

Centrally retained budgets

De-delegated services

71. Funding for de-delegated services must be allocated through the formula but can be passed back, or 'de-delegated', for maintained mainstream primary and secondary schools with schools forum approval. De-delegation is not an option for special schools, nursery schools and PRUs. Where de-delegation has been agreed for maintained primary and secondary schools our presumption is that the local authority will offer the service on a buy-back basis to those schools and academies in their area which are not covered by the de-delegation. In the case of special schools and PRUs, the funding to buy such services will be included in any top-up payments.

72. Any decisions made to de-delegate in 2016 to 2017 related to that year only, so new decisions will be required for any service to be de-delegated in 2017 to 2018.

73. From 2017 to 2018, schools forums can agree to de-delegate further funding for additional school improvement provision for maintained schools. This provision sits alongside the new school improvement grant for statutory local authority intervention functions. This grant will commence from September 2017. More information is set out [here](#).

74. Schools forum members for primary maintained schools and secondary maintained schools must decide separately for each phase whether the service should be provided centrally and the decision will apply to all maintained mainstream schools in that phase. Funding for these services will then be removed from the formula before school budgets are issued. There may be different decisions for each phase. The services which may be de-delegated are:

- additional school improvement services
- contingencies (including schools in financial difficulties and deficits of closing schools)
- behaviour support services
- support to underperforming ethnic groups and bilingual learners
- free school meals eligibility
- insurance
- museum and library services
- licences/subscriptions
- staff costs supply cover (for example, long-term sickness, maternity, trade union and public duties)

75. For each service de-delegated, local authorities will need to make a clear statement of how the funding is being taken out of the formula (for example, primary insurance £20 per pupil, secondary behaviour support services £30 per FSM pupil). There should be a clear statement of how contingencies and other resources will be allocated. Academies will continue to receive a share of funding for these services in their delegated budget.

76. Where de-delegation is agreed, middle schools will potentially be subject to two different decisions and the unit value for de-delegation may be different for primary and secondary age pupils. For example, if the primary sector agreed to de-delegate a service but the secondary sector did not, middle schools in the authority would have their formula allocation reduced only for their primary pupils at the agreed primary school rate.

77. De-delegation arrangements for 2017 to 2018 schools converting to academy status are shown in table 4:

Conversion date	De-delegation arrangements
On or before 1 April 2017	No de-delegation
2 April 2017 to 31 August 2017	Local authority retains any de-delegated funding until 31 August 2017
1 September 2017 to 31 March 2018	Local authority retains any de-delegated funding until 31 March 2018

Table 4: De-delegation arrangements for schools converting to academy status

78. This will help services to plan their future operations. After the dates specified, the academy will receive the full formula allocation and this will be recouped from the local authority.

79. The local authority should continue to provide the services to new academies where funding is de-delegated, if they are asked to do so. If the local authority is unable to provide the requested service then they could, alternatively, pay the funding directly to the academy.

80. Where there has been agreement that a school is entitled to receive an allocation from a de-delegated contingency fund, that agreement should be honoured if the school converts to an academy at any point in the year. Where a school converts to an academy in the period 2 April to 31 August 2017, local authorities will have an opportunity to present an evidence based case to the EFA to request a recoupment adjustment for the period 1 September 2017 to 31 March 2018.

81. Any unspent de-delegated funding remaining at the year-end should be reported to schools forum. Funding may be carried forward to the following funding period as with

any other centrally retained budget, and can be used specifically for de-delegated services if the authority wishes.

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 PRUs³.

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

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

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.

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.

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

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 to fund services they provide to all schools, including academies

- 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.

ESG DUTIES	
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 <u>maintained schools only</u> with agreement of schools forum)
<p><u>Statutory and Regulatory duties</u></p> <p>Director of children's services and personal staff for director (Sch 1, 20a)</p> <p>Planning for the education service as a whole (Sch 1, 20b)</p> <p>Revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (Sch 1, 20d)</p> <p>Administration of grants (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure not met from schools' budget shares (Sch 1, 20fi)</p> <p>Formulation and review of local authority schools funding formula (Sch 1, 20g)</p> <p>Internal audit and other tasks related to the authority's chief finance officer's responsibilities under Section 151 of LGA</p>	<p><u>Statutory and Regulatory duties</u></p> <p>Functions of LA related to best value and provision of advice to governing bodies in procuring goods and services (Sch 1, 20c)</p> <p>Budgeting and accounting functions relating to maintained schools (Sch 1, 20d)</p> <p>Functions relating to the financing of maintained schools (Sch 1, 20e)</p> <p>Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (Sch 1, 20fii)</p> <p>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)</p> <p>Internal audit and other tasks related to the authority's chief finance officer's responsibilities</p>

ESG DUTIES

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 <u>maintained schools only</u> with agreement of schools forum)
<p>1972 except duties specifically related to maintained schools (Sch 1, 20i)</p> <p>Consultation costs relating to non-staffing issues (Sch 1, 20r)</p> <p>Plans involving collaboration with other LA services or public/voluntary bodies (Sch 1, 20v)</p> <p>Standing Advisory Committees for Religious Education (SACREs) (Sch 1, 24)</p> <p>Provision of information to or at the request of the Crown other than relating specifically to maintained schools (Sch 1, 20w)</p>	<p>under Section 151 of LGA 1972 for maintained schools (Sch 1, 20i)</p> <p>Functions made under Section 44 of the 2002 Act (Consistent Financial Reporting) (Sch 1, 20j)</p> <p>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)</p> <p>Functions related to local government pensions and administration of teachers' pensions in relation to staff working at 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); determination of conditions of service for non-teaching staff (Sch 1, 20p); 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>

ESG DUTIES

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 <u>maintained schools only</u> with agreement of schools forum)
	<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><u>Education Welfare</u></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>Responsibilities regarding the employment of children (Sch 1, 29)</p>	<p><u>Education Welfare</u></p> <p>Inspection of attendance registers (Sch1, 11)</p>
<p><u>Asset management</u></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><u>Asset management</u></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

ESG DUTIES

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 <u>maintained schools only</u> with agreement of schools forum)
	<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><u>Central support services</u></p> <p>No functions</p>	<p><u>Central support services</u></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><u>Premature retirement and redundancy</u></p> <p>No functions</p>	<p><u>Premature retirement and redundancy</u></p> <p>Dismissal or premature retirement when costs cannot be charged to maintained schools (Sch 1, 25)</p>
<p><u>Monitoring national curriculum assessment</u></p> <p>No functions</p>	<p><u>Monitoring national curriculum assessment</u></p> <p>Monitoring of National Curriculum assessments (Sch 1, 23)</p>
<p><u>Therapies</u></p> <p>No functions</p>	<p><u>Therapies</u></p> <p>This will be covered in the high needs section of the regulations</p>
<p><u>Additional note</u></p>	

ESG DUTIES	
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 <u>maintained schools only</u> with agreement of schools forum)
<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) 	

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

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 year⁴, 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

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 7/12^{ths} of the full year rate.

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.

Growth fund

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