

13 January 2016

Agenda Item

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IMPLICATIONS OF AUTUMN STATEMENT

Report of the Director of Children's Services

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1. Purpose

- 1.1 To provide an overview to Forum of the implications of the Autumn Statement on the Schools Budget.

2. Summary

- 2.1 This report sets out some of the key government announcements in the Spending Review and in subsequent documentation, and comments on their implications for schools and for Forum.

3. Recommendations

- 3.1 Forum is asked to note the report.

4. Background

4.1 Financial Announcements

The Statement and subsequent information included three sets of relevant financial announcements:

- (a) Announcements on DSG/general funding for schools:

These were as expected in terms of per pupil cash protection for the Schools Block. The implications of this for the coming year are set out in detail in the accompanying report on this agenda on the budget. Changes to the distribution of Early Years funding will not take place next year. High Level Needs have slightly increased. The most significant announcements were round future consultations – see below.

The current national base funding rate per student for 16- to 19-year-olds in England will be protected in cash terms over the Parliament.

Universal free infant meals will continue to be funded. Nothing is said about the basis for this, but it must be likely that the per-pupil sum will be frozen, leaving schools to meet a progressively increasing share of the cost – which itself is likely to rise under the impact of the National Living Wage.

(b) Announcements on the level of Education Services Grant:

Education Services Grant is a non-ring fenced grant to the Local Authority intended to cover the costs of a range of services. The services covered by the ESG are listed in Appendix A. The grant is split into two parts; a smaller part for services to pupils in all schools, set at £15 per pupil; and a larger part which relates to services for maintained schools only. The funding for what is covered by the larger element is passed direct by EFA to Academies, but varies from school to school for a range of different reasons.

The ESG rate per pupil for services provided to maintained schools and by Academies has been set at £77 for the coming year. Transitional protection arrangements have been put in place for Academies, so that each Academy will receive a different degree of protection.

The government intends over the four year term of the spending review to cut this element of funding to the LA and to Academies by about £600m/60%. The first tranche of this reduction for HCC for next year is a net £1m in a grant of £13m – a larger underlying fall offset by the impact of pupil number growth. The comparable reduction for Academies is £10 per pupil from the 2015-16 mainstream academy funding rate of £87 per pupil.

Currently HCC does not seek to equate spending on education support services with incoming grant, but we will need to review what that relationship looks like, and the extent to which the existing range of services provided remains tenable not only as underlying grant rates change but also as schools continue to convert to academy status.

(c) Announcements on funding to HCC

There are a number of HCC schools-related services which are not funded by ESG. These include:

- Home to school transport
- Central SEN services, including planning and management and Education Psychology
- School place planning
- Non-DSG funded Early Years and services for young people fall into this group.

Funding to HCC has been cut to a much larger extent than anticipated, certainly in the next couple of years. The precise implications are still being assessed, but by the end of the planning period a reduction in real terms of about 9% will be required. More than half of this will need to be made in 2017/18. (Reductions related to changes in ESG are not included in these figures).

How the necessary reductions will be achieved remains to be determined, but it will likely be the case that services which touch on activity undertaken by schools will be further reduced.

4.2 Consultation of changes to Local Authority duties

The Government will be consulting in the spring on removal of various duties currently placed on the LA - there is a degree of linkage here to the reductions in ESG. It remains to be seen what these are, but they will be removing residual roles in relation to activities which DfE would not regard as relevant to the LA in the future if all schools are academies. The government will consult on policy and funding proposals in 2016, though whether this extends to changing the ESG arrangements remains to be seen.

4.3 Consultation on funding arrangements

The Government has stated its commitment to introduce a national funding formula for schools, high needs and early years. There will be a transitional phase to help smooth the implementation of the new schools formula. The government will launch a detailed consultation in 2016 and will implement the new formulae from 2017 to 2018. No doubt the transitional process will last many years, and the basis on which any individual school is funded will become more opaque.

Whilst there may only be one consultation, it will likely have several parts:

- (a) The move to a National Funding Formula - what that means, how it might take place, arrangements for dealing with non-delegated schools-related expenditure, de-delegation.
- (b) A review of allocation of funding for Early Years: Forum has previously been informed that Hertfordshire receives a relatively generous level of funding per pupil.
- (c) A review of High Level Needs funding allocations across LAs: Given how variable this is and how it is affected by historical factors, it remains to be seen whether any significant changes will be practicable. There is an interaction with what DfE sees as being met from mainstream schools own budgets, which may not be the same as our local position.

4.4 Wider implications

Taken together these changes will likely lead to a continued evolution of the relationship between the Local Authority and schools in Hertfordshire, and also in the role and responsibilities of Forum.

5. Conclusion

Whilst it is clear that announcements made in the Autumn Statement will impact both the statutory duties of the LA and funding changes there is insufficient detail at present on which duties will change or the timeframe for change.

Local Authority Statutory Duties relevant to the Education Services Grant

Set out below is a listing of services to which ESG relates. Some of these are provided for all schools – to which the £15 per pupil applies – and some to Maintained Schools only.

School improvement

Section 251 guidance description of budget line

Expenditure incurred by a local authority in respect of action to support the improvement of standards in the authority's schools.

Statutory and regulatory duties

Statutory obligations of local authorities for all schools

Strategy

A Local Authority must:

- Appoint a Director of Children's Services (section 18, Children Act 2004); and
- Strategically plan for its education service (sections 13 to 15B, Education Act 1996).

Finance

A local authority must:

- prepare revenue budgets: information on income and expenditure relating to education, for incorporation into the authority's annual statement of accounts; and the external audit of grant claims and returns relating to education (Local Government Act 1972); and
- perform internal audit and other tasks necessary for the discharge of the authority's chief finance officer's responsibilities under section 151, Local Government Act 1972.

Information

A local authority must:

- provide information to or at the request of the Secretary of State (section 29, Education Act 1996).

Statutory obligations of Local Authorities for maintained schools

- Human resources

- Finance
- Health and safety
- School companies
- Equality
- Religious education (SACRE)

Education welfare service

Section 251 guidance description of budget line

Education welfare service and other expenditure arising from the local authority's school attendance functions. Where Education Welfare Officers are directly involved in issues related to The Children Act 1989, the relevant expenditure should be charged to line 3.3.2.

Expenditure in connection with powers and duties performed under Part 2 of the Children and Young Persons Act 1933 (enforcement of, and power to make byelaws in relation to, restrictions on the employment of children).

Central support services

Section 251 guidance description of budget line

Includes expenditure on:

- pupil support: provision and administration of clothing grants where such expenditure is not supported by grant;
- music services: expenditure on the provision of music tuition or other activities which provide opportunities for pupils to enhance their experience of music;
- visual and performing arts (other than music): expenditure which enables pupils to enhance their experience of the visual, creative and performing arts other than music; and
- outdoor education including environmental and field studies (not sports): expenditure on outdoor education centres – field study and environmental studies etc. – but not including centres wholly or mainly for the provision of organised games, swimming or athletics.

Asset management

Section 251 guidance description of budget line

Expenditure in relation to the management of the authority's capital programme, preparation and review of an asset management plan, negotiation and management of private finance transactions and contracts (including academies which have converted since the contracts were signed), landlord premises functions for relevant academy leases, health and safety and other landlord premises functions for community schools.

Premature retirement costs/redundancy costs

Section 251 guidance description of budget line

Any budget for payments to be made by the local authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of the school, after 1st April 2014 under section 37, Education Act 2002.

Therapies and other health related services

Monitoring national curriculum assessment

Section 251 guidance description of budget line

Expenditure on monitoring National Curriculum assessment arrangements required by orders made under section 87 of the 2002 Act.

Statutory obligations of local authorities for maintained schools

Under the Education (National Curriculum) (Key Stage 1 Assessment Arrangements) Order 2004, a local authority must do the following:

- moderate the teacher assessments carried out at the end of key stage 1 by schools (in reading, writing and mathematics) in at least 25% of maintained schools each school year and ensure that every school will be subject to moderation at least once every four years; and
- appoint a person to complete the assessment moderations who has recent experience of provision of the National Curriculum in primary schools.

Local authorities also have equivalent duties in respect of key stage 2 and key stage 3 moderation (Education (National Curriculum) (Key Stage 2 Assessment Arrangements) Order 2003) and (Education (National Curriculum) (Key Stage 3 Assessment Arrangements) Order 2003) but, as local authorities receive funding for these duties through specific grants, they are not funded from ESG.

Statutory obligations of local authorities for academies

A local authority may provide the service set out in the section above (statutory obligations of local authorities for maintained schools for monitoring national curriculum assessment) for academies, however the duty for securing this service lies with the relevant academy trust, as set out in its funding agreement with the Secretary of State.