

20 September 2017

De-delegation of funding for school improvement and related services

Report of the Operations Director, Education

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1. Purpose

- 1.1 To update the Forum on plans in relation to school improvement and other services currently provided by HfL and the funding assumptions in relation to these.
- 1.2 To seek support from maintained schools members for a proposal to consult maintained schools on “de-delegation” of funding to cover aspects of this work currently undertaken by HfL to support schools but paid for by HCC from the ESG.

2. Recommendations

- 2.1 Forum is recommended to support the funding assumptions set out in para 3.11 in relation to services provided by HfL and agree these should be used as planning assumptions when drawing up budget proposals for 2018/19.
- 2.2 Representatives of maintained schools are recommended to agree that schools should be consulted on a proposal for de-delegation of funding for 2018/19 as follows:
 - (i) £20 per pupil in relation to School Improvement services provided by HfL (voting by phase);
 - (ii) £5 per pupil in relation to other services required to support maintained schools provided by HfL (voting by all maintained schools members);
 - (iii) That each Special School and ESC pupil (place) is weighted for the purposes of recommendation (ii) as equivalent to 5 mainstream pupils;
 - (iv) £1 per pupil in relation to management and advisory services provided by HCC Childrens Services (voting by all maintained schools members).
- 2.3 Forum is also asked to give an in-principle commitment to support for a similar funding package for 2019/20.

3. Background

- 3.1 As part of the budget setting process for 2017/18 Forum received a series of reports on the benefits offered and services provided to schools by HfL, that up to the end of 2016/17 were funded by the Education Services Grant provided to HCC by DfE. As part of DfE's continuing programme of savings that grant has been cut, with the first part removed for 2017/18 and the remaining part (5/12th of the "general duties" element relating to maintained schools) to be removed for 2018/19. It has been partially replaced by an increase in the (new) Central Services Block of the DSG corresponding to the former "Retained Duties" element of the grant.
- 3.2 In order to continue to be able to maintain schools, there are a range of activities which HCC must undertake and responsibilities in relation to standards, quality of education and other matters. Since DfE has now withdrawn all funding for these, from April 2018, if the Council is to continue effectively to maintain schools, and if schools are to keep open the possibility of maintained status, then there is a need for adequate funding to be de-delegated to cover the costs of the necessary functions.
- 3.3 In the light of the benefits to schools of the services provided by HfL, Forum last year agreed a package of funding which, with HCCs contribution from the residual ESG, allowed the continuation of current HfL services. This decision was supported by a consultation exercise with maintained schools round the de-delegation of funding for services directed specifically to them.
- 3.4 Schools were asked the question "Do you support the de-delegation of £10 per pupil in 2017/18 to contribute to the costs of continuing to allow schools to remain as Maintained Schools?" The level of response to this consultation was high relative to previous financial consultations with a total of 192 responses. In total across both phases 92% of respondents answered "yes" and 8% no to the question.
- 3.5 However, we recognised at the time that there was a need to reconsider funding and de-delegation for 2018/19 in the light of the final withdrawal of ESG. In consequence, as reported to Forum in June there has been a series of meetings with schools' representatives round what level of de-delegation would be a suitable basis for consultation with schools for next year. The timetable attached as Appendix A shows meetings that have taken place, and the future sequence through to a decision by Forum in end-November.
- 3.6 Forum members will be aware that, prior to the withdrawal of ESG, there were in any case a number of service areas supported by de-delegate funding. These included funding for HGfL (£1 per pupil) and the fund supporting Primary Schools in difficulty (£3.65 per pupil). Forum supported the continuation of these for 2017/18.
- 3.7 It should be noted that the services provided by HfL under contract to HCC also include some which relate to all schools not just to maintained schools, and that these may be funded from the Central Services Block of the DSG.

Proposals for 2018/19

3.8 The discussions to date in the schools' representatives' sub-group have largely focussed on the range of services provided by HfL for the benefit of schools, their costs, funding sources, and affordability to schools.

3.9 One of the main objectives in this has been to try to develop a package which, expressed in terms of required level of de-delegation, did not add more than was necessary to funding sought from schools. The outcome of these discussions is the package of services and costs set out below.

	<u>Cost of delivery</u>
School Improvement - monitoring, challenge, support and intervention	£2,558,402
Safeguarding	£106,078
Moderation of assessments	£225,343
Management of school governors	£162,820
Support to assist with school recruitment	£127,098
Providing communication channels, including HGfL	£205,685
Advocacy for parents and children	£89,764
Provision of financial and HR direction and policy guidance to schools and HCC	£221,603
Other facilitative and project work	£65,209
	<u>£3,762,002</u>
Current 2017/18 contract value	£3,986,167
Proposed efficiency	-£224,165
	-5.6%

3.10 In recognition of budget pressures on schools and at the request of schools' representatives, HfL have identified both efficiency savings and a number of service reductions, to the value of £239,000 – 5.6% so as to reduce the overall funding request to the sum set out above.

3.11 Appendix B sets out in more detail the types of activities which fall within each of these sub-headings. These activities include some which are for maintained schools alone, but others which relate to all schools, and are matters that fall within the definition of what the Central Services budget is

intended to cover. These are those things which would previously have been funded from “Retained Duties” ESG, including for example some work on safeguarding, preparation of information to support funding bids such as those for SSIF funding, overall education service planning, data collection and analysis, support of SACRE, information provision to DfE, etc.

Funding proposals:

3.12 The funding proposals for 2018/19 are as set out below – it can be seen that this is slightly less than the suggested contract value and between now and November we will need to agree further minor cost/service reductions.

£ 000's	Value	Equivalent per pupil	Change from last year
Central Services Block DSG	836	n/a	None
Early Years DSG	250	n/a	None
High Level Needs DSG	285	n/a	None
De-delegated funding	2375	£25	Plus £10.35 per pupil
TOTAL	3746		

3.13 As Forum will know, the only reason for the increase is the removal of ESG grant by the DfE, which comes wholly into effect from April 2018. In order to compensate for this, the sum requested from schools is proposed to be increased by £10.35 per pupil.

3.14 For 2017/18 de-delegation included separate items for HGfL (£1), for the fund supporting Primary Schools in difficulty (£3.65 per pupil) and for supporting school improvement/HfL contract (£10). These totalled £14.65. For convenience these will in future be aggregated into a single sum – the proposed figure being £25 as set out above.

3.15 As Forum members may recall, DfE requires de-delegation to be agreed in two separate elements; the first is for School Improvement, and the second is for non-School Improvement functions relating to maintained schools. It is hard in practice to differentiate precisely between these but broadly speaking most HfL work is directed towards school improvement and accordingly it is proposed to seek £20 per pupil of de-delegation for that purpose, and £5 for other activities.

3.16 Regulations require voting on school improvement de-delegation to be undertaken by phase; and for non-school improvement de-delegation to be undertaken by all phases voting together, including Special Schools.

3.17 School Improvement de-delegation cannot include special schools. However, Forum can decide to weight special school and ESC pupils/places more highly than mainstream. It is accordingly proposed to weight pupils/places as five times mainstream. Special schools would also therefor be asked to de-delegate £25 per pupil in total and would benefit from school improvement support.

Central planning and direction

3.18 The proposals above are directed solely to covering the costs of services provided to schools by HfL and not by HCC itself. However there is an element of the central staffing of the education part of Childrens Services which is directly in support of schools. In particular a substantial part of the activity undertaken formerly by the Senior Education Manager (Marcus Cooper), his direct support staff and some minor related budgets fall into this category. A sustainable source of funding is required for this activity also, and there has been an indication from schools that this is valued. The cost of this, at c£93,000 would require a further and separate de-delegation of £1. In this case it is proposed that this is treated as part of the non-school-improvement de-delegation and thus voted on by all schools/phases.

Value for money

3.19 An important issue for both HCC and schools is the value for money of the proposals set out above. At the level of detail this has been examined by the working group. However, valuable context can also be provided from two other perspectives:

- (i) The costs of the proposal by reference to the costs of alternative arrangements in Multi-Academy trusts – the MAT top-slice as opposed to the Local Authority top-slice described above.
- (i) Comparisons with what is happening in other local authorities.

Multi-Academy Trusts

3.20 Whilst at present there are a number of single academy trusts in the Primary phase, it is increasingly becoming clear that this is not a form of organisation that DfE would favour in the longer term. Longer term, the choices for Primary Schools and perhaps eventually for many secondary's will be between being part of a MAT, or remaining as Maintained whilst that option is still open. For this reason, it is useful to look at what is being proposed here by way of de-delegation compared with MAT top-slices.

3.21 The proposal above for a £26 de-delegation would sum to about 0.67% of the budget of a typical Hertfordshire 1 FE primary school. MATs typically seek top-slices of 3-5% for a range of services. Appendix C shows an analysis of this for a selection of MATs with a comparison with what is proposed here.

3.22 However, services provided are not quite the same; maintained schools in Hertfordshire have greater autonomy than many schools in MATs in terms of what services they buy from their own budgets. It is also the case that there are large economies of scale within the Council. For example, MAT Chief Executives would typically cost much more than central management within HCC but spread over a far smaller number of schools. The table below from Schools Week, refers to 2016, and shows a per pupil cost for

large chains ranging from £4 to £16 for a Chief Executive, compared with the £26 for the full range of services being proposed above.

Trust	Minimum Salary	Number of Pupils	Salary Per Pupil
Harris Federation	£420,000	26,185	£16.04
David Ross Education Trust	£170,000	12,017	£14.15
Plymouth CAST	£85,000	7,800	£10.90
Greenwood Academies Trust*	£160,000	16,000	£10.00
REAch2 Academy Trust	£220,000	23,000	£9.57
Delta Academies Trust*	£180,000	19,370	£9.29
Ark Schools	£187,000	21,000	£8.90
Ormiston Academies Trust	£205,000	25,500	£8.04
The Kemnal Academies Trust	£150,000	20,000	£7.50
Oasis Community Learning	£170,000	24,600	£6.91
Academies Enterprise Trust	£236,000	36,112	£6.54
United Learning	£160,000	37,000	£4.32

Comparisons with other Local Authorities

- 3.23 Comparisons with other local authorities in terms of benchmarking of levels of de-delegation rest on the regularly published data on this from DfE. Unfortunately this is published in late September/early October and thus is not yet available. We may use it in the consultation.
- 3.24 The DfE's benchmarking table below shows comparison in the levels of de-delegation between local authorities, but in this case compares what other LAs did in 2016/17 with what we would propose for 2018/19. When the £26 per pupil considered in this item is coupled with the £4.20 per pupil de-delegation currently in place for other items, Hertfordshire's proposed de-delegation at £30.20 per pupil remains below both the national and the neighbouring authority average for 2016-17. Given that the 2017-18 data which would allow provision for ESG services has not yet been published, this comparison is of limited value, but it is most likely that levels of de-delegation in other authorities will have risen, because the figures presented in this table reflect the situation before any loss of ESG.

	DEDELEGATED ITEMS
NATIONAL	
ENGLAND - Average (mean)	£35
ENGLAND - Average (median)	£30
ENGLAND - Maximum	£181
ENGLAND - Minimum	£0

NEIGHBOURING AUTHORITIES	
Average (median)	£33
Maximum	£56
Minimum	£19
Hertfordshire	£30
Essex	£56
Cambridgeshire	£45
Central Bedfordshire	£31
Luton	£35
Norfolk	£35
Suffolk	£28
Buckinghamshire	£19

Consultation process

- 3.25 Subject to the agreement of Forum we would expect to undertake a consultation process much as last year, with a consultation period of one month in October/early November, leading to a report back to Forum in November. Whether or not there would be any need for a further meeting of the schools representatives group would be decided in the light of the consultation outcome.
- 3.26 Again, as last year, advice and comment on the content of the consultation material would be welcome in the latter part of this month.

Management of risk

- 3.27 The proposals above are based on existing information about planned Academy conversions. Academies converting after September 2018 will not be eligible for a rebate of de-delegated funding, but those who convert between April and August will be. To the extent that conversions reduce expected income then HCC and HfL will need to seek equivalent reductions in contract costs.
- 3.28 The proposals also make an assumption about the extent of HLN DSG that can be used to support the contract within what is permitted by the Schools Finance regulations; we have not completed our review of this and if there is a need to change the sum of HLN DSG used in this way it would be relatively straightforward to transfer an equivalent sum from the HLN Block to Central Services Block and then describe it as relating to Central Services activities. We would propose this in November if necessary.

Outlook for future years

- 3.29 A continuing matter of concern for both HfL and HCC is the practicality of making each year a decision in late November or December about the future operation of a contract and set of services from the following April.

This does not allow adequate time for any adaptations to be made to any major changes that might be made in funding decisions.

- 3.30 In consequence, given that the level of de-delegation we would wish to seek for 2019/20 will be much the same as in 2018/19, Forum is requested to agree that the proposals being put forward here for 2018/19 should in principle be expected to flow through also to 2019/20. This is not to say that either services or costs will not change to some degree, but it is to seek to agree that any such changes will either be small or planned and agreed well in advance.

4. Financial implications

- 4.1 These are covered in the body of the report, above.

5. Conclusions and recommendations

- 5.1 Forum is recommended to support the proposals set out in this report and the recommendations listed in Section 2.