

SCHOOLS FORUM – 8 OCTOBER 2019

Title of paper:	CENTRAL EXPENDITURE BUDGET 2020/21 – Historic Commitments
Director(s)/ Corporate Director(s):	Catherine Underwood, Corporate Director for Children and Adults Laura Pattman, Chief Finance Officer
Report author(s) and contact details:	Ceri Walters, Head of Commercial Finance 01158 764 128 ceri.walters@nottinghamcity.gov.uk
Other colleagues who have provided input:	Jon Ludford-Thomas Senior Solicitor 01158 764 398 jon.ludford-thomas@nottinghamcity.gov.uk Lynn Robinson HR Business Partner 01158 764 3605 lynn.robinson@nottinghamcity.gov.uk

Summary

This report sets out the recommendations of the Schools Forum Sub Group (SFSG) on specific items of expenditure for inclusion in the 2020/21 budget setting process. The SFSG met on the 25 September 2019 and were content to accept the proposals put forward by the Local Authority (LA) on the funding of historic commitments for the financial year 2020/21.

This process is in accordance with the terms of reference of the SFSG which was presented to Schools Forum (SF) on 22 June 2017, as per **Appendix A** to ensure that SF can undertake the investigative work required to approve elements of the budget and that the LA 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) for the financial year 2019/20 and the Schools revenue and funding 2020/21 - operational guidance – September 2019 from the Education, & Skills Funding Agency (ESFA) and forms part of the Dedicated School Grant (DSG) budget.

At present the current Schools revenue and funding 2020/21 - operational guidance – September 2019 only gives a high level indication of the DfE's plans for the funding of schools in the financial year 2020/21, detailed guidance is due to be released in October 2019.

Should the 2020/21 settlement for historic commitments be less than anticipated the LA in the Schools Budget report 2020/21 will present revised funding allocations to SF on 21 January 2020.

Recommendation(s):

- | | |
|----------|---|
| 1 | Approve in principle the historic commitments set out in Table 3 totalling £6.570m, noting the additional historical detail set out in Appendix B . |
| 2 | Note that the SFSG were in agreement to recommend to SF the approval of the historic commitments as set out in section 1. |

3	Note that if historic commitments are less than anticipated the funding of these commitments will be amended in the SF budget report dated 21 January 2020.
---	---

1 **REASONS FOR RECOMMENDATIONS**

- 1.1 To enable the development of the Schools DSG budget.
- 1.2 To ensure the LA achieves the DfE statutory deadline of the 29 February 2020 for indicative budgets to be issued to Schools.
- 1.3 At present the DfE have not released detailed technical guidance on the DSG for the financial year 2020/21. However, the ESFA have released the Schools revenue funding operational guidance in September 2019 which states:

Paragraph 231

“The government has not yet confirmed the level of funding for the CSSB in 2020 to 2021. We will however, publish provisional NFF allocations for the CSSB in October, alongside allocations for the schools and high needs blocks. At the same time, we will publish technical documents setting out the formula for ongoing responsibilities element of the block. As stated previously, we expect to reduce the historic commitments element of the block from 2020/21 and detail of our approach will follow in due course. We will update this guide where appropriate as further detail is announced.

Paragraph 232

We are not proposing any changes to the regulations, which require authorities to have the approval of the schools forum for such expenditures.”

Therefore, in order not to hold up the budget setting process for 2020/21 the LA is following the Schools revenue funding 2020 to 2021 operational guide released in September 2019 and the Schools & Early Years Financial Regulations 2018 (No.2) where SF approval is required for individual historic commitments in the Central Schools Services Block (CSSB) and the SEN Transport budget.

- 1.4 On 25 September 2019 SFSG undertook a rigorous review of the historic commitments in the CSSB. The SFSG analysed and discussed the supporting evidence provided by LA 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 SFSG were in agreement to recommend the approval of the historic commitments proposed for the financial year 2020/21. See Appendices C to F for copies of the supporting evidence.

- 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.
- 1.6 To assist in the understanding of the “big picture” of how all the LA budgets are inter-linked and how the DSG supports the work of the LA an overview is to be emailed out before the SF meeting.

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 ESFA in December 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 Admissions and Servicing Schools Forum.	<ul style="list-style-type: none"> • Admissions • Servicing of 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**.

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 2020/21, 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 2019/20 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		£209.563m in 2019/20	£21.132m in 2019/20	£29.635m in 2019/20	TBC
Pupil Growth		£1.326m in 2019/20			TBC
Historic Commitments	£5.570m in 2020/21			£1.000m in 2020/21	£6.570m
Ongoing Commitments	£1.475m in 2020/21		£0.954 in 2019/20	£4.602m in 2019/20	TBC
De-delegated		£0.344m in 2019/20			TBC
Block Total	£7.045m	TBC	TBC		TBC
2020/21 Indicative Budget Issued	TBC	TBC	TBC	TBC	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 2020/21 Schools Budget, enabling updated schools budgets to be issued to schools within the statutory deadline of the 29 February 2020.

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.

Table 2 : Central Schools Services Block Budgets	
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 This report assumes that Historic commitments are funded at the same level as in 2020/21. However, should the settlement for historic commitments be less than anticipated the LA in the Schools Forum Budget 2020/21 report will present revised funding allocations at the Schools Forum meeting on 21 January 2020.

5.3 LA's are funded for ongoing commitments based a national formula which distributes funding according to a per-pupil factor and funding according to a deprivation factor. Both elements are then adjusted for area costs.

5.4 The items seeking approval in this report are for Historic commitments in the financial year 2020/21 and the detail supporting the values are shown in **Table 3**.

Approval is being sought from SF on 8 October 2019 for the Ongoing commitments in a separate report.

TABLE 3: CENTRAL EXPENDITURE - APPROVALS REQUIRED

Service Description	2020/21 £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	0.274	<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
		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																																																											
<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 repayments that have to be allocated and any associated capital improvements ensuring that all buildings continue to meet the legal requirements and its associated costs. Any slippage in this spend is carried forward to future years and is based on the original build programme.																																																															
SUB-TOTAL	5.570																																																																

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	6.570	

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

5.6 Any items not approved through this report will:

- a) Not necessarily create a full year saving in 2020/21 due to the implementation time required to initiate a service reduction (service redesign/consultation/approval/notice/redundancy costs etc).
- b) Will result in a loss of future funding for historical commitments, the amount of which cannot be quantified at present as we have not yet received the detailed technical guidance as stated in 1.3. However, the guidance in 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.”

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

- 6.1.1 The current law in force in this area is the School and Early Years Finance (England) (No.2) Regulations 2018. However, these regulations apply for the financial year beginning on 1 April 2019 and such regulations are usually updated annually. Therefore, if implemented, it will be necessary to review these proposals if and when new regulations have been made by the Secretary of State and have come into force.

Jon Ludford-Thomas, Senior Solicitor

Email: jon.ludford-thomas@nottinghamcity.gov.uk

Tel: 01158 764 398

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
Email: lynn.robinson@nottinghamcity.gov.uk
Tel: 0115 8763605

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 the report does not propose any new services.

Yes

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 (No.2).
- 10.2 ESFA – Schools revenue funding 2019 to 2020 - Operational guide December 2018
- 10.3 ESFA – Schools revenue funding 2020 to 2021 - Operational guide September 2019
- 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
- 10.6 ESFA - Central school services block national funding formula - Technical note – August 2018