

9e Proposal to fund services, previously funded from the ESG, from maintained school budget shares

1. Proposal

- 1.1 The council proposes to ask the maintained schools' representatives on the Schools Forum to agree that some services, previously funded from the Education Services Grant, should be funded from the budget shares of maintained primary and secondary schools. The services and the total amount to be funded are set out in the table in section 3.2 below. In summary, these are:
- Statutory and regulatory duties
 - Asset management
 - Premature retirement and redundancy
 - Monitoring national curriculum assessments
- 1.1 It is proposed to consult maintained primary and secondary schools on this proposal before the Schools Forum is asked to make its decision at a special meeting in late November. It should be noted that the council will also be conducting a public consultation on this proposal as part of its consultation on its proposed Medium-Term Financial Strategy.

2. Background

2.1 ESG

- 2.1.1 The Education Services Grant was additional funding given to academies and local authorities until 2016-17 for services such as school improvement, education welfare services, asset management and strategic planning. The funding of school improvement functions is addressed in a separate consultation paper (item 9.4 of the Schools Forum agenda). The ESG grant was made up of two elements – a retained duties element which covered statutory duties in relation to all schools (including Academies and Free Schools) and a general fund element that related to local authority statutory duties in respect of maintained schools.
- 2.1.2 In the 2015 Spending Review the government announced a saving of £600 million nationally from the ESG general funding rate by 2019-20. Barnet council received an Education Services Grant (ESG) of £3.6 million in 2016-17. In 2016 the DfE announced that it proposed to phase out ESG funding to local authorities in 2017-18.
- 2.1.3 For 2017-18 the DfE moved the retained duties element of the ESG (£797,000 for Barnet) into the Dedicated Schools Grant (DSG) and allowed local authorities to retain the funding for statutory purposes relating to all schools, subject to the agreement of the Schools Forum. Barnet Schools Forum considered this at its meeting in December 2016 and agreed to the council retaining this funding, noting that it was an in-out transaction with no negative effect on school budgets. The Schools Forum needs to be consulted on this again each year. It approved the retention of this funding as part of the new 'Central Block' of the DSG for 2018-19 at its meeting in February 2018.
- 2.1.4 The rest of the ESG allocation (£2.8m for Barnet in 2016-17) relates to services to maintained schools only (community and voluntary-aided schools, not Academies or Free Schools). This was withdrawn entirely in 2018-19. In 2017-18 the loss of ESG was offset by transitional funding (£985,000 for Barnet) and a school improvement grant (£198,716) for the period September 2017 to March 2018.

In 2018-19 the council received a further £140,414 for the period April to August 2018, bringing the total to £339,130 for the school year 2017/18. No transitional funding is available in 2018-19. The DfE has indicated that school improvement grant will be allocated again for the school year 2018/19.

- 2.1.5 Government guidance has made clear that councils may request retention of a share of maintained school budgets to cover the loss of ESG income. Across the country a significant number of local authorities have sought agreement from their Schools Forum for services previously funded from the Education Services Grant to be funded from the budget shares of maintained primary and secondary schools and have secured agreement. Barnet Council chose not to do so in 2017-18 and in 2018-19.

2.2 The council's budget

- 2.2.1 However, the council has been reviewing its financial position in recent months. In March 2018, the council set a Medium Term Financial Strategy (MTFS) covering the period 2018 to 2020. The MTFS for this period identified a total gross budget gap of £39.1 million. After mitigating actions and the planned use of reserves, the council anticipated a balanced position for 2018/19 and a remaining gap of £5.9m for 2019/20
- 2.2.2 In June 2018, the council's Policy and Resources Committee approved an updated MTFS which shows an anticipated budget gap of £42m to 2021/22. High level calculations estimate this to be £62m when extended out to 2024/2025. The Council is working on a Priorities and Spending Review project to identify how the organisation will strategically respond to this significant challenge.
- 2.2.3 In June 2018, the current financial position was also considered by Policy and Resources Committee. The council's outturn position for 2017/18 showed a significant overspend of £7.9m in addition to an unplanned net drawdown from specific and general earmarked reserves of £5.6m. This overspend was also in addition to the planned use of reserves for 2017/18 of £7.7m. Overall, the total call on revenue reserves and balances for 2017/18 has therefore been £21.2m.
- 2.2.4 Given the scale of the 2017/18 overspend and the challenges of delivering some of the previously approved savings, the Council has financial pressures which cannot easily be mitigated during 2018/19. In June 2018, Policy and Resources Committee agreed that £9.5m of mitigations were required.

2.3 DfE Guidance

- 2.3.1 The new operational guidance on school funding 2019-20 includes guidance on retention of budgets for some central services.

Last year the relevant section began with:

- Local authorities can fund services previously funded from the general funding rate of the ESG (for maintained schools only) from maintained school budget shares, with the agreement of maintained school members of the schools forum.

This year it says:

- Local authorities can fund some services relating to maintained schools only from maintained school budget shares, with the agreement of maintained school members of the schools forum.

2.3.2 Although ESG is no longer specifically mentioned, the new wording is clearly referring to the same thing because what follows is exactly the same as in last year's guidance, including:

- The relevant maintained schools members of the schools forum (primary, secondary, special, and pupil referral units (PRUs)) should agree the amount the local authority will retain.
- If the local authority and schools forum are unable to reach a consensus on the amount to be retained by the local authority, the matter can be referred to the Secretary of State.
- Local authorities should set a single rate per 5 to 16 year old pupil for all mainstream maintained schools, both primary and secondary; in the interests of simplicity, this should be deducted from basic entitlement funding.
- As with de-delegation, the amount to be held by the local authority will be determined after MFG (the minimum funding guarantee) has been applied.

2.3.3 The guidance goes on to say: Local authorities should provide sufficient evidence to their schools forum to enable them to make an informed decision on the amount of funding to be held centrally. This evidence is set out in the following paragraphs.

3. Rationale and supporting information

3.1 The planned total spending for 2019 to 2020 on each of the headings set out in tables 9a to 9i of the guidance is set out in the table below. The S.251 headings are indicated in the table sub-headings.

3.2 The estimated spending in 2018-19 and previous years is the same as for 2019-20, as indicated in the table below; the figures for all schools do not relate to the functions in the table below. The DfE tables list different functions relating to all schools (not just maintained schools).

Table of LA responsibilities for maintained schools only – and estimated expenditure by the London Borough of Barnet in 2018-19 and 2019-20

Statutory and regulatory duties - S.251 category 1.6.4	£ in 2019-20	£ in 2018-19
Budgeting and accounting functions relating to maintained schools (Sch 2, 74) Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 2, 59) 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, 60) Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 2, 61)		

<p>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, 73)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 2, 76)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition or organisation of staff (Sch 2, 64); determination of conditions of service for non-teaching staff (Sch 2, 65); appointment or dismissal of employee functions (Sch 2, 66)</p> <p>Consultation costs relating to staffing (Sch 2, 67)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch 2, 68)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch 2, 69)</p> <p>Functions under the Equality Act 2010 (Sch 2, 71)</p> <p>Establish and maintaining computer systems, including data storage (Sch 2, 72)</p> <p>Appointment of governors (Sch 2, 73)</p>		
Total expenditure on statutory and regulatory duties	£650,000	£650,000
Asset management - S.251 category 1.6.3	£ in 2019-20	£ in 2018-19
<p>General landlord duties for all maintained schools (Sch 2, 77a & b (section 542(2)) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> • 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 <p>General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc. Act 1974)</p> <p>Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012)</p>		
Total expenditure on asset management	£125,000	£125,000

Premature retirement and redundancy – S.251 category 1.6.5		
Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 2, 78)	£200,000	£200,000
Monitoring national curriculum assessment - S.251 category 1.6.6		
Monitoring of National Curriculum assessments (Sch 2, 75)	£25,000	£25,000
TOTAL	£1,000,000	£1,000,000

3.3 Consequences for the funding and delivery of each of the services provided, if the request was not approved

3.3.1 The council is obliged to carry out a number of statutory duties, for example in relation to financial regulation, asset management and the provision of information to government departments and agencies. The proposal to charge these services to the maintained school budgets is to enable the council to continue to undertake these functions in relation to maintained schools.

3.3.2 The council needs to charge the proposed total amount to maintained school budgets in order to maintain a central education function. It should be noted that many Academy chains and Multi-Academy Trusts top-slice the budgets of individual Academies to pay for central functions and this often amounts to 5% of a school's budget. The proposals in this paper would represent an average charge on a maintained school budgets of between 0.45% and 0.75%.

3.4 The impact on individual school budgets, and their overall financial position

3.4.1 The proposal, if approved, would mean a deduction from the budgets of maintained primary and secondary schools of **£32.37 per pupil**.

3.4.2 This proposal does, however, need to be considered alongside other proposals by the council, including:

- A proposal to ask the Schools Forum to agree to increase de-delegation to fund 'additional school improvement services' from £101,000 to £310,000.
- A proposal to ask the Schools Forum to agree to transfer 0.5% of the schools block funding into the High Needs block for 2019-20.

These proposals are set out elsewhere on the agenda for the Schools Forum and in separate consultation documents.

3.5 The impact on the local authority if the amount was not held centrally

3.5.1 The council has had a straight cut in funding of £2.8m in relation to the statutory services it must provide to maintained schools. Without charging some of this lost funding to maintained school budgets, the council may be unable to set a balanced budget without making cuts to other vital services such as children's or adults' social care.

3.5.2 This proposal, combined with the de-delegation request in relation to additional school improvement services, if approved, would mean that 46% of the total lost funding would be

recovered from maintained school budgets, leaving the council to cover around 54% of the lost income from other sources of funding or by making savings elsewhere in the council's budget.

3.6 Equalities Impact Assessment

Details of the results of the equalities impact assessment carried out to assess the impact of the central retention of the funding on children or other people who have one or more of the protected characteristics under the Equality Act 2010 can be found in Appendix Y (to follow).

- 3.7. The Schools Forum is asked to note, and comment on, this report.