

Wokingham Borough Council

Meeting	Schools Forum
Date	14 December 2016
Title	Financial pressures arising from Education Services Grant removal

1 Purpose of the Report

To confirm the way forward in funding continuing education functions of the authority in the absence of Education Services Grant effective from 2017-18.

2 Recommendations

Schools Forum is asked to support proposals for a shared solution to the funding shortfall, including agreement to:

- (i) Top slice the Early Years Block as proposed by the Government's Early Years Consultation in September 2016;
- (ii) Confirm the 100% de-delegation of the retained duties element of the Education Services Grant that has been re-based into the DSG Central Schools Block to continue delivering the Local Authority's Statutory Education duties as set out in Annex B of the DfE's National Funding Formula consultation in March 2016.

3 Summary

The report is a response to the withdrawal of Education Services Grant (ESG) from Local Authorities. The effects in Wokingham are to:

1. Remove £1.8m grant from a £2.9m spend on education and schools-related functions comprising significant pupil support and SEN activities;
2. Provide limited options for top-slicing Dedicated Schools Grant (DSG), subject to School's Forum decisions, specifically from the Early Years Grant and the new retained duties element of DSG which has been amalgamated with ESG;
3. Leave a shortfall of funding in a context where statutory responsibilities and resulting risks for LAs remain in place.

The report suggests a balanced approach to these matters, consistent with the recommendations above. This would mean (a) reducing operational spend, (b) calls on Schools Forum decisions consistent with the recommendations above (c) an increase in WBC funding from £1.1m to £1.8m.

4 National Funding Context

The Government's Spending Review and Autumn Statement in November 2015 delivered on the government's funding priorities. For the Department for Education this meant:

- doubling free childcare from 15 hours to 30 hours a week for working families of 3- and 4-year-olds, worth up to £5,000 per child per year from September 2017,

- and investing over £1 billion more a year by 2019 to 2020 on free childcare places for 2-, 3- and 4-year-olds;
- making around £600 million savings from the education services grant (ESG) and supporting schools to realise efficiencies.

On the 7th March 2016 the DfE launched stage one of the Schools National Funding Formula Consultation. The withdrawal of the Education Services Grant in 2017-18 as set out in the Government's Spending Review and Autumn Statement in November 2015 is included in this consultation.

Meanwhile consultation also took place on Early Years funding, with proposals for a new formula and a reduction of the top-slicing option available to LAs, but not previously taken in WBC. The top-slice is to be limited to 7% for 2017-18, thereafter 5%; WBC proposal is 4%.

5 Consultation Proposals and Funding for ongoing LA functions

Local authorities currently receive funding from the government for their responsibilities from centrally held DSG funding and the retained duties element of the education services grant (ESG). The DfE is proposing to bring these 2 funding streams together into a new central schools block, distributed on a simple formulaic basis.

Currently the DSG is divided into 3 blocks: schools; high needs, and; early years. In the Schools National Funding Formula Consultation in March 2016, the Government proposed to create a fourth block of the DSG called the 'central schools block'. This block would contain funding for central schools services, historic local authority spending commitments on schools and the retained rate of £15 per pupil of the Education Services Grant. The per-pupil amount would be adjusted for area costs using the same area cost adjustment used for schools, and is intended to reflect continuing LA duties such as EWS, SEN etc (table 2).

The existing school funding arrangements give discretion to the schools forum to decide how much DSG funding should be allocated to ongoing local authority functions. A second phase of the consultation is expected to set out a proposal for a formula and the pace of transition.

6 Current Education Services Grant funding

Education Services Grant funding for 2016-17 activities is £1.8M, with a spend of £2.9m. Thus WBC has an established position of supporting these services by £1.1m above the grant funded level. This funding is part of WBC's base budget and in the context of the major loss of grant income is not proposed for a cut in 2017-18. Table 1 sets out the specific WBC funding and Education Services Grant sums.

Table 1. Current WBC and Education Services Grant funding

Narrative	£k
Education Services Grant Funding	1,806
Education Related Activities	2,918
WBC subsidy	1,112

The funding to be withdrawn from 2017-18 is the £1.806m ESG. However the Retained Duties element of the ESG of £15 per pupil is to be rebased into the Central Services Block of the Dedicated Schools Grant (DSG). Top-slicing this is an option to reflect continuing LA support for schools and pupils, subject to confirmation by Schools Forum.

The figure potentially available for top-slice of Retained Duties funds is £380k (see table 3).

7 Education Services Grant in 2016-17: Current functions/scope

The Education Services Grant (ESG) enables local authorities and academy trusts to fund their schools' services. The local authority statutory duties relating to services relevant to Education Services Grant are set out in national guidance as:

- School improvement (includes Educational Psychology)
- Statutory and regulatory duties
- Education Welfare services
- Central support services
- Asset management
- Premature retirement costs/redundancy costs
- Therapies and other health-related services (includes SEN)
- Monitoring National Curriculum assessment

8 Education Services Grant related activities in Wokingham

The current level of services provided across WBC for those Education Services Grant related activities is set out below in table 2 below, amounting to the £2.918m in table 1 above. Thus the challenge is to identify sustainable levels of activity and sources of funding for these services, when £1.8m of ESG is reduced to £380k.

Table 2 on the next page shows that approximately £1m of ESG has been committed to pupil support, including Special Educational Needs and therapies, Educational Psychology and Education Welfare, whilst about 10% (c.£300k) was committed to school improvement. A further 10% relates to continuing costs of historical premature retirement decisions for schools.

Table 2. Education Services Grant funded activities

Statutory Duties	Service Area	Budget 2016-17 £k
School Improvement	School Improvement	320
	Governor Support	(11)
	Early Years	328
	Educational Psychology	443
Statutory & regulatory duties	Strategy	225
	Finance	101
	Information	72
	Human Resources	11
	Health & Safety	2
	School Companies	0
	Equality	0
	Religious Education	7
Education Welfare Services	Education Welfare inc Child Performances	117
Central support services	Pupil support	0
	Music services	0
	Visual & performing arts	0
	Outdoor education centres	0
Asset management	Strategic Assets & Property Estates	13
	Financial Reporting & monitoring	68
Premature retirement / redundancy costs	Premature retirement / redundancy costs	306
Therapies and other health services	Special Educational Needs	208
	Speech and Language Therapy Service	248
	Physiotherapy Service	31
	Occupational Therapy Service	30
	Children & Adolescent Mental Health Services	59
	Internal Recharges	342
TOTAL Statutory Duties Relating to ESG		2,918

9 Future Funding Options: WBC and DSG contributions

To address the ESG funding shortfall several income sources have been identified as set out in table 3. Total future funding of nearly £1.9m is identified, leaving a gap of over £1m.

Table 3. Proposed funding options 2017-18

	£k	£k
Existing Education services (see table 2)		2,918
Future Funding		
Education Services Grant 2017-18 Allocation to WBC	0	
Education Services Grant 2017-18 transitional arrangements (School National Funding Formula guidance 5.7)	50	
Retained WBC Budget 2016-17; base budget 2016-17 (see table 1)	1,113	
Top Slicing Early Years & Childcare DSG Allocation - proposal to top slice based on actuals reflecting proposed new structure including internal recharges. £370k = c.4%	370	*
Education Services Grant Allocation transferred to DSG 2017-18	380	*
Reduction in traded services following move to statutory minimum	(40)	
Total Future Funding		1,873
Future Funding Gap		1,045

*Two lines in table 3 relate to Schools Forum decisions: Early Years and re-based ESG (see above). Each proposal reflects DfE guidance. Many LAs have routinely top-sliced Early Years funding at levels higher than 10%. The proposal is that this pattern is now adopted locally. Early information on Early Years funding for 2017-18 is in table 4.

Table 4. Currently known Early Years funding for 2017-18

16/17 universal funding (15 hours) for 3&4 year olds	£6,275,000
17/18 universal funding (15 hours) for 3& 4 year olds	£7,720,007 (+£1,445k)
Allocation for additional hours from September 2017	£1,326,813
Total 17/18 3&4 year allocation - funded hours only	£9,046,821
5% of the total 3&4 year old allocation (re top slice)	£452,341
Additional allocation for maintained nursery school	£20,450
Additional allocation for EYPP	£40,481
Additional allocation for new disability access fund	£24,600
Additional allocation for funded 2 year olds	£455,653

The issue relating to ESG is a per-pupil figure transferred from ESG to DSG, with DfE advice being to retain that for LA expenditure, subject to Forum decision. That represents an in/out process analogous to what happens with rates, and in our case amounts to £380k.

10 A continuing education role for Wokingham: what do we have to do?

There is that funding gap, but LA's education functions are not changed: a new "Education for All" Education Bill was withdrawn last month, and anticipated consultation is yet awaited. It appears that there will still be special educational needs, admissions, vulnerable pupils and LA maintained schools with associated LA roles and liabilities after the funding changes. LA education duties are set out in statute, typically saying what should be achieved without specifying the means or quantifying anything. Consequently a definitive quantified account of a statutory minimum service is impossible. Behind statutory prescriptions lie implications for what is needed to put in place what is required, and with those come questions of risk.

The fundamental issue is about appetite for risk. There are key risks to DSG in the area of special educational needs. The High Needs Block is already heavily committed in Wokingham, with growing pressure on the resource needing to be committed to expensive out of borough special school placements. ESG-funded support services (the £1m identified in section 8 above) are of critical importance in supporting preventative activities and supporting schools. Without supportive psychology and therapy services the risk of escalating costs is significant.

The council recognises that such risks carry over to itself, with an interest in healthy prevention systems and positive inspection outcomes. The pre-existing investment of over £1m reflects this; it is anticipated that such investment will grow to £1.8m in 2017-18.

11 Proposals for continuing functions: balancing risk and cost

The original WBC report proposing council funding made structure and HR proposals which are not reproduced here. There was also a series of annexes setting out statutory requirements relating to Learning and Achievement functions. What is retained here is an account of proposed reductions in those teams. Those are summarised below in table 5.

Table 5: Summary of Children's Services establishment reductions

Function	Budget FTE	Proposed FTE Reduction	Proposed FTE	Proposed £k Reduction
School Improvement	4.60	-1.50	3.10	-96
Education Welfare inc Child Performance	4.66	-1.00	3.66	-49
Special Educational Needs	6.40	-0.58	5.82	-20
Early Years	6.80	-1.00	5.80	-25
Educational Psychology	6.20	-0.99	5.21	-41
Strategy & Leadership	2.33	-0.50	1.83	-47
	30.99	-5.56	25.43	-279

This saving of £279k would reduce the funding gap (table 3) to £766k (£1,045k - £279k). Table 6 puts this staffing reduction together with other potential savings to reduce the outstanding savings target to £723k.

Table 6. Options to address Future Funding Gap

Options to address Future Funding Gap	£k	£k
Future Funding Gap		1,045
Options		
Cashable Savings		
Match existing Children's Services resources to minimum (table 4)	279	
Redundancy costs previously charged to WBC but legislation states can be charged to Dedicated Schools Grant	30	
Further reduction in costs Early Years & Childcare Team (note initial £10k already part of MTFP 16-17)	10	
Reduction in "direct" element of Internal Recharges	3	
TOTAL SAVINGS		322
Outstanding Funding Gap		723

A summary of funding gap, funding and cost reduction options is shown in table 7.

Table 7. Summary of funding challenge, funding and cost reduction options

	ESG Funded £k	LA Funded £k	TOTAL Funded £k
Existing Education services including Children's Services & Non Children's Services functions	1,806	1,112	2,918
Future funding (see table 3)			1,873
Cost reduction (see table 6)			322
Identified Funding Shortfall			723

The impact of the identified shortfall of £723k in addition to the Retained WBC Budget 2016-17; base budget 2016-17 £1,113k is a total proposed WBC funding post ESG of £1,836k as set out in table 8. This is based on the balancing elements of £370k and £380k (table 3) which are asked for from Schools Forum, and savings of £322k (table 6) which complete a picture of shared interest in continuing support for services which predominantly (table 2) support vulnerable pupils through preventative functions which ultimately help to contain DSG High Needs Block commitments.

Table 8. Proposed Funding post ESG reduction

Narrative	£k
Existing WBC Funding of Activities (base budget 16-17)	1,113
Call on DSG (table 3)	380+30 =410
Call on Early Years grant (table 3)	370
Outstanding Funding met by WBC (table 6)	723
TOTAL WBC Proposed Funding Augmented post ESG	1,836