

DEDICATED SCHOOLS BUDGET – SCHOOLS BLOCK UPDATE 2017-18 (Central Schools Block Budget)

Purpose of the Report

1. To update schools forum on issues relating to the Central Schools Block budget for 2017-18 and the decisions that will need to be made as part of the budget setting process.

Main Considerations

2. As outlined in the funding settlement paper the DfE has allocated a schools block quantum to Wiltshire of £260.780 million.
3. In 2016-17 central schools block spend is budgeted to be £4.213m. This has remained largely unchanged in recent years as regulations have not allowed for central commitments to be increased. In 2016-17 schools forum did agree an increase to the central licences budget to bring the budget in to line with the expected charge from the DfE. In 2017-18 the rules on not increasing central expenditure have changed slightly and it is now allowable to increase spend on some services outlined in Section B of the table below.
4. For 2017-18 the DfE has published new [Operational Guidance](#) for school revenue funding. The guidance includes details of the requirements for centrally held budgets and the proposals in relation to the removal of the Education Services Grant (ESG) general funding rate. The guidance also lays out the requirements for the approval of central DSG budgets. Further [supplementary guidance](#) has also been issued to give information on the funding and reporting of historic commitments for the 2017-18 financial year.
5. The decisions that schools forum will be asked to make in relation to the central schools block are as follows:

Approval required	Services covered (and funding block)
<p>Section A</p> <p>Schools forum approval is not required (although they should be consulted)</p>	<ul style="list-style-type: none"> • central licences negotiated by the Secretary of State
<p>Section B</p> <p>Schools forum approval is required on a line-by-line basis</p>	<ul style="list-style-type: none"> • funding to enable all schools to meet the infant class size requirement (growth fund) • 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 • admissions • servicing of schools forum
<p>Section C</p> <p>Historic Commitments:</p> <p>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</p>	<ul style="list-style-type: none"> • capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged • contribution to combined budgets – this is where the schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources • existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged) • prudential borrowing costs – the commitment must have been approved prior to April 2013
<p>Section D</p> <p>Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools</p>	<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

6. Schools forum is also be asked to consider whether any funding should be retained centrally from maintained schools in order to support the local authority responsibilities for maintained schools, previously funded from the ESG general funding rate. Any funding retained for this purpose would be set at a single rate per 5-16 year old pupil for all mainstream maintained schools, to be deducted from the age weighted pupil unit, and at a rate per place for maintained special schools (which may differ from the mainstream school rate)

Section A – Central Licences

7. Currently no change is proposed to the budget for centrally purchased licences. The cost of licences for 2017-18 for Wiltshire has been set at £0.345m.

Section B – Centrally Provided Services

8. Schools forum approval is required on a line by line basis for this group of services which are funded from central schools block. Appendix 1 to this report shows each line and the proposed budget.
9. The responsibilities transferred to central schools block from the retained rate of ESG are further detailed in Appendix 2. £1.005m has been transferred in to the central schools block to fund these activities. An exercise is in progress to demonstrate the costs of these services so that schools forum can be clear what this element of central DSG is funding. Due to the responsibilities being defined in late November, and only confirmed in the funding settlement on 20th December, this exercise is not quite complete. Appendix 2 shows the summary to date and there are a small number of costs to be added in as the work is completed. The services listed in the appendix are as defined in the latest operational guidance.

Section C – Historic Commitments

10. As stated in paragraph 4, the DfE has now issued supplementary guidance on the funding and reporting of historic commitments within central DSG for the 2017-18 financial year. The guidance also details the evidence that Schools Forum will require on each item in order to approve the spend.
11. The evidence that Schools Forum requires in order to approve each item identified as historic commitments includes:
 - a. **Minutes from the schools forum prior to 1st April 2013** – schools forum should have agreed the commitment prior to 2013
 - b. **Proof that the commitment extended at least as far as the 2017-18 financial year.** Evidence can include reports which indicated an end date in to 2017-18 or beyond, or where the commitment has no specific end date.
 - c. **Where budgets relate to non-staffing costs, there must be a contractual commitment** (such as a PFI agreement or lease agreement) which extends in to the relevant financial year.
 - d. **Schools forum papers and minutes that show that approval has been granted for the financial year.** The forum is expected to approve each spending line annually. It is important that schools forums have sufficient information to be able to make an informed decision
12. In May 2016 all LAs were required to submit details of historic commitments that have been met from central DSG. Whilst the DfE has not fed back to Wiltshire on our individual submission, we can now use this guidance to inform what can continue to be met from central DSG from April 2017. In 2016-17 Wiltshire identified historic commitments of £2.341m, these are summarised in Appendix 3 to this report. Appendix 4 summarises the evidence that is available to support each of the commitments, this evidence will be available for inspection at the schools forum meeting.
13. Having considered the guidance and the available evidence the commitments can be summarised for schools forum as follows:

Item	Amount	Meets Definition?	Required Evidence available?
	£m		
Strategic Services - Asset Planning. Funding for capacity to support the management of capital projects. Eligible spend against retained ESG allocation	0.053	No	No
Funding for LAC Personal Education Plans - Schools Forum decision December 2007 to support PEPs for Looked After Children from 2008/09 financial year as required under "Care Matters". Allocation based on original estimate of £500 per LAC and managed by Virtual Head Teacher . PPG Plus now also supports PEPs	0.233	Yes	Yes
Child Protection in Schools Adviser - Schools Forum decision January 2006 to support an additional member of staff within Children's Social Care to provide support and advice to schools enabling them to meet their responsibilities under Every Child Matters agenda following the cessation of Safeguarding Children's Grant	0.041	Yes	Yes
Capital Expenditure Charged to Revenue (CERA) - This figure represents the various property maintenance Service Level Agreements that were in place relating to schools and were centralised over time	1.714	No	No
Prudential Borrowing Schools forum decision to support approx. £3m capital financing for 13 year period	0.300	Yes	Yes
	2.341		
Eligible	0.574		
Not eligible	1.767		

14. Funding has been allocated by DfE within the central schools block to cover historic commitments however the guidance is clear that schools forum can only approve eligible spend. Any funding for commitments that are not considered to be eligible spend can therefore be delegated to schools, used to increase the central expenditure lines in Sections B and D in the table in paragraph 5 above, or used to support expenditure in other DSG blocks. Similarly if schools forum does not agree to fund one or more of the eligible commitments then that funding can also be reallocated.

15. Any funding for historic commitments that is to be reallocated will require the LA to make equivalent savings to enable the funding to be released.

Section D – Pupil Growth and Falling Rolls Funds

16. At the October 2016 meeting schools forum agreed a growth fund of a maximum of £1m and also agreed the criteria for each element of the growth fund. The total fund of £1m needs to be split across the basic need element (Section D) and the infant class size element (Section B) as these need to be separately agreed. The estimated split is £100,000 for infant class size expenditure and £900,000 for the basic need element of the growth fund. It was noted at the meeting of the school funding working group that expenditure may need to be vired between these elements during the year if actual spend differs significantly between the different parts of the growth fund.
17. Wiltshire does not currently operate a falling rolls fund and no proposal has been put forward to include such a fund for 2017-18. Schools forum will need to confirm this decision or consider proposals to establish a fund. It was noted at the school funding working group meeting that circumstances have not changed sufficiently to revisit that decision and the group recommended that the previous decision not to have a falling rolls fund be confirmed for 2017-18..

Impact of the DSG Funding Settlement on the Local Authority Budget 2017-18

18. The DSG funding settlement, in particular the changes to central DSG and ESG, impacts significantly on the Council's budget setting process.
19. As highlighted in the report on the funding settlement Wiltshire Council had anticipated some reduction in ESG in its 2017-18 budget planning however had not budgeted for the grant to cease. This leaves a shortfall of £0.769m in the LA budget.
20. The assumptions that now need to be made in relation to historic commitments will also require the LA to make further savings in order to release funds to be delegated to schools. This potentially increases the pressure on the LA by a further £1.7m.
21. In total, therefore, the council will need to manage cost pressures of approximately £2.5m to support the changes to the central schools budget and ESG in 2017-18.
22. To date proposals to close this shortfall are as follows:

	£m
ESG Transitional Grant – one off grant for 2017-18	0.820
School Improvement Grant	0.300
High Needs Block to fund therapies costs	0.509
Additional contribution towards ESG responsibilities from the Council	0.500
Additional savings to be identified	0.371
	2.500

23. It should be noted that the ESG transitional grant is a one off grant and so further savings will be required in 2018-19. The transfer of therapies costs to the high needs block supports the LA budget but increases the pressure on the high needs block – this is examined further in the high needs block update report.
24. In order to help local authorities pay for education services previously funded from the general funding rate the school funding regulations will be amended to allow LAs to retain some of their schools block funding to cover the statutory duties they carry out for maintained schools. Any funding retained by the LA for this purpose will need to be agreed by the relevant maintained schools members of the schools forum (primary, secondary and special).
25. At this stage no specific proposal is being made in this regard however it will be necessary to understand the full impact of all of the decisions reached across all of the funding blocks before such an option can be ruled out. Appendix 5 to this report lists those responsibilities that LAs hold for maintained schools and for which funding may be retained from maintained schools. Work is ongoing to identify costs for these specific tasks and to identify where these services are already delivered on a traded basis to schools. This work is not yet complete however the costs identified to date are included in the appendix. To date, ESG has been a non-ringfenced grant

allocated to local authorities and therefore specific services have not previously been badged against it.

Proposals

26. Schools Forum is asked to note the report and the required decisions in relation to the central schools block budget for 2017-18.

Report Author: Liz Williams, Head of Finance

Tel: 01225 713675

e-mail: elizabeth.williams@wiltshire.gov.uk