

SOLIHULL METROPOLITAN BOROUGH COUNCIL

Report to:	Solihull School Forum
Meeting date:	04 December 2017
Subject/Report Title:	SCHOOL FUNDING 2018-19 - CENTRAL SERVICES
Report Author	Steve Fenton
Schools affected:	<input checked="" type="checkbox"/> All Schools <input type="checkbox"/> All Primary <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 type="checkbox"/> PVI Settings <input type="checkbox"/> PRUs <input type="checkbox"/> Other (specify)
Type of Report	For Forum to Decide
Forum Voting	As outlined in report For Decision
Public/Private report:	Public

1. Purpose of Report	
1.1	For Forum to approve a number of 2018-19 budgets in respect of various centrally held services; to approve de-delegations applying to maintained schools only; and to approve the level of growth and contingency funds.
1.2	This report excludes consideration of Local Authority General Duties which is the subject of a report elsewhere on this meeting's agenda. This report also excludes any consideration of school improvement services.
2. Decision(s) Recommended	
2.1	<p>The local authority recommends to Forum:</p> <ul style="list-style-type: none"> (a) That the growth fund be set at £350,000, and that the growth fund criteria is approved as shown in Appendix B. This links to a separate report on the funding of pupil growth by means of pupil number variation elsewhere on this agenda. (b) That the Central Services Block is approved as set out in this report, at the level of the Dedicated Schools Grant (DSG) central services grant, noting that the provisional DSG grant is £1,053,926. (c) That the Central Service Block for historical commitments be approved at a budget level of £1,446,750, noting that Finance Group receives annual reports on these services. (d) That central spend of £526,810 Early Years Team and £249,760

	<p>Family Information Service (FIS) team be approved for 2018-19 noting that this is below the statutory limit of 5% of Early Years pupil rate.</p> <p>(e) That the Inclusion fund from Early Years DSG remains at £250,000</p> <p>(f) That the Early Years contingency fund remains at £100,000</p> <p>(g) A primary school de-delegation of £100,000 (£6.40 per pupil) continues as for 2017-18</p> <p>(h) A de-delegation for Trade Union Duties at a rate of no more than £7.50 (£125,000) per pupil continues as for 2017-18. Noting that, subject to confirmation of academy income and actual cost of cover, the final rate for 2018-19 may be lower.</p>
3.	Background
<p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4</p> <p>3.5</p> <p>3.6</p>	<p>School Forum has formal powers to approve the level of budget for certain centrally held expenditure. These powers do not extend to centrally managed budgets within the High Needs Block.</p> <p>For 2018-19 the government have defined a new Central Services DSG Block, which has its own DSG block allocation. However the rules still require Forum approval of the budget on a line by line basis.</p> <p>Different rules apply to different elements of centrally held expenditure, and these rules are shown in Appendix A. Items that apply to Solihull are highlighted.</p> <p>The full schedule of proposed centrally held budgets, together with proposed de-delegations is shown in Appendix E.</p> <p>The Finance Group considered these recommendations at their meeting on 8 November 2017 and were satisfied that the central services in scope for each class of centrally held or top-slice items did fall within the DfE rules of permitted expenditure; that they complied with DfE rules on limitations (where applicable); and were satisfied with the reasonableness of the budget for each proposal.</p> <p>At the request of Forum Executive, the detailed reports considered by Finance Group have been circulated to all schools, so that schools have the opportunity to put views to Forum.</p>
4.	Growth Fund
<p>4.1</p> <p>4.2</p> <p>4.3</p>	<p>Under the new arrangements the DSG element in respect of growth fund is funded at an actual basis, 1 year in arrears by the DfE. The 2017-18 budget approved by Forum is £250,000, but continuing pressure on places and the need to create bulge classes mean that the current spend is at £350,000.</p> <p>Therefore a 2018-19 budget of £350,000 is recommended as a sufficient budget for 2018-19 and to ensure the 2019-20 baseline is adjusted by the DfE for current levels of spend. As detailed in the report on pupil number variations, the overall budget is largely in-line with the DSG grant, but the increase should enable a greater budget in 2019-20.</p> <p>Growth fund criteria: School Forum also approves the criteria by which growth fund is allocated. The current criteria are shown in Appendix B.</p>

5. Central Services

- 5.1 Forum should note that with the new Central Services Block, the status of many central services has changed. In previous years, combined services, for example, were treated as a “top-slice” from the Schools Block of the DSG. This meant that if Forum reduced the amount of spend, or did not approve to renew funding for a service, the default was that the funds would be applied to the Schools element of the schools block, meaning the funding would most likely flow to schools.
- 5.2 However from 2018-19, the Schools Block is ring-fenced and fully funded by the national funding formula (NFF) element of the schools block DSG. There is a separate Central Services DSG Block. This means that if there are savings in the central services block there is no presumption that funding would move to schools’ budgets. For items falling under the Historical Services element, as far as I can ascertain, any “savings” here would mean the funding would go to the DfE and would not be recycled back into Solihull school budgets.
- 5.3 As the actual spend on Retained duties is significantly greater than the Central Services DSG allocation, any savings from Central Services, would be directed to reducing the subsidy on Retained Duties.
- 5.4 So whilst it is important there is an ongoing dialogue with schools that central services are seen as efficient, good value for money, and meeting the needs of statutory obligations, schools and pupils, other than the Early Years Services and the de-delegations, there is no impact on school budgets from reducing levels of central spend. The pressure to reduce costs arises from wider expenditure reductions facing the Council.

6. Central Services Block

- 6.1 Solihull will receive a Central Services DSG allocation of £1,053,900 in respect of the following services. This is a provisional figure and will be adjusted by October census pupil count:
- School Admissions £223,260
 - Servicing of School Forum £70,000
 - Licensing Fees £162,270
 - Retained Duties - All schools £598,296
- 6.2 For **school admissions** Finance Group considered a detailed report and was satisfied on the cost effectiveness of the service.
- 6.3 **Servicing of Forum** is unchanged for this year compared to last year and includes the functioning of school forum and the various subgroups networked to school forum.
- 6.4 **Licensing fees** – these are the licenses the DfE mandate that the LA must purchase on behalf of all schools within its area. The LA receives a charge from the EFA, there is no choice about paying, and thus Forum are not required to approve this spending, but it is reported for information as it is part of the Central Services Block.
- 6.5 **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 budget is much greater than the DSG grant, therefore the LA will increase the amount of central services grant allocated to retained duties to match the available grant, until such point that the actual spend is in line with the grant.

- 6.6 Nonetheless School Forum are required to approve the level of spend on a line by line basis. Appendix D shows the estimated cost against a number of these activities.
- 6.7 **School Improvement:** this division is currently undergoing a significant management of change, so the costs shown here relate to the activities reported to Forum last year. The figures may well change depending on the outcomes of the management of change proposals. Therefore greater details on these functions are not provided at this stage.
- 6.8 **Management Division:** this reflects the statutory post of the DCS, and her immediate support staff. Also shown here are recharges from other corporate teams.
- 6.9 **Access & Development Division:** Finance Group received a detailed description of each service.
- 6.10 The government seem to keep refining the definitions of central services from one year to the next, so there will be an on-going refinement of LA costing against the changing definitions. However it is clear that the DSG allocation of £598,000 is significantly exceeded.
- 6.11 **Recommendation:** That the Central Services Block is approved as set out in this report, at the level of the Dedicated Schools Grant (DSG) element, noting that the provisional DSG grant is £1,053,926.

7. Central Services Block – historical commitments

- 7.1 Solihull will receive a Central Services DSG allocation of £1,446,750 in respect of the following services:
- ExCom £60,300
 - Prudential Borrowing - North Programme £1,115,000
 - Combined Services £271,450
- 7.2 **ExCom** refers to the European grant funded facilities in the north of the borough. These facilities are now managed by Unity under a service level agreement, and the value requested represents the agreed annual figure in the SLA. The SLA has something like 20 years to run, until the EU grant conditions expire.
- 7.3 **Prudential borrowing** relates to the north Solihull school building programme, and represents the annual payments on a “bank loan” used to partially fund the project, as agreed by Forum in 2011.
- 7.4 **Combined services** - Finance Group should note that with the new Central Services Block, the status of Combined Services has changed. In previous years, combined services were treated as a “top-slice” from the Schools Block of the DSG. This meant that if Forum reduced the amount of spend, or did not approve to renew funding for a service, the default was that the funds would be applied to the Schools element of the schools block, i.e. the funding would flow to schools.
- 7.5 However as schools are fully funded from the NFF, any savings arising from

7.6	<p>Combined Services, or indeed, any other item within the Central Services Block, would first be directed to reducing the subsidy on Retained Duties as a first priority, and then be applied to pressures in the high needs block.</p> <p>Recommendation: That the Central Service Block – historical commitments be approved at a budget level of £1,446,750, noting that Finance Group receives annual reports on these services.</p>
8.	Early Years Centrally retained budgets
8.1	<p>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 equate to 4.5%, so are within the limits. Unlike other central services described in this report, a reduction in spending on central services would translate to an increase in funding for early years settings. Spending on contingency and Inclusion fund counts as funding spent on providers.</p>
8.2	<p>Central Services – Early Years Team (£526,810) & FIS (Family Information Service) team (£249,760) total £776,570. A description of the services and tasks undertaken by the two teams were considered in detail by the Finance Group.</p>
8.3	<p>Inclusion Fund £250,000 – the scheme has only been operating since September 2017, so it is too early to assess this fund. Therefore it is recommended to remain at the 2017-18 level.</p>
8.4	<p>Contingency Fund – £100,000 - this is a “hedge” against in-year grant payments being greater than the EY budget. We will not be able to assess this until year end, so it is recommended to remain at 2017-18 level.</p>
9.	De-delegation – Maintained Schools only
9.1	<p>Maintained school members of Forum must approve any proposals to de-delegate services from maintained schools.</p>
9.2	<p>Solihull seeks continuing de-delegation of 2 items:</p>
9.3	<p>Primary Contingency fund £100,000 - £6.40 per pupil – 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.</p>
9.4	<p>Trade Union Duties currently £7.50 per pupil (£125,000 total) – recommended to keep at the same level as 2017-18. However Forum should note that I am currently re-costing the requirement to take into consideration revised actual union staff costs and an increased level of academy income. This may well mean the top-slice can be less than £7.50, but I cannot confirm this at the time of this meeting.</p>
10.	List of Appendices Referred to
10.1	<p>Appendix A: Schools revenue funding 2018 to 2019 - Operational guide September 2017 (ESFA Education & Skills Funding Agency) extract showing Forum approval requirements for different elements of central spend, together with DfE not on de-delegation.</p>

- 10.2 Appendix B: Rules for Growth fund allocations in Solihull.
- 10.3 Appendix C: Extract from operational guidance – Retained duties definitions.
- 10.4 Appendix D: Solihull schedule of retained duties.
- 10.5 Appendix E: Schedule of central service and proposed de-delegations.

Forum Approval Requirements for central services

Extract from: Schools revenue funding 2018 to 2019 - Operational guide September 2017 (ESFA Education & Skills Funding Agency)

When using centrally held funding, local authorities must treat maintained schools and academies on an equivalent basis.

Centrally retained service	Approval required
<p>high needs block provision</p> <p>central licences negotiated by the Secretary of State</p>	<p>Schools forum approval is not required (although they should be consulted)</p>
<p>funding to enable all schools to meet the infant class size requirement</p> <p>back pay for equal pay claims</p> <p>remission of boarding fees at maintained schools and academies</p> <p>places in independent schools for non-SEN pupils</p> <p>admissions</p> <p>servicing of schools forum</p> <p>contribution to responsibilities that local authorities hold for all schools (Retained Duties)</p> <p>contribution to responsibilities that local authorities hold for maintained schools (voted on by relevant maintained school members of the forum only)</p> <p>de-delegated services from the schools block (voted on by the relevant maintained school members of the forum only)</p>	<p>Schools forum approval is required on a line-by-line basis</p>
<p>central early years block provision</p> <p>any movement of funding out of the schools block</p> <p>any deficit from the previous funding period that reduces the amount of the schools budget</p> <p>any brought forward deficit on de-delegated services which is to be met by the overall schools budget</p>	<p>Schools forum approval is required</p>
<p>capital expenditure funded from revenue</p> <ul style="list-style-type: none"> projects must have been planned and decided on prior 	<p>Schools forum approval is required on a line-by-line basis.</p> <p>The budget cannot</p>

Centrally retained service	Approval required
<p>to April 2013; no new projects can be charged</p> <ul style="list-style-type: none"> details of the remaining costs should be presented <p>contribution to combined budgets</p> <ul style="list-style-type: none"> 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 <p>existing termination of employment costs</p> <ul style="list-style-type: none"> costs for specific individuals must have been approved prior to April 2013; no new redundancy costs can be charged <p>prudential borrowing costs</p> <ul style="list-style-type: none"> the commitment must have been approved prior to April 2013 details of the remaining costs should be presented 	<p>exceed the value agreed in the previous funding period, and no new commitments can be entered into.</p> <p>Read establishing local authority DSG baselines for more information.</p>
<p>funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy</p> <p>funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years</p>	<p>Schools forum approval is required on a line-by-line basis, including approval of the criteria for allocating funds to schools</p>

Table 9: Level of approval required for centrally retained services

De-delegated services

De-delegated services are for maintained schools only; funding for de-delegated services must be allocated through the formula but can be passed back, or 'de-delegated', for maintained mainstream primary and secondary schools with schools forum approval.

- 1.1. De-delegation does not apply to special schools, nursery schools, or PRUs.
- 1.2. Where de-delegation has been agreed for maintained primary and secondary schools, our presumption is that the local authority will offer the service on a buy-back basis to those schools and academies in their area which are not covered by the de-delegation.
- 1.3. In the case of special schools and PRUs, the funding to buy such services will be included in any top-up payments.

Any decisions made to de-delegate in 2017 to 2018 related to that year only; new decisions will be required for any service to be de-delegated in 2018 to 2019.

From 2017 to 2018, schools forums have been able to agree to de-delegate further funding for additional school improvement provision for maintained schools.

- 1.4. This provision sits alongside the new school improvement grant for statutory local authority intervention functions. This grant commenced in September 2017.
- 1.5. We've included [more information in the school improvement grant section of this guidance](#).

Schools forum members for primary maintained schools, and secondary maintained schools, must decide separately for each phase whether the service should be provided centrally; the decision will apply to all maintained mainstream schools in that phase.

- 1.6. They must decide on fixed contributions for these services so that funding can then be removed from the formula before school budgets are issued.
- 1.7. There may be different decisions for each phase.

Growth Fund

Summary of method for allocating funding:

- Methodology 1: where a specific additional class is agreed: $7/12$ of teacher value ($7/12 \times £35,400$)
- Methodology 2: where $1/2$ class of 15 pupils commissioned, in year 2 we fund difference between actual roll in that year group and whole numbers of 30 at per pupil rate of £1180 per pupil (30 pupils=£35,400). For example if extra class has 16 pupils, we will top up 14 pupils @ £1180 per 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.

2. Additional funding will be made in relation to the number of additional pupils taken or the number of agreed places purchased. Reference may be made to the number of classes required and may include consideration of the number of pupils leaving the school in that

year. Where a ½ class is commissioned (e.g. a 75), the funding provided will be for a teacher for the period September to March, and then an ongoing top-up to see the bulge through the school (teacher AWPU * (90-actual pupil numbers))

3. Any allocation will be based on the teacher element of the AWPU within the local funding formula, and will reflect the period September to March only (as additional funding will then flow through the October pupil count) for maintained schools and September to August for academy schools (as additional funding does not flow through until the start of the next academic year). Additional funding up to a maximum of £7,000 may be made available for pupil resources for each newly established class, where the provision is a significant expansion of provision, particularly where a new key stage is being provided.

4. No allocation will be made to a school/academy where the school/academy:

- Has surplus places and then takes additional children up to the PAN
- Admits over PAN at their own choice.
- Admits extra pupils where those pupils have a reasonable alternative school place.
- Is directed and/or requested to admit additional pupils as a result of errors, appeals, fair access protocol, SEN, LAC etc as these numbers will be extremely low on an individual school basis.
- Provides an additional infant class to meet class size legislation

5. Any under or overspend of funds at 31 March form part of the schools block and will be carried forward to the following year as part of the general schools block allocation.

6. Where growth is ongoing, e.g. an extension of the age range, or a permanent expansion from intake year then funding will be provided by applying a pupil number variation to the October count. This will feed additional pupil funding to the school budget based on all pupil related factors at the full pupil factor unit rates. Where a pupil number variation is applied there will be no additional funding from the growth fund.

Retained Duties - Statutory and regulatory duties

(Extract from Schools revenue funding 2018 to 2019 - Operational guide September 2017 (ESFA).
(references refer to the relevant schedules in the current [schools and early years finance \(England\) regulations 2017](#))

Central services responsibilities held by local authorities (statutory and regulatory duties) - Responsibilities held for all schools

- Director of children's services and personal staff for director (Sch 2, 15a)
- Planning for the education service as a whole (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 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 LA 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 LA'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)

Analysis of Retained Duties for 2018-19		
	£000	Statutory basis
Children's Services		
Access & Development Division		
School/ Census Data for Directorate - Analysis	74	Strategic planning
School Data - shared with all schools	32	Strategic planning
Pupil Database	301	Strategic planning
Strategic Information Management - School extranet connectivity, contracts, projects	95	Strategic planning
School Funding/Forum/DSG/Fin Scheme/EFA	25	School Funding
Exclusions	40	Education Welfare
Education Enforcement	162	Education Welfare
Total	729	
Management Division & Central Services		
DCS and team	146	Director of children's services and personal staff for director
Asset Mgt	99	Asset management
Financial Operations	7	Accounting for Schools Block
Corporate ICT & Performance	7	Strategic planning
Strategy	7	Strategic planning
Strategic Land	7	Asset management
Total	272	
SEIS Division		
SACRE	16	Subject to mgt of change proposals
Strategic Planning	73	
Vulnerable Needs	29	
Safeguarding	248	
EHE	61	
LAC	12	
Parents Champions	30	
High Standards	49	
SEND monitoring	65	
Total	583	
Total Retained Services	1,585	
DSG Grant allocation:	598	