

## **Schools Forum – 7 December 2016**

### **Schools Budget 2017-18: Central Expenditure**

#### **Recommendation**

1. That the Schools Forum note the content of this report and approve the indicative budget amounts set out below.
2. That the Director of Finance and Resources, in consultation with the County Commissioner for School Quality Assurance and Intervention , be authorised to adjust the central expenditure budgets in accordance with any further regulations produced by the Education Funding Agency.
3. That the Schools Forum approve delegating the budget of £1.4m for Termination of Employment Costs to schools to reduce the risk of losing this funding.
4. That the Schools Forum approve delegating the budget of £2.3m for Capital Expenditure from Revenue (CERA) to schools to reduce the risk of losing this funding.

#### **Report of the Director of Finance and Resources**

##### **PART A**

#### **Why is it coming here – what decision is required?**

5. The Schools Forum has oversight of the Schools Budget and is required by the Finance Regulations to annually approve the amounts for particular budget headings within the central expenditure.
6. Recent guidance issued by the Department for Education (DfE) on the New National Funding Formula has outlined precisely what is permitted as a historical commitment and can therefore be held centrally. In light of this we are asking Schools Forum to approve delegation of the budgets for Termination of Employment costs and Capital Expenditure from Revenue (CERA) to schools.

#### **Reasons for recommendation**

7. The budget settlement for 2017-18 is not yet known and for that reason the budget amounts shown in this report are indicative. Final figures will be presented to the Schools Forum at the March meeting. The local authority is, however, required to submit its final school funding formula to the Education Funding Agency (EFA) in mid-January and at that point will need to have set the planned central expenditure for 2017-18. As a result we are seeking in principle approval to the amounts set out in this report which, in total, would not be exceeded when budgets are set following the settlement.

8. The discussions and decisions on these issues will enable the authority to set budget plans for 2017-18 once the settlement is known and submit the school funding formula proforma to the EFA in January. It will also enable affected service areas to plan for 2017-18.
9. From 2018-19 a new National Funding Formula will be used to allocate funding to schools. The details of this formula are not currently known. As part of the transition process, the local authority has completed a historical commitments exercise which detailed and justified current levels of central expenditure to the Education Funding Agency. The outcome of this exercise is unknown at this stage and therefore the ongoing nature of these central budgets may be at risk of clawback from the DFE.
10. The central expenditure budget headings that we believe are at greatest risk of clawback are the Termination of Employment Costs to schools and Capital Expenditure from Revenue Account. As such it is proposed to delegate these budgets in 2017-18 in order to protect funding for Staffordshire schools.

## **PART B**

### **Background**

11. The funding reforms, first introduced in 2013, brought in some changes in how the Schools Budget is set each year. Whilst some of these changes enabled budgets to be set earlier, the arrangements for finalising the budget settlement and funding for high needs pupils actually make the setting of budgets more challenging than they were under the old system.
12. The Schools Budget is notionally allocated in three blocks:
  - a. Early Years
  - b. High Needs
  - c. Schools
13. The basis of allocations to the local authority is different for all three blocks. The Early Years block is based on an estimate and adjusted twice during the financial year for actual uptake. The High Needs block is initially set on historic spend, with DfE decisions on additional funding for growth in both pupil numbers and complexity of needs not known until late in the spring term. The Schools Block is based on the October 2016 census and an already known amount per pupil. The settlement will then make further adjustments to these figures dependent on government decisions on a range of issues or policy changes.
14. Against this backdrop the local authority will need to submit the school funding formula proforma to the EFA in mid-January. The amount available for school budgets is determined by the settlement, the level of central expenditure and the estimated under or over spend from the previous financial year. The settlement is expected before Christmas and the estimated outturn for 2016-17 is currently being updated in detail to inform the budget plan for next year. All these details will be brought to the March meeting of the Schools Forum.
15. There are some areas of central expenditure which need to be considered by the Schools Forum and the draft Finance Regulations set out the requirements for

approvals/consultation. These are summarised in Appendix 1, and it should be noted that final regulations have not yet been issued, so in the event that final regulations are different the content of this report may need to change as a result. The Forum's broader role in respect of the overall Schools Budget and other matters is set out in the DfE's updated good practice guidance which has been circulated previously and is available on their website. Appendix 2 sets out the full Schools Budget for 2016-17 and references the sections of the draft Finance Regulations that would apply to 2017-18.

## Part 1- Central Services

16. There are a number of headings within this part of the regulations to which the following rules apply:
- The level of expenditure cannot be increased above 2016-17 levels
  - The expenditure against these budgets must be as a result of arrangements that already existed before 1 April 2013 – Historical commitment
  - The Schools Forum must approve the amount of the budget set for each heading
17. The headings under which Staffordshire currently retains funding to spend centrally are set out in the table below, together with 2016-17 and indicative 2017-18 budget levels.

	2016-17 £	2017-18 indicative £
Admissions & appeals	786,050	786,050
Maintenance and servicing of Schools Forum	11,780	11,780
CERA (capital expenditure from revenue)	2,340,470	-
Prudential borrowing	924,130	924,130
Termination of Employment Costs	1,400,000	-
Combined Services		
Families First - Targeted Services (LST)	1,448,000	1,448,000
Entrust - – Contribution to School Improvement Division Service Delivery Agreement.	818,280	818,280
SEN transport	250,140	250,140
	<b>7,978,850</b>	<b>4,238,380</b>

18. As part of the National Funding Formula, the EFA have produced supplementary guidance on precisely what is permitted as a historical commitment. With this supplementary guidance along with the DfE's guidance on Schemes for financing schools, it is considered that the CERA (capital expenditure from revenue) and the Termination of Employment Costs budgets are at a greater risk of clawback if they are retained centrally. It is therefore proposed that these budgets are now delegated to schools in order to protect funding for Staffordshire schools.
19. The CERA budget is currently being used to fund compliance and preventative maintenance services. Feedback from the DfE suggests that this funding is for landlords repairs and maintenance and as such no longer meets the definition of CERA. The DfE's 'Schemes for financing schools' statutory guidance states that 'authorities should delegate funding for repairs and maintenance to schools'. It is

therefore recommended to delegate this budget in order to protect funding for Staffordshire schools.

20. Delegating these budgets will mean that the indicative amounts for Termination of Employment and CERA in the table above will be allocated to schools through the funding formula and form part of schools' delegated budget share. There will not be a ring-fenced amount in individual schools' budgets for providing these services.
21. In delegating this budget it will be the schools responsibility that the compliance and preventative maintenance services are conducted annually in accordance with good industry practice. A list of the services this budget covered is appended in Appendix 3. You will be required to confirm to the landlord on an annual basis that the school has carried out all of the statutory compliance and preventative maintenance.
22. The EFAs historical commitments supplementary guidance states 'it does not count as a commitment .....to support new redundancy costs in schools'. As such it is recommended to delegate this budget in order to protect funding for Staffordshire schools.

**Does the Schools Forum approve delegating the CERA (capital expenditure from revenue) budget to schools?**

**Does the Schools Forum approve delegating the Termination of Employment Costs budget to schools?**

**Does the Schools Forum approve the continued funding of the other areas centrally at no higher than the indicative amounts, with final values to be confirmed at the March meeting?**

## **Part 2 – Central Schools Expenditure**

23. Staffordshire does not retain significant amounts of funding under these headings, to which the following rules apply:
  - a. The Schools Forum must approve the amounts of funding to be retained centrally
  - b. For the pupil growth fund and infant class size funding any underspend from the previous year must be added to the ISB
  - c. For the pupil growth fund, falling roll fund and new school fund the Schools Forum must approve the criteria used and be consulted before expenditure is incurred
24. The criteria for the infant class size fund and the growth fund were agreed at the February 2013 and December 2013 meetings of the Schools Forum respectively and we are not proposing any changes to these criteria.

	2016-17 £	2017-18 indicative £
Infant Class Size	95,000	95,000
Significant Pupil Growth / New school funding	500,000	500,000
Falling rolls fund	n/a	n/a
	595,000	595,000

**Does the Schools Forum approve the continuing use of the pupil growth and class size funds, at the indicative levels set out above?**

### **Part 3 – Central Early Years Expenditure**

25. The requirement here is for the Schools Forum to approve the central expenditure. This is not the expenditure provided to settings for their running costs in providing the free entitlement for two, three and four year olds but is in respect of support services for providers of early years education.
26. The breakdown for 2016-17 central early years expenditure is included in Appendix 2.
27. The 2017-18 central early years expenditure is subject to the outcome of the consultation on the Early Years National Funding Formula which is not yet known. The consultation suggests that the amount of central overheads be limited to 7% of the Early Years Block Funding in 2017-18 and 5% in 2018-19. When the outcome of the consultation is confirmed it is almost certain that the centrally retained expenditure will be limited to this threshold.

**Does the Schools Forum approve the continuing of the current level of central support services for early years' provision, adjusted for the outcome of the Early Years National Funding Formula?**

### **Part 4 – High Needs**

28. There is no requirement for the Schools Forum to approve any budget areas within the High Needs central expenditure area; however we have always discussed these issues with the Forum in Staffordshire. Therefore they are included on Appendix 2 for information.

### **Part 5 – Items that can be de-delegated for maintained schools**

29. These were discussed at the October meeting and both primary and secondary phase representatives decided to continue with the level of delegation as it stands in 2016-17. As part of the budget information to individual schools in the spring, we will publish the funding rates for those areas that have been de-delegated as we did this year.

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