

SOLIHULL METROPOLITAN BOROUGH COUNCIL

Meeting date:	25 November 2021
Report to:	School Forum
Subject/Report Title:	SCHOOL FUNDING 2022-23 - CENTRAL SERVICES
Report Author	Steve Fenton, Head of Access and Development and Stuart McHale, Children's Services and Skills Finance Manager
Schools affected:	<input checked="" type="checkbox"/> All Schools <input type="checkbox"/> All Primary <input type="checkbox"/> <input type="checkbox"/> All Secondary <input type="checkbox"/> All Special <input type="checkbox"/> All Primary and Secondary <input type="checkbox"/> Maintained Schools Only <input type="checkbox"/> Academy Schools Only <input checked="" type="checkbox"/> PVI Settings <input type="checkbox"/> PRUs <input type="checkbox"/> Other (specify)
Type of Report	For Forum to Approve
Forum Voting	As outlined in report For Decision
Public/Private report:	Public
Exempt by virtue of Paragraph:	N/A

1. Purpose of Report

For Forum to approve the recommendations of the Finance Group:

- 1.1 The approval of centrally held budgets in the Central Services and Early Years Blocks,
- 1.2 De-delegations applying only to maintained schools for 2022-23.
- 1.3 The top slice of maintained school budgets only for Local Authority Statutory General Duties.

2. Decision(s) recommended

2.1 Forum are asked to approve:

- (a) That the growth fund be set at £350,000 and that the growth fund criteria is approved as shown in Appendix C; unchanged from 2021-22.
- (b) And note pressure on secondary admissions, that may require an increase in the fund.
- (c) That the Central Services Block equal to the amount of DSG grant received (£1,364,092 provisional) is approved as set out in this report.
- (d) The General Duties top slice for Statutory Duties is approved at the levels set

out in this report.

- (e) That the Central Service Block – historical commitments be approved at the expected grant level of £1,115, 000, in respect of prudential borrowing commitment only.
- (f) That central spend of £253,380 Early Years Advisory Team, £257,253 FIS team, and £289,234 EY Services recharge be approved for 2022-23, which is below the statutory limit of 5% of EY funding. However, should the EY grant increase in value for inflation, and subject to the 5% limit permit, approval is sought for inflation increase of 2.5% for the Advisory Team and FIS team elements.
- (g) That the Early years Inclusion fund remains at £250,000.
- (h) That the Early Years contingency fund remains at £130,000.
- (i) A primary school contingency de-delegation of £6.40 per pupil (£70,205) continues as for 2021-22.
- (j) A de-delegation for Trade Union Duties of £5.00 per pupil for 2022-23, a reduction from the £5.50 agreed for 2021-22, the reduction consistent with the long-term aim of Forum.
- (k) To note that a further report will be presented to Forum on the implications of the DfE's proposals to remove the School Improvement Grant.

3. What is the issue?

- 3.1 School Forum has formal powers to approve the level of budget for certain centrally held expenditure within the Schools Block and Early years Block. The proposals set out in this report were approved by the Finance Group on 8 November 2021.
- 3.2 As with 2021-22, the government have defined the Central School Services Block (CSSB) within the Dedicated Schools Grant (DSG). However certain items still require Forum approval.
- 3.3 Different rules apply to different elements of centrally held expenditure, and these rules are shown in **Appendix A**. Only items that apply to Solihull are shown.
- 3.4 The full schedule of proposed centrally held budgets, together with proposed de-delegations is shown in **Appendix D**.
- 3.5 Should Forum approve these proposals, it should note that there will be no adverse impact on school budgets as central spend will either be at the government grant level or will be no more than any change in grant compared to the 2021-22 grant level.
- 3.6 The grant levels notified so far are provisional; they reflect confirmed unit values for 2022-23 but are based on October 2020 pupil numbers.

4. Growth Fund

- 4.1 The level of the growth fund is approved annually by School Forum. For 2022-23 the government continue to fund growth in the DSG by means of a national formula, however the DfE have not yet announced what the allocations will be.
- 4.2 Most growth in respect of growing schools is now made through a pupil number variation whereby the October pupil count is adjusted for the expected increased September intake. The growth fund is therefore now used for one-off bulge classes, set up costs for new provisions, and other costs arising from approved school organisation changes.
- 4.3 For 2021-22, the growth fund was set at £350,000, and for 2022-23, it is

recommended the growth fund is maintained at the current level, £350,000.

- 4.4 Forum should note that the Council is currently experiencing significant pressures on Secondary school admissions, and it might be that the growth fund may need to increase if this results in the need for a number of “bulge” classes to be funded.
- 4.5 Solihull has found itself under acute pressure on admissions as a result of the Hong Kong Nationals Relocation scheme, and that pressure may increase if Solihull is allocated families under the Afghanistan Resettlement scheme.
- 4.6 **Growth fund criteria:** Forum also approves the criteria by which growth fund is allocated. The current criteria are shown in **Appendix C** which is unchanged from the current year.

5. Central School Services Block (CSSB)

- 5.1 Solihull has a provisional grant of £1,364,092 in 2022-23, a decrease of £34,977 from 2021-22. The proposed allocations are detailed in Appendix D, showing no inflationary increases for services.
- 5.2 Finance Group has a well-established review programme to receive annual reports on School Forum and School Admissions.
- 5.3 **Retained Duties** covers the statutory functions that the LA must undertake in respect of the strategic management of education, including all pupils and schools in its area regardless of the status of the school. This is funded by means of a specific Central Services DSG formula allocation; it is not a top-slice of school budgets. In total, the actual spend is considerably greater than the DSG grant, the difference is borne by the Council budget.
- 5.4 **General Duties** For 2021-22, Forum approved the funding of General Duties which equated to: £66 mainstream schools (the DFE equivalent pupil rate), £165 special schools and £165 PRU's. The latter two charges were set at locally agreed rates which are substantially below the DFE's equivalent per pupil rates of £280.50 and £247.50 respectively. Total funding amounts to £0.974m against an estimated cost of £2.097m.
- 5.5 Previous reports to Forum have set out the circumstances around the government's funding changes, the resultant impact and the requirement for the LA to seek schools funding for its statutory responsibilities. Nothing has changed in this regard.
- 5.6 As discussed last year, the LA still recognises that full cost recovery is neither feasible or, in the current climate for maintained schools, realistic. However, we still need to ensure that there is a contribution that reflects the duties we have to provide and maintains the valuable working relationship we have with our maintained schools and vice versa. This has without doubt been apparent through the current Covid 19 crisis. Our proposal for next year is to maintain the rates at the current unit rate level. On this basis, the LA would in effect be subsidising general duties by some £1.123m. We will continue to absorb the impact of pay awards and other inflationary changes.
- 5.7 **Appendix A** gives the government definitions of the areas of activity that count as being Retained and General Duties. **Appendix B** shows the estimated cost against a number of these activities. **Appendix E** sets out in more detail the nature and costs of the services provided for General Duties. The provision of these services ensures that statutory obligations are met, gives schools some safeguarding against risks but can also generate financial benefits. I will again give as an example, that the Director of Resources and Deputy Chief Executive had negotiated a second three-year deal with the West Midlands Pension Fund from

this year for a lower pension rate. This will save maintained schools some £1m over this current three-year period

5.8 **Recommendation:** that Forum approves the recommendations of the Finance Group:

- a) that the Central Services Block of £1,364,092 is approved as set out in this report, noting that this is equal to the amount of DSG grant received.
- b) The General Duties top slice is approved at the levels set out in paragraph 5.4.

6. Central Services Block – historical commitments

6.1 Solihull has been notified of a Central Services DSG allocation of £892,000 for 2022-23, a further 20% reduction from 2021-22. This means there will be no grant funding for any Historic Services other than the Prudential Borrowing commitment.

6.2 The Prudential Borrowing is £1,115,000, which is greater than the notified grant. However, the DfE have given a commitment that prudential borrowing will be funded, and the LA is writing to the DfE to confirm this and claim a further £223,000 in grant protection funding.

6.3 Forum will also recall that from 2020/21, the LA agreed to continue to fund several historic services for the benefit of schools, totalling £150k per annum.

7. Early Years Centrally retained budgets

7.1 The Early Years Block is ring-fenced, and there are regulatory limits on central spending that can be held centrally, that central spend can be no more than 95% of the per pupil hourly rate. The proposals for FIS team and Early Years team currently equate to just under the limit, and it is estimated funding at the same level will also be within the limit for 2022-23.

7.2 The Early Years team itself costs some £253,380 pa directly. In addition, there are costs of a variety of other services supporting Early Years functions. These include senior advisor time and management time, service administration and operating costs. Overheads are applied in the same way as for General and Retained Duties as set out in those reports elsewhere on your agenda. The historic recharge is £289,234. The FIS (Family Information Service) team cost is £257,253, total £799,867.

7.3 Finance Group receives annual reports for the Advisory and FIS teams.

7.4 **Inclusion Fund** £250,000 – the scheme has been operating since September 2017, and is normally underspent, although spend is increasing.

7.5 **Contingency Fund** – £130,000 - this is a “hedge” against in-year grant payments being greater than the EY grant. There is considerable grant uncertainty in-year, so a contingency is required to smooth funding between years.

7.6 Any underspend on Inclusion fund or contingency fund is netted off against any overall EY block under or overspend. Group members will be aware it is difficult to forecast under/overspend because of potential grant payments made 4 months after the end of the financial year. Previous data to Forum has shown that over a number of years the unders/overs have largely cancelled out, so it is achieving it's intended purpose of avoiding turbulence in the hourly rates one year to the next.

8. De-delegation – Maintained Schools only

8.1 Maintained school members of Forum need to approve any proposals to de-delegate services from maintained schools.

- 8.2 Solihull seeks continuing de-delegation of just 2 items:
- 8.3 **Contingency fund** - £6.40 per pupil (estimated total £70,205) – this funds items where a school could not be reasonably expected to deal with from their delegated budgets, (e.g. back dated claims for pension payments), and has also been used predominantly to fund staff exit costs arising from funding reductions.
- 8.4 **Trade Union Duties** – Forum has indicated a wish to see the charge per pupil reduce over time to £5.00 per pupil for maintained schools, and to be consistent with this, Finance Group could recommend a charge of £5.00 per pupil for 2022-23, compared to £5.50 agreed for 2021-22.
- 8.5 Note that as the number of academies increases, the amount of funding from these top-slices reduces.
- 8.6 Forum will be aware that at present the LA receives a separate grant to support School Improvement duties for maintained schools. Since 2017, the Grant has been provided to support councils to fulfil their core improvement activities, with the amount received by each council proportionate to the number of maintained schools in their area. However, the DfE are now consulting on proposals to remove the Grant (in full by the start of the 2023/24 financial year and with a 50% reduction in 2022/23) and enable all improvement activity, including that provided in connection with their core improvement activities, to be funded in the same way via de-delegation from schools' budget shares. In order to fully assess the impact of this, a report will be presented to the January meeting of School Forum which will set out the implications for the LA and schools.

9. List of Appendices Referred to

- 9.1 Appendix A: Schools revenue funding 2021-22 - Operational guide July 2021 (ESFA Education & Skills Funding Agency) extract showing Retained duties definitions.
- 9.2 Appendix B: Solihull Cost of General and Retained Duties
- 9.3 Appendix C: Rules for Growth fund allocations.
- 9.4 Appendix D: Schedule of financial totals of central services and proposed de-delegations.
- 9.5 Appendix E: Narrative for services provided for the ESG General Top Slice.

9.6 Financial implications:

- (a) As outlined in the report above. For central services block expenditure there is no expected adverse impact on any school or EY provider budget.
- (b) For all other central expenditure, the spend either stays the same as for 2021-22, or increases are within the value of the grant increase.

Extract from Schools revenue funding 2022 to 2023 Operational guide July 2021 Publication

Annex 2 – central services that may be funded with agreement of schools forums

The split of services between responsibilities that local authorities hold for all schools, and those that relate to maintained schools only are shown below.

Responsibilities held by local authorities for all schools are funded from the central school services block, with the agreement of schools forums.

Responsibilities held by local authorities for maintained schools only are funded from maintained schools budgets only, with agreement of the maintained schools members of schools forums (by means of a de-delegation).

The department has included references to the relevant schedules in the School and Early Years Finance (England) Regulations 2021.

Responsibilities held for all schools (Funded from CSSB grant)

Statutory and regulatory duties

- director of children's services and personal staff for director (sch 2, 15a)
- planning for the education service (sch 2, 15b)
- revenue budget preparation, preparation of information on income and expenditure relating to education, and external audit relating to education (sch 2, 22)
- authorisation and monitoring of expenditure not met from schools' budget shares (sch 2, 15c)
- formulation and review of local authority schools funding formula (sch 2, 15d)
- internal audit and other tasks related to the local authority's chief finance officer's responsibilities under section 151 of LGA 1972 except duties specifically related to maintained schools (sch 2, 15e)
- consultation costs relating to non-staffing issues (sch 2, 19)
- plans involving collaboration with other local authority services or public or voluntary bodies (sch 2, 15f)
- Standing Advisory Committees for Religious Education (SACREs) (sch 2, 17)
- provision of information to or at the request of the Crown other than relating specifically to maintained schools (sch 2, 21)

Education welfare

- functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils (sch 2, 20)
- school attendance (sch 2, 16)
- responsibilities regarding the employment of children (sch 2, 18)

Asset management

- management of the local authority's capital programme including preparation and review of an asset management plan, and negotiation and management of private finance transactions (sch 2, 14a)

- general landlord duties for all buildings owned by the local authority, including those leased to academies (sch 2, 14b)

Other ongoing duties

- licences negotiated centrally by the Secretary of State for all publicly funded schools (sch 2, 8); this does not require schools forum approval
- admissions (Sch 2, 9)
- servicing of schools forums (sch 2, 12)
- writing to parents of year 9 pupils about schools with an atypical age of admission, such as UTCs and studio schools, within a reasonable travelling distance (sch 2, 23)

Historic commitments

- prudential borrowing costs (sch 2, 2(a))

Responsibilities held for maintained schools only

Statutory and regulatory duties

- functions of local authority related to best value and provision of advice to governing bodies in procuring goods and services (sch 2, 59)
- budgeting and accounting functions relating to maintained schools (sch 2, 75)
- authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration (sch 2, 60)
- monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies (sch 2, 61)
- internal audit and other tasks related to the local authority's chief finance officer's responsibilities under section 151 of LGA 1972 for maintained schools (sch 2, 62)
- functions made under section 44 of the 2002 Act (Consistent Financial Reporting) (sch 2, 63)
- 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 2, 64)
- 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 2, 65)
- retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost (sch 2, 78)
- HR duties, including advice to schools on the management of staff, pay alterations, conditions of service and composition or organisation of staff (sch 2, 67), determination of conditions of service for non-teaching staff (sch 2, 67); appointment or dismissal of employee functions (sch 2, 67)
- consultation costs relating to staffing (sch 2, 69)
- compliance with duties under Health and Safety at Work Act (sch 2, 70)
- provision of information to or at the request of the Crown relating to schools (sch 2, 71)
- school companies (sch 2, 72)
- functions under the Equality Act 2010 (sch 2, 73)
- establish and maintaining computer systems, including data storage (sch 2, 74)

- appointment of governors and payment of governor expenses (sch 2, 75)

Education welfare

- inspection of attendance registers (sch 2, 81)

Asset management

- general landlord duties for all maintained schools (sch 2, 79a & b (section 542(2)) Education Act 1996; School Premises Regulations 2012) to ensure that school buildings have:
 - 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
- general health and safety duty as an employer for employees and others who may be affected (Health and Safety at Work etc. Act 1974)
- Management of the risk from asbestos in community school buildings (Control of Asbestos Regulations 2012)

Central support services

- provision of tuition in music, or on other music-related activities (sch 2, 56)

Premature retirement and redundancy

- dismissal or premature retirement when costs cannot be charged to maintained schools (sch 2, 78)

Monitoring national curriculum assessment

- monitoring of national curriculum assessments (sch 2, 77)

Additional note on central services

Services set out above will also include administrative costs and overheads relating to these services (regulation 1(4)) for:

- expenditure related to functions imposed by or under chapter 4 of part 2 of the 1998 Act (financing of maintained schools), the administration of grants to the local authority (including preparation of applications) and, where it's the local authority's duty to do so, ensuring payments are made in respect of taxation, national insurance and superannuation contributions
- expenditure on recruitment, training, continuing professional development, performance management and personnel management of staff who are funded by expenditure not met from schools' budget shares and who are paid for services
- expenditure in relation to the investigation and resolution of complaints
- expenditure on legal services

Growth Fund**Summary of method for allocating funding (examples are 2021-22 rates):**

- Methodology 1: where a specific additional class is agreed: 7/12 of teacher value ($7/12 * £39,464$).
- Methodology 2: where 1/2 class of 15 pupils commissioned, in year 1 we will pay the cost of 0.5 or 1.0 fte teacher for 7/12 at standard teacher salary of £339,464, prorate from September to March. in year 2 we assess the actual pupils on roll, if there is a justification for a second class we will fund the difference between actual roll in that year group and whole numbers of 30 at per pupil rate of £1,221.4 per pupil (30 pupils=£39,464). For example if extra class has 16 pupils, we will top up 14 pupils @ £1,315.47per pupil, and we continue this method until the bulge works its way through the infant phase. Funding will not continue into the junior phase.
- Methodology 3: we will consider contributing additional funds for furniture and equipment where a new class is established. Normally at a rate of £7,000 per class of 30. This is not paid where pupil number variation has been applied.
- Methodology 4: Where permanent pupil growth more than a single class (e.g. 2 classes), and a pupil number variation is not applied to the funding formula, in-year pupil growth funding will be the expected growth in pupils times the full AWPU factor times 7/12 for September intake. This sum is also expected to pay any class set-up costs.
- Methodology 5: a tailored approach specific to the needs of the school, e.g. a school facing growth across a number of year groups arising from housing developments, and the approaches above would not be appropriate.

Qualification for funding through the scheme is based upon principles as follows:-

1. Additional funding will be made available to schools and academies in circumstances where:-

- The Council carries out a formal consultation and approves to increase the capacity of a school.
- A school/academy carries out a formal consultation at either the request of the Council or supported by the Council.
- The Council requests a school/academy to increase their PAN to meet localised demand.
- A school/academy admits a significant increase in pupils to meet demand from new housing developments at the request of the Council.