

Schools revenue funding 2017 to 2018

Operational guide

Updated November 2016

Removal of ESG general funding rate and arrangements for schools block retention

82. In the 2015 Spending Review, we announced a saving of £600 million by removing the ESG general funding rate from 2017-18. In the first stage of the NFF consultation, we set out our intention to provide transitional funding for local authorities from April 2017 to August 2017 inclusive. The general funding rate will then be removed completely from September 2017. While the final rate has yet to be determined, we expect the transitional protection to be in the region of an annual rate of £50 per pupil, which equates to £20 per pupil for the five months from April to August. We will announce the final rate in December alongside DSG allocations and confirmation of the ESG protection rates for academies.

83. We recognise that local authorities will need to use other sources of funding to pay for education services once the general funding rate has been removed.

84. As proposed in the first stage of the national funding formula consultation, we will amend regulations to allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG.

85. The amount to be retained by the local authority will need to be agreed by the relevant maintained schools members of the schools forum (primary, secondary, special and PRU). If the local authority and schools forum are unable to reach consensus on the amount to be retained by the local authority, the matter will need to be referred to the Secretary of State.

86. Local authorities should set a single rate per 5 to 16 year old pupils (in other words, this will be deducted from basic entitlement funding) for all mainstream maintained schools (both primary and secondary). In the interests of simplicity, adjustments to other factors will not be allowed and the rate will not include early years or post-16 pupils; the latter are in any case funded through different formulae. Local authorities may choose to establish differential rates for special schools and PRUs if the cost of fulfilling the duty is substantially different for these schools. The rate will be expressed per place rather than per pupil for special schools and PRUs⁽³⁾.

87. As with de-delegation, the amount to be held by the local authority will be determined after MFG has been applied.

⁽³⁾ The multipliers used in ESG previously were 3.75 for PRUs and 4.25 for special schools

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88. If a school converts to academy status during September 2017 to March 2018, the amount retained for that school will be recouped from the local authority's DSG for the remaining months of the financial year that the school is an academy. The academy will be reimbursed in its monthly general annual grant (GAG) payment from the point of conversion. Unlike for de-delegated services, there will be no phased transfer of funding following conversion so there will be immediate recoupment of this part of the budget. For example, if a school converts on 1 January 2018, 3/7ths of the retained amount relating to that school will be recouped. This is because the school is an academy for remaining 3 months of the financial year, and the retained DSG was allocated for 7 months (September 2017 to March 2018). This is illustrated in table 5.

Table 5: ESG and retained DSG arrangements for schools converting to academy status

Conversion date	ESG and retained DSG
On or before 1 April 2017	ESG paid direct to academy No DSG retention
2 April 2017 to 31 August 2017	ESG paid in parts to local authority and academy depending on exact conversion date All retained DSG allocated to the academy as they are converting by 31 August.
1 September 2017 to and including 31 March 2018	No ESG payable as this was removed from September 2017 EFA recoup the retained DSG from the local authority to pay the academy – the exact amount will depend on the date of conversion.

Background to ESG and ESG duties

89. Up until 2017 to 2018, ESG was made up of two rates that funded two different groups of services:

- The **retained duties rate** has gone to local authorities
- The **general duties rate** has gone to both local authorities and academies to fund services authorities provide to maintained schools but which academies must provide themselves

90. For 2017 to 2018, the general duties rate is ending and funding previously allocated through the ESG retained duties rate (£15) will be transferred into the schools block. Local authorities will be able to fund central services previously funded within the retained duties rate (for all schools), with the agreement of schools forum. They will be able to fund services previously funded within the general duties rate (for maintained schools only) from maintained school budgets shares with the agreement of maintained school members of the schools forum. The split of services between the two groups is shown at Table 6. References are to the schedules in the current schools and early years finance (England) regulations.

Table 6 Former ESG duties may be funded from centrally retained schools block funding with agreement of schools forum

Responsibilities local authorities hold for all schools (funding may be retained centrally from all schools with agreement of schools forum)	Responsibilities local authorities hold for maintained schools (funding may be retained centrally from maintained schools only with agreement of schools forum)
Statutory and Regulatory duties Director of children's services and personal staff for director (Sch. 1, 20a) Planning for the education service as a whole (Sch. 1, 20b) Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch. 1, 20d) Administration of grants (Sch. 1, 20e) Authorisation and monitoring of expenditure not met from schools' budget shares (Sch. 1, 20fi) Formulation and review of local authority schools funding formula (Sch. 1, 20g) Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA 1972 except duties specifically related to maintained schools (Sch. 1, 20i) Consultation costs relating to non-staffing issues (Sch. 1, 20r) Plans involving collaboration with other LA services or public/voluntary bodies (Sch. 1, 20v) Standing Advisory Committees for Religious Education (SACREs) (Sch. 1, 24) Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch. 1, 20w)	Statutory and Regulatory duties Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch. 1, 20c) Budgeting and accounting functions relating to maintained schools (Sch. 1, 20d) Functions relating to the financing of maintained schools (Sch. 1, 20e) Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch. 1, 20fii) Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (Sch. 1, 20h) Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA 1972 for maintained schools (Sch. 1, 20i) Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch. 1, 20j) Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct management of the headteacher or governing body (Sch. 1, 20L) Functions related to local government pensions and administration of teachers' pensions in relation to staff working at

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	<p>maintained schools under the direct management of the headteacher or governing body (Sch. 1, 20m)</p> <p>Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (Sch. 1, 20n)</p> <p>HR duties, including: advice to schools on the management of staff, pay alterations, conditions of service and composition/organisation of staff (Sch. 1, 20o);</p> <p>determination of conditions of service for non-teaching staff (Sch. 1, 20p);</p> <p>appointment or dismissal of employee functions (Sch. 1, 20q)</p> <p>Consultation costs relating to staffing (Sch. 1, 20r)</p> <p>Compliance with duties under Health and Safety at Work Act (Sch. 1, 20s)</p> <p>Investigation and resolution of complaints relating to maintained schools (Sch. 1, 20t)</p> <p>Provision of information to or at the request of the Crown relating to schools (Sch. 1, 20w)</p> <p>School companies (Sch. 1, 20x)</p> <p>Functions under the Equality Act 2010 (Sch. 1, 20y)</p> <p>Establish and maintaining computer systems, including data storage (Sch. 1, 22)</p> <p>Appointment of governors and payment of governor expenses (Sch. 1, 26)</p>
<p>Education Welfare</p> <p>Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (Sch. 1, 10c)</p> <p>School attendance (Sch. 1, 11)</p>	<p>Education Welfare</p> <p>Inspection of attendance registers (Sch1, 11)</p>

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Responsibilities regarding the employment of children (Sch. 1, 29)	
<p>Asset management</p> <p>Management of the LA's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (Sch. 1, 10a)</p> <p>General landlord duties for all buildings owned by the local authority, including those leased to academies</p>	<p>Asset management</p> <p>General landlord duties for all maintained schools (Sch. 1, 10a (section 542(2) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:</p> <ul style="list-style-type: none"> • appropriate facilities for pupils and staff (including medical and accommodation) • the ability to sustain appropriate loads • reasonable weather resistance • safe escape routes • appropriate acoustic levels • lighting, heating and ventilation which meets the required standards • adequate water supplies and drainage • playing fields of the appropriate standards <p>General health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc. Act 1974).</p> <p>Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012).</p>
<p>Central support services</p> <p>No functions</p>	<p>Central support services</p> <p>Clothing grants (Sch. 1, 10e)</p> <p>Provision of tuition in music, or on other music-related activities (Sch. 1, 15)</p> <p>Visual, creative and performing arts (Sch. 1, 16)</p> <p>Outdoor education centres (but not centres mainly for the provision of organised games, swimming or athletics) (Sch. 1, 17)</p>
<p>Premature retirement and redundancy</p> <p>No functions</p>	<p>Premature retirement and redundancy</p> <p>Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch. 1, 25)</p>

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Monitoring national curriculum assessment	Monitoring national curriculum assessment
No functions	Monitoring of National Curriculum assessments (Sch. 1, 23)
Therapies	Therapies
No functions	This will be covered in the high needs section of the regulations
Additional note	
<p>Services set out in the table above will also include overheads relating to these services (regulation 8(11) already refers to this for schedule 2 services) for:</p> <ul style="list-style-type: none"> • Ensuring payments are made in respect of taxation, national insurance and superannuation contributions (sch. 1, 20e). • Recruitment, training, continuing professional development, performance management and personnel management of staff (Sch. 1, 20k) • Investigations of employees or potential employees, with or without remuneration (Sch. 1, 20l) • Investigation and resolution of complaints (Sch. 1, 20t) • Legal services related to education functions (Sch. 1, 20u) 	

91. School improvement is not included in the arrangements set out in table 6. As we highlighted earlier, from 2017 to 2018 local authorities will receive a separate grant covering their statutory intervention functions and services such as monitoring and commissioning of school improvement support. This will allow local authorities to play a transitional role, as the school-led system of school improvement continues to mature and capacity in the system increases. This grant will be £50 million per full year ⁽⁴⁾, 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. In addition, a £140m per year “Strategic School Improvement Fund” will be provided 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. Finally, schools forums can agree to de-delegate further funding for additional school improvement provision, in 2017 to 2018 (see section on de-delegated services).

92. We proposed in the first stage of the consultation to only fund local authorities’ historic commitments in 2017 to 2018 where there is evidence the commitment was entered into before 2013 and strong evidence of an ongoing commitment. EFA has conducted an exercise with local authorities reviewing their historic commitments and further guidance has been published. DfE will not be reducing authorities’ schools block funding for 2017 to 2018 as a result of this exercise, but will expect authorities to use funding in 2017 to 2018 in accordance with the regulations. Funding no longer required for historic commitments should be allocated to other aspects of the DSG.

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(4) The new grant is to cover the 7 months from September 2017 to March 2018, following on from the transitional ESG payment provided for April to August 2017 (see paragraph 82). Funding in the financial year 2017 to 2018 will therefore be provided at 7/12ths of the full year rate.