

SCHOOLS FORUM – 9 OCTOBER 2018

Title of paper:	CENTRAL EXPENDITURE BUDGET 2019/20 – Historic Commitments
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Summary

This report sets out the recommendations of the Schools Forum Sub Group (SFSG) on specific items of expenditure for inclusion in the 2019/20 budget setting process. The SFSG met on the 13 September 2018 and were content to accept the proposals put forward by the Local Authority on the funding of historic commitments for the financial year 2019/20 subject to providing more information on the SEN Transport budget as to what measures the Local Authority were putting in place to manage the budget.

A presentation on this is to be made at the Schools Forum meeting on 9 October 2018.

This process is in accordance with the terms of reference of the SFSG which was presented to Schools Forum on 22 June 2017, as per **Appendix A** to ensure that Schools Forum can undertake the investigative work required to approve elements of the budget and that the Local Authority can achieve the Central Government deadlines.

The supporting documentation is included in **Appendix B to F**.

This report has been prepared in accordance with the financial regulations issued by the Department of Education (DfE) and the latest guidance published by the Education, Skills, Funding Agency (ESFA) and forms part of the Dedicated School Grant (DSG) budget.

Recommendation(s):

- | | |
|----------|--|
| 1 | Approve the historic commitments set out in Table 3 totalling £6.579m, noting the additional historical detail set out in Appendix B . |
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1 REASONS FOR RECOMMENDATIONS

- 1.1 1.1 To enable the development of the Schools DSG budget.
- 1.2 To ensure the Local Authority achieves the DfE statutory deadline of the 28 February 2019 for indicative budgets to be issued to Schools.

1.3 Under the Schools & Early Years Financial Regulations 2018, Schools revenue funding 2019 to 2020 – Operational guide issued July 2018 and the Schools Forum Operational and good practice guide issued in September 2018, Schools Forum approval is required for individual historic commitments in the Central Schools Services Block (CSSB), SEN Transport and the Early Years Central Expenditure budget.

1.4 On 13 September 2018 SFSG undertook a rigorous review of the historic commitments in the CSSB, SEN Transport in the High Needs Block (HNB). The Schools Forum sub-group analysed and discussed the supporting evidence provided by Local Authority officers for each historical commitment and were content with the evidence provided and the responses to the questions they raised. As a result of this the Schools Forum sub-group were in agreement to recommend the approval of the historic commitments proposed for the financial year 2019/20. See Appendices C to F for copies of the supporting evidence.

The Schools Forum sub-group asked for more information on the measures the Local Authority were taking to reduce the cost of SEN Transport. The Local Authority agreed that a Local Authority officer would come and present this information during the Schools Forum meeting on 9 October 2018.

1.5 The process and detail of these reviews is contained within the attached appendices demonstrating a financial overview of the service, how the funding is allocated to the service and areas of delivery.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 The purpose of this paper is to gain the appropriate approvals for central expenditure – historic commitments in order to progress the budget process.

2.2 The budget setting process aligns to the Operational Guidance issued by the Education Funding Agency in July 2018; this is set out in **Table 1** below:

TABLE 1: CENTRAL EXPENDITURE APPROVALS	
Approval required	Centrally retained service
Schools forum approval is not required (although they should be consulted)	<ul style="list-style-type: none"> • High needs block provision • Central licences negotiated by the Secretary of State
Schools forum approval is required on a line-by-line basis.	<ul style="list-style-type: none"> • Funding to enable all schools to meet the infant class size requirement • Back-pay for equal pay claims • Remission of boarding fees at maintained schools and academies • Places in independent schools for non-SEN pupils • Services previously funded by the retained rate of the ESG
Schools forum approval is required on a line-by-line basis. No limit on new commitments or increases in expenditure from 2018/19 to apply to	<ul style="list-style-type: none"> • Admissions • Servicing of Schools Forum

Admissions and Servicing Schools Forum.	
Schools Forum approval is required	<ul style="list-style-type: none"> • Central early years block provision • Any movement of funding out of the schools block • Any deficit from the previous funding period that is being brought forward and is to be funded from the new financial year's schools budget (this should be specifically agreed at the time the budget is set, using the latest outturn position) • Any brought forward deficit on de-delegated services which is to be met by the overall schools budget
Schools forum approval is required on a line-by-line basis. The budget cannot exceed the value agreed in the previous funding period and no new commitments can be entered into since April 2013.	<p>Historic Commitments</p> <ul style="list-style-type: none"> ✓ Capital expenditure funded from revenue ✓ Contribution to combined budgets ✓ Existing termination of employment costs ✓ Prudential borrowing costs ✓ SEN transport where the Schools Forum agreed prior to April 2013 a contribution from the schools budget (this is treated as part of the high needs block but requires Schools Forum approval as a historic commitment.
Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools.	<ul style="list-style-type: none"> • Funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy • Funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years

The ✓ denotes those services included in **Table 2** below.

2.3 The diagram below sets out how this approval influences the overall budget setting process for the DSG and Schools budgets.

Where approvals are being undertaken for 2019/20, including those at this meeting, the values have been included in this diagram for demonstration purposes only.

For the budget items still being developed the 2018/19 approved values have been included, again for demonstration purposes.

Elements	Central Schools Services Block	Schools Block	Early Years Block	High Needs Block	Total
Educational Settings		£203.982m in 2018/19	£21.130m in 2018/19	£26.945m in 2018/19	TBC
Pupil Growth		£1.148m in 2018/19			TBC
Historic Commitments	£5.579m in 2019/20			£1.000m in 2019/20	£6.579m
Ongoing commitments	£1.467m in 2019/20		TBC	£4.405m in 2018/19	TBC
De-delegated		£0.414m in 2018/19			£0.414m
Block Total	£7.047m	TBC	TBC		TBC
2019/20 Indicative Budget Issued	£7.047m	£206.928m	TBC	£32.350m	TBC

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 No other options are available as the recommendations align to the financial regulations issued by the DfE in relation to the allocation of DSG.

4 OUTCOMES/DELIVERABLES

4.1 To obtain an agreed 2019/20 Schools Budget, enabling updated schools budgets to be issued to schools within the statutory deadline of the 28 February 2019.

5 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

5.1 The Central School Services Block (CSSB) is made up of two categories of funding:

- Historic commitments and
- Ongoing commitments

Noted in **Table 2** are the budgets which are funded from the CSSB.

Commitment	Classification
CERA	Historic commitment
Prudential borrowing	Historic commitment
Termination of employment costs	Historic commitment
Contribution to combined budgets	Historic commitment
Admissions	Ongoing commitment
Copyright licences	Ongoing commitment
Schools Forum	Ongoing commitment
Retained Duties (Former ESG)	Ongoing commitment

5.2 Historic commitments are funded at the same level as in 2018/19.

LA's are funded for ongoing commitments based a national formula which distributes 90% of funding according to a per-pupil factor and 10% of funding according to a deprivation factor. Both elements have been adjusted for area costs.

In 2019/20 the CSSB unit of funding for Nottingham City for ongoing commitments is £36.04 per pupil. In 2018/19 the rate was £36.96 per pupil.

This is a reduction of £0.037m on last year.

It is assumed that this rate will reduce by 2.5% per annum.

5.3 The LA has been notified by the Education Funding Agency that the provisional CSSB allocation for 2019/20 is £7.047m. This figure will be updated in December 2018 once the ongoing commitments funding has been updated to reflect the pupils on the Autumn Term 2018 school census. The provisional allocation is based on the Autumn Term 2017 school census.

- 5.4 The items seeking approval in this report are for Historic commitments in the financial year 2019/20 and the detail supporting the values are shown in **Table 3**.

Approval is being sought from Schools Forum on 9 October 2018 for the ongoing commitments in a separate report.

- 5.5 The items seeking approval in this report and the detail supporting the values are shown in **Table 3**:

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TABLE 3: CENTRAL EXPENDITURE - APPROVALS REQUIRED

Service Description	2019/20 £m	Narrative
HISTORIC COMMITMENTS – CENTRAL SCHOOLS SERVICES BLOCK		
1. Contribution to combined budgets	2.887	£0.981m - Family support See Appendix C
		£1.327m – Integrated placements See Appendix D
		£0.109m – Safeguarding Training See Appendix E
		£0.470m – Virtual School See Appendix F
2.Termination of Employment Costs	1.608	This budget is used to pay for ongoing pension and redundancy from historic restructures pre 1st April 2013. This information has been submitted to the DfE as part of the baseline assessment and current commitments are £1.637m. It is anticipated that these costs will reduce over time.

3. Prudential Borrowing	0.283	<table border="1"> <thead> <tr> <th>Scheme</th> <th>Loan Value £m</th> <th>2019/20 £m</th> <th>2020/21 £m</th> <th>2021/22 £m</th> <th>2022/23 £m</th> <th>2023/24 to 2052/53 £m</th> </tr> </thead> <tbody> <tr> <td>Education BSF</td> <td>0.400</td> <td>0.028</td> <td>0.027</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>BSF 06/07</td> <td>1.149</td> <td>0.086</td> <td>0.082</td> <td>0.078</td> <td>-</td> <td>-</td> </tr> <tr> <td>BSF Academies</td> <td>0.026</td> <td>0.002</td> <td>0.002</td> <td>0.002</td> <td>0.002</td> <td>-</td> </tr> <tr> <td>Southwark Primary</td> <td>0.294</td> <td>0.023</td> <td>0.022</td> <td>0.021</td> <td>0.020</td> <td>-</td> </tr> <tr> <td>BSF - In lieu of Revenue Costs Transfer</td> <td>0.900</td> <td>0.069</td> <td>0.067</td> <td>0.064</td> <td>0.061</td> <td>-</td> </tr> <tr> <td>Emanuel School</td> <td>0.265</td> <td>0.020</td> <td>0.020</td> <td>0.019</td> <td>0.018</td> <td>-</td> </tr> <tr> <td>Nottingham Academy</td> <td>1.078</td> <td>0.054</td> <td>0.054</td> <td>0.054</td> <td>0.054</td> <td>0.054</td> </tr> <tr> <td>TOTAL</td> <td>4.113</td> <td>0.283</td> <td>0.274</td> <td>0.238</td> <td>0.155</td> <td>0.054</td> </tr> </tbody> </table>	Scheme	Loan Value £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 to 2052/53 £m	Education BSF	0.400	0.028	0.027	-	-	-	BSF 06/07	1.149	0.086	0.082	0.078	-	-	BSF Academies	0.026	0.002	0.002	0.002	0.002	-	Southwark Primary	0.294	0.023	0.022	0.021	0.020	-	BSF - In lieu of Revenue Costs Transfer	0.900	0.069	0.067	0.064	0.061	-	Emanuel School	0.265	0.020	0.020	0.019	0.018	-	Nottingham Academy	1.078	0.054	0.054	0.054	0.054	0.054	TOTAL	4.113	0.283	0.274	0.238	0.155	0.054
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<p>This funding is used to meet the borrowing commitments around the initial set up costs of the Building Schools For the Future programme and Nottingham Academy.</p>																																																																	
4. Capital Expenditure from Revenue Accounts	0.801	This expenditure supports Private Finance Initiative payments (fixed element) that have to be allocated and capital improvements ensuring that all buildings continue to meet the legal requirements. Any slippage in this spend is carried forward to future years and is based on the original build programme.																																																															
SUB-TOTAL	5.579																																																																

HISTORIC COMMITMENTS – HIGH NEEDS BLOCK		
1. SEN Transport	1.000	SEN transport where the Schools Forum agreed prior to April 2013 a contribution from the schools budget (this is treated as part of the high needs block but requires Schools Forum approval as a historic commitment.
SUB-TOTAL	1.000	
GRAND TOTAL FOR HISTORIC COMMITMENTS	6.579	

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5.6 **Appendix B** shows the values of these items compared to previous year's budgets and actuals.

5.7 Noted below is the latest guidance from the ESFA in relation to historic commitments in 2019/20.

The Central school services block national funding formula - Technical note – August 2018 states:

Paragraph 2

“LAs will receive funding for historic commitments at the same levels as 2018-19, where these commitments remain the same.”

Schools revenue funding 2019 to 2020 - Operational guide July 2018 states:

Paragraph 149

“Our expectation remains that expenditure from DSG will reduce over time as contracts and other commitments reach their end points and we will continue to monitor this expenditure year-on-year. We will seek explanations of expenditure recorded on section 251 returns where this is not reducing as expected.”

Paragraph 150

“From 2020 to 2021, we expect to start to reduce the historic commitments element of the CSSB where local authorities' expenditure has not reduced. We do not believe it is fair to maintain indefinitely significant differences in funding between local authorities which reflect historic decisions.”

5.8 Any items not approved through this report will:

- a) Not necessarily create a full year saving in 2019/20 due to the implementation time required to initiate a service reduction (consultation/approval/notice etc).
- b) The guidance appears to infer that this budget would be available to allocate to other priorities in year only. However, the historic commitments budget would be reduced in 2020/21 which would mean that any benefit would only be experienced in the financial 2019/20 as the funding would be removed in 2020/21. See paragraph 5.7.

6 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

6.1 The current law in force in this area is the School and Early Years Finance (England) Regulations 2018. However, these regulations apply for the financial year starting 1 April 2018 only and are updated annually. However, it will be necessary to review these proposals once 2019 regulations have been produced.

Sarah Molyneux
Head of Legal & Governance

28 September 2018

7 HR COLLEAGUE COMMENTS

- 7.1 In the event that Schools Forum DO NOT support/agree the continuation of any proposed funding arrangements as part of this and future Reports on funding allocation, this may result in significant workforce implications that would need to be detailed in separate School Forum, Chief Officer, and/or other governance reports. This could include potential employment / contractual obligations, costs and risks to the authority, taking into account appropriate timelines. Schools Forum and Local Authority Officers need to consider potential consultation, and approval routes, where workforce implications, risks and costs should be set out and planned. This would include any legal responsibilities, and obligations to consultation, both publically or internally with the workforce.

Lynn Robinson, HR Business Lead

1 October 2018

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8 EQUALITY IMPACT ASSESSMENT

- 8.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes

Attached as Appendix x, and due regard will be given to any implications identified in it.

9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

9.1

10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- 10.1 DfE - Schools and Early Years Financial Regulations 2018.
- 10.2 DfE – The national funding formulae for schools and high needs 2019 to 2020 – July 2018
- 10.3 ESFA – Schools revenue funding 2019 to 2020 - Operational guide July 2018
- 10.4 DfE - Central school services block national funding formula – Technical note – August 2018
- 10.5 DfE – Schools Forum – Operational and good practice guide – September 2018