

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

19 JANUARY 2017

**REPORT OF SENIOR
MANAGEMENT TEAM**

CABINET REPORT

Children and Young People – Lead Cabinet Member – Councillor Mrs McCoy

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

1. Summary

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

This report sets 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.

2. Recommendations

1. For Cabinet to agree the proposed approach

- 1) For 2017/18 to maximise transitional funding, to explore efficiencies and potential rationalisation of services;
- 2) For 2018/19 to explore further efficiencies and rationalisation, and to consider longer term options, including the scope for a different model of delivery.

3. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- Affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or

- Relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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SUMMARY

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This report sets out a range of options for members to consider to inform the future planning in light of this loss of grant funding and reductions in central funding as schools convert to academies.

RECOMMENDATIONS

1. For Cabinet to agree the proposed approach
 - 1) For 2017/18 to maximise transitional funding, to explore efficiencies and potential rationalisation of services;
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DETAIL

Background

1. The White Paper Educational Excellence Everywhere, March 2016, proposed that all schools should be forced to become academies by 2022 and envisaged that most will 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.
2. ESG in 2016/17 has 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 will be removed.
3. Subsequently, in the Bill 'Education for All' May 2016, it was announced that whilst the ESG and local authority's school improvement powers will 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 is underperforming or unviable in its support for local schools. The proposal for mandatory conversion of all schools to become academies was removed.

4. Since changes in Government leadership including a new Secretary of State for Education there has been no further direction given by the DfE regarding the involvement of local authorities in Multi-Academy Trusts beyond an announcement that the DfE will '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 has been highlighted as a potential funding pressure in recent update reports to Cabinet.
5. 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 will 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 will be part year in 2017/18 from September 2017 (7/12ths). Indications are 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 is needed. Further information on this fund, including how to access the support, will be available shortly, initial indications are that this may be via a bidding process.
6. A number of other funding sources have also been announced, though the Council's expected share of such resources is likely to be minimal.

Impact on Service

7. The current general duties rate of Education Services Grant will end in September 2017. This is currently worth £1.4m in Stockton, and supports 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.
8. The Council will still receive the retained duties rate of ESG (to support statutory services for all schools), though this will be transferred into the Schools Block of the Dedicated Schools Grant, and will require the Schools Forum to agree to de-delegate it back to the Council. This will 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.
9. In addition there will be transitional funding of the general duties rate between April 2017 and August 2017. This will result in additional funding of £417,000.
10. The Council will also receive an estimated total of £75,000 from the £50m transitional school improvement grant.
11. Work is required to develop a long term solution and approach, which is based on a fundamental review of the Council's ongoing role in education.
12. The loss of the ESG proves an opportunity for the council to consider what its business is. There is now the possibility of reducing and/or removing services to schools.

13. Some services provided to schools fall within LA statutory duties and therefore do not attract a charge; other services, whilst non-statutory, are also currently provided without charge due to the proven impact upon school improvement. A third group of services, brokered to school, are provided for a cost, though schools are free to secure them from the market.
14. In terms of the statutory duties of the Council, these were defined in the White Paper as:
 - a. **Ensuring every child has a school place.** Councils will keep a duty to work with schools and parents on home to school transport; giving schools the opportunity to provide school transport services where that makes sense locally. Councils will take a lead in crisis management and emergency planning. Given that every academy is presently its own admission authority, this will present considerable challenge to a local authority in trying to regulate a system in which it has little power to manage pupil admission numbers.
 - b. **Ensuring the needs of vulnerable pupils are met.** This includes retaining current responsibilities for pupils with Special Educational Needs and Disabilities (SEND) and looked-after children; school attendance and tackling persistent absence; alternative provision for excluded children; safeguarding, radicalisation and extremism.
 - c. **Acting as champions for all parents and families.** This includes a continuing role in coordinating admissions; supporting parents to navigate local Special Educational Needs and Disability arrangements and provision; and championing high standards locally for all pupils and, where necessary, calling for action from the Regional Schools Commissioner to tackle underperformance.
15. 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 is 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.
16. There has been consensus from schools that, given services offered for schools from Stockton Borough Council are largely valued, they would like them to be retained. This presents 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 are not viable. **This is a second model for consideration.**
17. **A third option is 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 are exploring setting up 'Learning Trusts'. For example, North Yorkshire County Council is setting up a Learning Trust which all schools and academies will be invited to join at one of four levels of membership. Full members, predominantly maintained schools, will receive a comprehensive package of services for an X% budget levy, whilst at the lowest level of membership schools will purchase from a range of services commissioned by the LA. Kent County Council has 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 is now setting up a Trading Arm, co-owned by the council and schools (for profit company) which in future would be able to act as sponsor of a Multi-Academy Trust.

18. **A fourth option has 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 states however that a MAT cannot have any direct association with a local authority. Academy Trusts will remain free to commission services from the open market, including from Local Authorities, where this provides value for money. Members and Trustees can 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 has spoken favourably of the involvement of 'strong LA officer involvement in MATs' there is currently no legal provision for an LA to lead a MAT.
19. A survey was conducted in October 2016 to seek information from Stockton maintained schools about their plans to convert to academy and their views of the school services they currently buy from the LA. The key findings are:
- 37 responses were received from a total of 44 maintained schools (43 primary and one secondary).
 - 19 schools state they have plans to convert, 19 do not at present. One of the 19 is considering a sponsored academy solution, another is considering becoming a stand-alone academy.
 - 18 schools state they are committed to being part of a MAT, of which 6 cite becoming part of a Faith MAT as part of their rationale.
 - 22 state they would consider becoming part of an 'LA MAT' if this option was available (including 4 schools that have not identified themselves by name). Of the 22, 3 are not planning to convert but if they felt they had to, they say they would join an 'LA MAT'.
 - 11 schools state they would not consider joining an LA MAT and 5 schools did not respond to this question.
20. Cabinet is asked to consider the above options. The proposed strategy is to consider aspects of options 1, 2 and 3 at this stage.
21. A more detailed report on option for 2018/19 and beyond will be brought back to Cabinet in April 2017.

Implications in 2017/18

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

COMMUNITY IMPACT IMPLICATIONS

23. An initial consultation has taken place with a working party of school governors and senior leaders and a survey of all maintained schools regarding their academy conversion plans and the value of school services. A more detailed assessment of impact will be included in a further report to Cabinet in April 2017.

FINANCIAL IMPLICATIONS

24. The projected funding gap in 2017/18 is expected to be managed through transitional funding, vacant posts, and use of DSG and one-off monies available. The longer term funding gap will be considered as part of the work detailed above.

LEGAL IMPLICATIONS

25. If a trading arm, or Local Authority MAT were set up, there would be legal implications for the governance of such structures.

RISK ASSESSMENT

26. There are short term risks to the Council's financial position associated with the transitional arrangements for 2017/18. For 2018/19 onwards, there is a clear imperative to ensure that the Council continues to fulfil its statutory duties, in the face of a significant reduction in funding. There are clear risks that services would not be retained which could have a significant impact on outcomes for children and young people.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

27. Protecting the vulnerable is a council plan priority. The statutory duties of a Local Authority in the White Paper, as explained in this report pertaining to education, retain such a role and therefore the services need to be positioned to carry out the functions as described.

CORPORATE PARENTING IMPLICATIONS

28. For those children who are looked after, the Council has a responsibility as Corporate Parent to ensure that their needs are appropriately met. The educational needs of children who are looked after are a significant priority for schools in Stockton and the Local Authority's role in monitoring, challenging and supporting schools to meet their needs is to be retained.

CONSULTATION INCLUDING WARD/COUNCILLORS

29. An initial consultation has taken place with a working party of school governors and leaders and a survey of all maintained schools regarding academy conversion plans and the value of school services.

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Education related: Yes

Background Papers: No

Ward(s) and Ward Councillors: No

Property: No