

MUNICIPAL YEAR 2016/2017 REPORT NO. 5

MEETING TITLE AND DATE:

Education Resources Group – 16 June 2016
Schools Forum – 6 July 2016

REPORT OF:

Chief Education Officer

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Item: 5b

Subject:

**Central Services Funded from the
Dedicated Schools Grant & Education
Services Grant – Update**

1. EXECUTIVE SUMMARY

This report provides an update on the review of central services funded from the Dedicated Schools Grant (DSG) and also information on the Government's proposed changes to the Education Services Grant (ESG).

2. RECOMMENDATIONS

Members are asked to note and comment on this report.

3. BACKGROUND & INTRODUCTION

- 3.1 Following the budget setting process for 2016/17, the Authority has begun to review the central services funded from the DSG.
- 3.2 The Government's consultation document on reforms to the methodology used to fund the Schools and High Needs blocks included proposals to change the current arrangements for funding the Education Services Grant (ESG) and also the central services funded from the DSG.
- 3.3 This report provides an update on the review of the central services and also outlines the Government's proposals for the central services funded from the DSG and the ESG.

4. REVIEW OF CENTRAL SERVICES

- 4.1 The review of central services has been incorporated into the work the Authority is currently doing on early help and intervention. The first phase of this work has been to identify the services and to collect as much information as possible. The information will then be used to carry out a mapping exercise. Appendix A details the information collected to date for central services funded from the DSG.
- 4.2 Separately, the DfE are, currently, undertaking a review of historical and combined services commitments funded from the Schools Block to ensure that these predate April 2013, i.e. the point, at which, the school funding reforms were introduced. The aim of the review is to consider whether these the commitments need to cease, reduce or can be maintained because they meet the qualifying definition detailed in the regulations. Table 1 below lists the services included in this review.

Table 1

Services

Parents Support Service
Joint Services for Disabled Children
Educational Support for Looked After Children
Prudential Borrowing
School Improvement Support
School Improvement Support

5. EDUCATION SERVICES GRANT (ESG)

- 5.1 To support the introduction of the academies programme in 2010, the Government initially created the Local Authority Central Spend Equivalent Grant (LACSEG). The aim was to transfer appropriate funding for services, local authorities provided to maintained schools, to academies because as part of the regulations, academies were required to secure these independently. The methodology used for calculating the LACSEG was flawed because the funding was based on historical spends by each local authority. This created a wide variation in both the funding taken from local authorities and then provided to academies.
- 5.2 In 2013/14, the ESG was introduced to replace the LACSEG. The aim was to provide a simpler and more transparent methodology to transfer funding from local authorities to the increasing number of academies.

The ESG is provided as a non-ring fenced grant to both local authorities and academies. For local authorities, the ESG grant has two elements. These are a general element and a retained duties element. Academies only receive the general element. Both local authorities and academies receive £77 per pupil for the general element.

The retained duties element was introduced to provide additional funding for obligations local authorities are required to fulfil for both academies & maintained schools.

- 5.3 For 2016/17, the Enfield's ESG totalled £4.457m and is split between the two elements as follows:

Elements of Grant	Amount	Comment
General	£3.61m	Funded at £77 per pupil in maintained schools only. Academies receive £77 per pupil directly from the EFA.
Retained Duties	£0.84m	Funded at £15 per pupil, for all pupils including those in academies
Total	£4.457m	

Current spending against ESG relevant items for both the general and retained element is over £5m.

5.4 Proposed Changes for 2017/18

The Government's School Funding consultation includes proposals, from 2017/18, to reduce and change how the retained duties element is funded and discontinue the general element.

(a) ESG - Retained Duties Element

The DfE have proposed that the retained duties element of the ESG and the central services currently resourced from the Schools block within DSG be amalgamated to form a new central block within the DSG. There is no information on the overall funding for this new block, other than that new block would be calculated based on an amount per pupil. There is no information on the rate which would be used for calculation.

(b) General Element

As part of their proposals, the DfE have stated that the general element of ESG will be discontinued. It is being proposed that:

- a reduced rate for the general element will be provided for the first 5 months of the 2017/18 financial year;
- from September 2017, the general element funding would totally cease for local authorities and academies.
- Academies would be provided with financial protection arrangements for this change.

(c) Impact of the loss of ESG – General Element

The potential loss for Enfield could be £3.61m by 2018-19.

In their proposals, the DfE have acknowledged that the cessation of this funding within one year would have a major impact for local authorities and suggests this could be managed as follows:

(i) School improvement

As part of the Government's drive for a school-led system, reforms to school improvement policy were announced. As part of this policy, the premise is, at the end of academic year 2016/17, local authorities will not be required to provide school improvement and therefore, in the school funding consultation, it is assumed funding for this function will not be required.

(ii) Charging maintained schools

The DfE have suggested that local authorities should charge maintained schools for the statutory duties carried out for maintained schools, in a similar way to the percentage top slice that multi academy trusts (MATs) often take from the budget shares of their academies.

Unlike MATs, it is proposed that the level of top slice to be retained by local authorities would need to be agreed by the maintained schools members of the Schools Forum, with recourse to the Secretary of State for resolution of any disagreement. In addition, it is unclear how the retention would work and if it will be limited to items as determined by the DfE and therefore restrict any local arrangements / discretion to retain school improvement or any other service.

6. The Authority is currently assessing the impact of the changes being proposed to the ESG, but a full assessment cannot be carried out until the Government have published their proposals for introducing a new fourth block within the DSG.