schools Only

35. The same as for all schools.

Monitoring national curriculum assessments*Maintained Schools Only*

36. LAs have responsibility to moderate KS1, 2 and 3 assessments in maintained schools but as KS 2 and KS3 moderation is funded by specific grants, it is only KS1 moderation that is funded by ESG.

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