

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting19th January 2017

1. Title of Item/Report

Options for the council in responding to the loss of the Educational Services Grant from September 2017

2. Record of the Decision

Consideration was given to a report on the options for the Council in responding to the loss of the Educational Services Grant from September 2017.

The general duties rate of the Education Services Grant (ESG) would be removed from Local Authorities in September 2017. As more schools convert to academies there was also a loss of funding to the Local Authority that supports services such as School Improvement, Human Resources, Finance and Legal.

The report set out a range of options for Members to consider to inform future planning around the role of the Council in education in light of this loss of grant funding and reductions in central funding as schools convert to academies.

The White Paper Educational Excellence Everywhere, March 2016, proposed that all schools should be forced to become academies by 2022 and envisaged that most would become part of a Multi-Academy Trust (MAT). The Paper also proposed that the statutory role of councils in school improvement be removed and the general duties rate of Education Support Grant (ESG) to councils be removed from September 2017.

ESG in 2016/17 had two elements; a general duties (£77 per pupil) rate to fund services for maintained schools and a retained duties rate to fund services for all schools (£15 per pupil). From September 2017 the general duties rate of ESG paid to councils would be removed.

Subsequently, in the Bill 'Education for All' May 2016, it was announced that whilst the ESG and local authority's school improvement powers would be removed, the Secretary of State would have new powers to force all schools in a council area to become academies only if she

considers that the council was underperforming or unviable in its support for local schools. The proposal for mandatory conversion of all schools to become academies was removed.

Since changes in Government leadership including a new Secretary of State for Education there had been no further direction given by the DfE regarding the involvement of local authorities in Multi-Academy Trusts beyond an announcement that the DfE would 'prioritise converting schools whose attainment levels need to be raised whilst maintaining its ambition for all schools to convert to academies'. However, the cutting of the ESG remains, and had been highlighted as a potential funding pressure in recent update reports to Cabinet.

Government announced two new funding sources for school improvement on 30 November 2016:

- a. £50 million per year to local authorities as a transitional arrangement covering their statutory intervention functions and services such as monitoring and commissioning of school improvement support only. This grant would be allocated to local authorities on the basis of the number of maintained schools, an area cost adjustment and top-up to ensure each local authority receives a minimum allocation of £50,000. This would be part year in 2017/18 from September 2017 (7/12ths). Indications were that this may be for two years only.
- b. £140m per year "Strategic School Improvement Fund" for academies and maintained schools to support school improvement and help to build school-led capacity in parts of the country where it was needed. Further information on this fund, including how to access the support, would be available shortly, initial indications were that this may be via a bidding process.

A number of other funding sources had also been announced, though the Council's expected share of such resources was likely to be minimal.

The general duties rate of Education Services Grant would end in September 2017. This was worth £1.4m in Stockton, and supported a wider range of services including:

- a. School improvement advisers;
- b. Attendance and Exclusion Service;
- c. School admissions and other aspects of Schools and SEN Service;
- d. Central Support Services including HR, finance, redundancy and premature retirement costs and asset management.

The Council would receive the retained duties rate of ESG (to support statutory services for all schools), though this would be transferred into the Schools Block of the Dedicated Schools Grant, and would require the Schools Forum to agree to de-delegate it back to the Council. This would be worth £15 per pupil, a total of £438,000 in 2017/18. Schools Forum approved the transfer of the retained element to the Council on 13 December 2016.

In addition there would be transitional funding of the general duties rate between April 2017 and August 2017. This would result in additional funding of £417,000.

The Council would also receive an estimated total of £75,000 from the £50m transitional school improvement grant.

Work was required to develop a long term solution and approach, which was based on a fundamental review of the Council's ongoing role in education.

The loss of the ESG proves an opportunity for the council to consider what its business is. There was the possibility of reducing and / or removing services to schools.

Some services provided to schools fall within LA statutory duties and therefore did not attract a charge; other services, whilst non-statutory, were also provided without charge due to the proven impact upon school improvement. A third group of services, brokered to school, were provided for a cost, though schools were free to secure them from the market.

In terms of the statutory duties of the Council, these were defined in the White Paper and were detailed within the report.

The residual amount of ESG – estimated to be £438k – would be spread thinly across a range of services. This would bring risks to the outcomes of children and young people in schools and settings, the ability to retain standards and the ability to deliver challenge and support to school admissions, attainment, and attendance and exclusions. The loss of services funded by the ESG was the first model for consideration. Given the scale of the impact of the loss of ESG, such a review would need to be based on a fundamental review of all services.

There had been consensus from schools that, given services offered for schools from Stockton Borough Council were largely valued, they would like them to be retained. This presented the opportunity for a second model which would rely on income generated from selling services. A

piece of work could be carried out which would look to increase charges to schools to pay for services and cut back on services that were not viable. This was a second model for consideration.

A third option was to create a legal entity which would host services to schools and would require schools to become members, thereby raising a levy on schools. Elsewhere regionally, Local Authorities were exploring setting up 'Learning Trusts'. For example, North Yorkshire County Council was setting up a Learning Trust which all schools and academies would be invited to join at one of four levels of membership. Full members, pre-dominantly maintained schools, would receive a comprehensive package of services for an X% budget levy, whilst at the lowest level of membership schools would purchase from a range of services commissioned by the LA. Kent County Council had established 'Kent Education Partnership', a non-legal entity which commissions statutory services from the 'Kent Core Education Services' whilst commissioning non-statutory services from an Education Services company (not for profit charitable company) and was setting up a Trading Arm, co-owned by the council and schools (for profit company) which would be able to act as sponsor of a Multi-Academy Trust.

A fourth option had also been examined: to consider the Local Authority facilitating a Multi-Academy Trust (MAT). This would mean the local Authority would cease some of its services and support an academy trust which would run the schools, drawing a levy from them, and providing services to them. The White Paper stated however that a MAT cannot have any direct association with a local authority. Academy Trusts would remain free to commission services from the open market, including from Local Authorities, where this provided value for money. Members and Trustees could also be connected to Local Authorities, however membership of the Trust Board by Local Authority officers must be less than 20% (Local Government Housing Act 1989). Whilst the National Schools Commissioner had spoken favourably of the involvement of 'strong LA officer involvement in MATs' there was no legal provision for an LA to lead a MAT.

A survey was conducted in October 2016 that sought information from Stockton maintained schools about their plans to convert to academy and their views of the school services they buy from the LA. The key findings were detailed within the report.

Cabinet considered the above options. The proposed strategy was to consider aspects of options 1, 2 and 3 at this stage.

A more detailed report on option for 2018/19 and beyond would be

brought back to Cabinet in April 2017.

The ESG was £1.8m and the Council had received indicative funding allocations of £900k for 2017/18. Although the outcomes of the review would not be in place for 2017/18, the Council was considering options to address the gap and were confident that this would be achieved in year through vacant posts, use of DSG and one-off monies available. In addition to this there was potential to deliver some savings in year. Together these were expected to cover the funding gap in 2017/18.

RESOLVED that:-

1. For 2017/18 transitional funding be maximised, to explore efficiencies and potential rationalisation of services.

2. For 2018/19 further efficiencies and rationalisation be explored, and longer term options be explored, including the scope for a different model of delivery.

3. Reasons for the Decision

To review the options for the Council in responding to the loss of the Educational Services Grant from September 2017.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

None

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Midnight, 27 January 2017

Proper Officer
23 January 2017