

Report to Schools Forum 9th December 2016
From Mark Patton (Assistant Director – Education, Learning & Skills (0-19))

Item 4 : Schools Formula Update 2017/18

1. Introduction

This report is to provide an update on the Schools Formula for 2017/18.

2. Background

- 2.1 In the previous report 16th September there were a number of outstanding issues in relation to the local formula regarding centrally retained items and the changes in funding of the Education Services Grant (ESG) for retained and general duties.
- 2.2 The Education Funding Agency (EFA) issued an update to the Schools Revenue Funding 2017 to 2018 Operational Guide on the 1st December, although the revised Schools and Early Years Finance Regulations have not been issued.
- 2.3 This revised publication has confirmed how local authorities should distribute the Dedicated Schools Grant. Final funding allocations to each authority will be made in December, in line with the latest pupil data.

3. 2017/18 Schools Formula

- 3.1 The formula characteristics have now been agreed for the local formula. The de-delegated services for 2017/18 were approved at the meeting of the 16th September. The remaining funding now requires Schools Forum decisions.
- 3.2 The baseline Dedicated Schools Grant funding for 2017/18 shown below;

Funding Allocation	Schools Block Funding £m
Baseline Funding 2016/17	61.456
New ESG allocation	0.216
Transfer From High Needs Block - Notional SEN	0.550
Transfer From High Needs Block - Centrally Retained	0.098
Transfer From Early Years - Centrally Retained	0.003
Baseline Funding 17/18 *	62.323

- 3.3 The funding will be updated later this month to reflect the latest pupil data following the October census.

4. Centrally Retained Services

- 4.1 As part of the current regulations the Schools Forum are required to approve the amounts allocated to centrally retained services. These amounts have been historically cash frozen at 2012/13 levels. The updated guidance now removes the requirement to freeze the Admission Service and the Schools Forum costs. The LA proposes no changes to either of these Services for 2017/18.

4.2 As part of the consultation for the national funding formula, an historic commitments exercise on Centrally Retained Services was carried out by the DfE. They have now clarified the services which are allowable and the approvals required for each of these elements.

4.3 Approval required is an “all or nothing” vote for the following items:

Services	£m
Admissions	£0.132
Servicing of Schools Forum	£0.035
Contribution to Combined Budgets	£0.431
Termination of Employment Costs	£0.035
Total	£0.633

4.4 Admissions £0.132m

This budget is for the provision of the Admissions Service for the statutory responsibilities of the co-ordination of the school admission process.

4.5 Queries have been raised relating to academy converters who were previously community schools as to whether they should be charged for the admission services funded from centrally retained. The LA approached the EFA who provided limited and conflicting guidance. The local authority’s view is that the standard service will be provided without additional charge, as the funding for these services was delegated only to foundation and voluntary aided schools prior to 2012/13.

4.6 Servicing of Schools Forum £0.035m

This service relates to the authorities costs of the establishment, maintenance of and consultation with Schools Forum. Including the preparation and attendance of meetings at least four times per annum.

4.7 Contribution to Combined Budgets £0.431m

The combined budget for 2017/18 is £0.431m including associated overheads. This is a reduction of £0.050m which relates to the removal of broadband costs support to the Space to Learn. Forum will recall that the Space to Learn budget of £0.098m for 2017/18 was approved at the 22nd September 2015 meeting but for completeness is included in this section.

4.8 The services within combined budgets are: Licences for the web server for the One system £0.077m; School Meal service contribution £0.154m; Vulnerable pupils targeted support including Looked after Children £0.102m.

4.9 Termination of Employee Costs £0.035m.

The budget relates to the ongoing pension related costs following the closure of Brierton School.

4.10 Capital Expenditure Funded from Revenue £0.627m

The guidance confirms that projects must have been planned and decided on prior to April 2013. No new projects can be charged. The EFA expect LAs to use this funding for schools or high needs.

4.11 Forum can now consider a number of options:

a. Allocate the capital funding back to DSG, proportionally split between the Schools and High Needs Blocks

- b. Allocate all of the capital funding to the High Needs Block
- c. Allocate the capital funding through the formula, agree to a SLA and commit to a minimum 3 years of contributions to support schemes as recommended via the Capital Sub Group.

4.12 It is recommended that forum representatives consult with the schools in their groups on the options a-c above and bring a decision back to the meeting of 9th December 2016.

4.12 Copyright Licences

The EFA has negotiated copyright licences for schools with most copyright holders. The licences are purchased by the EFA, who charges the LA by way of a reduction in the DSG. The estimated reduction for 2017/18 is £0.067m

5. **Services previously funded by the retained rate of the Education Services Grant (ESG)**

In 2016/17 the local authority received ESG funding direct from the EFA for retained statutory duties for all schools. The funding is paid at a rate of £15 per pupil. As part of the proposed 2017/18 school funding arrangements, the EFA have identified that this funding will be paid via the Dedicated Schools Grant (DSG). Additional funding of £0.216m has been transferred to the DSG Schools block.

5.1 The duties covered by this funding relate to the following areas:

- Education Welfare Service
- Asset Management – Education
- Statutory/ Regulatory Duties – Education

5.2 Details on the type of duties for each area being referred to above are provided in **Appendix 1** (Column 1).

6. **Services previously funded by the general rate of the Education Services Grant (ESG)**

Local authorities also have statutory duties that are performed for maintained schools only which are funded through the 'general rate' element of the ESG. The EFA have confirmed that the general rate will be removed from September 2017. There will be transitional protection in the region of £20 per pupil for the period April 2017 to August 2017.

6.1 The EFA have advised local authorities (LAs) that regulations will be amended to allow LAs to retain some of their School Block funding, to cover the statutory duties that are carried out for maintained schools which were previously funded from ESG.

6.2 Owing to the lateness of this notification and lack of clarity further meetings will take place in the New Year with maintained School Forum members to discuss the issues in detail.

7. **School Improvement Statutory previously funded from ESG**

7.1 From 2017/18 LAs will receive a separate grant covering their statutory intervention functions and services which were previously funded from ESG. The EFA have indicated that there will be £50m per annum allocated to LAs on the basis of the

number of maintained schools, an area cost adjustment and top up to ensure each LA receives a minimum allocation of £0.050m.

- 7.2 In addition, a further £140m per annum 'Strategic School Improvement Fund' will be provided to support school improvement and help build school led capacity. EFA have indicated that further information on this fund, including how to access the support, will be available shortly.
- 7.3 School Forums can agree to de-delegate additional further funding for additional school improvement provision, in 2017/18.

8. Growth Fund / Falling Rolls Fund

- 8.1 LAs may top slice the DSG in order to create a growth fund to support schools which are required to provide extra places in order to meet basic need within the authority, including pre-opening, diseconomy and reorganisation costs. The growth fund may not be used to support schools in financial difficulty (any such support for maintained schools would be provided from a de-delegated contingency) or general growth due to popularity.
- 8.2 LAs may also top-slice the DSG in order to create a small fund to support good schools with falling rolls, where local planning data show that the surplus places will be needed within the next three financial years. The Schools Forum should agree both the value of the top slice and the criteria for allocation, and the local authority should regularly update the Schools Forum on the use of the funding.
- 8.3 The LA is recommending that owing to the tight timescales for consulting and approving the 2017/18 Formula that these options are not considered for 2017/18. Both of these options can be considered for the 2018/19 formula should the Schools Forum request it.

9. Recommendations

- Note the contents of the report
- Agree the centrally retained services as noted in Para 4.3 to Para 4.9
- Agree on the treatment of the Capital Expenditure Funded from Revenue in Paras 4.10 – 4.12
- Agree the retained services outlined in Para 5.

Appendix 1

ESG DUTIES	
Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from maintained schools only with agreement of schools forum)
Statutory and Regulatory duties	Statutory and Regulatory duties
<p>Director of children's services and personal staff for director (Sch 1, 20a)</p> <p>Planning for the education service as a whole (Sch 1, 20b)</p> <p>Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 1, 20d)</p> <p>Administration of grants (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure not met from schools' budget shares (Sch 1, 20fi)</p> <p>Formulation and review of local authority schools funding formula (Sch 1, 20g)</p> <p>Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA</p>	<p>Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 1, 20c)</p> <p>Budgeting and accounting functions relating to maintained schools (Sch 1, 20d)</p> <p>Functions relating to the financing of maintained schools (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 1, 20fii)</p> <p>Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch 1, 20h)</p> <p>Internal audit and other tasks related to the authority's chief finance officer's responsibilities</p>

ESG DUTIES	
Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from maintained schools only with agreement of schools forum)
<p>1972 except duties specifically related to maintained schools (Sch 1, 20i)</p> <p>Consultation costs relating to non-staffing issues (Sch 1, 20r)</p> <p>Plans involving collaboration with other LA services or public/voluntary bodies (Sch 1, 20v)</p> <p>Standing Advisory Committees for Religious Education (SACREs) (Sch 1, 24)</p> <p>Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 1, 20w)</p>	<p>under Section 151 of LGA 1972 for maintained schools (Sch 1, 20i)</p> <p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 1, 20j)</p> <p>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 1, 20L)</p> <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 1, 20m)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch 1, 20n)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch 1, 20o); determination of conditions of service for non-teaching staff (Sch 1, 20p); appointment or dismissal of employee functions (Sch 1, 20q)</p> <p>Consultation costs relating to staffing (Sch 1, 20r)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch 1, 20s)</p> <p>Investigation and resolution of complaints relating to maintained schools (Sch 1, 20t)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch 1, 20w)</p> <p>School companies (Sch 1, 20x)</p>

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	<p>Functions under the Equality Act 2010 (Sch 1, 20y)</p> <p>Establish and maintaining computer systems, including data storage (Sch 1, 22)</p> <p>Appointment of governors and payment of governor expenses (Sch 1, 26)</p>
Education Welfare	Education Welfare
<p>Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch 1, 10c)</p> <p>School attendance (Sch 1, 11)</p> <p>Responsibilities regarding the employment of children (Sch 1, 29)</p>	<p>Inspection of attendance registers (Sch1, 11)</p>
Asset management	Asset management
<p>Management of the LAs capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (Sch 1, 10a)</p> <p>General landlord duties for all buildings owned by the local authority, including those leased to academies</p>	<p>General landlord duties for all maintained schools (Sch 1, 10a (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

ESG DUTIES	
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	<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>
Central support services	Central support services
No functions	<p>Clothing grants (Sch 1, 10e)</p> <p>Provision of tuition in music, or on other music-related activities (Sch 1, 15)</p> <p>Visual, creative and performing arts (Sch 1, 16)</p> <p>Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch 1, 17)</p>
Premature retirement and redundancy	Premature retirement and redundancy
No functions	Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 1, 25)
Monitoring national curriculum assessment	Monitoring national curriculum assessment
No functions	Monitoring of National Curriculum assessments (Sch 1, 23)
Therapies	Therapies
No functions	This will be covered in the high needs section of the regulations

ESG DUTIES

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Services set out in the table above will also include overheads relating to these services (regulation 8(11) already refers to this for schedule 2 services) for:

- Ensuring payments are made in respect of taxation, national insurance and superannuation contributions (sch 1, 20e).
- Recruitment, training, continuing professional development, performance management and personnel management of staff (Sch 1, 20k)
- Investigations of employees or potential employees, with or without remuneration (Sch 1, 20l)
- Investigation and resolution of complaints (Sch 1, 20t)
- Legal services related to education functions (Sch 1, 20u)