



Schools Forum Date: 7 December 2017 Time: 8:30 am Venue: Shrewsbury Training and Development Centre	<u>Item</u> Public	<u>Paper</u> E
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CENTRAL SCHOOL SERVICES BLOCK 2018-19

Responsible Officer Stephen Waters
e-mail: Stephen.a.waters@shropshire.gov.uk Tel: (01743) 258952

Summary

1. On 4 August 2017, the Education and Skills Funding Agency (ESFA) issued their Operational Guidance for Local Authorities and Schools on schools revenue funding in the 2018-19 financial year. The guidance sets out a number of significant changes to funding for 2018-19 including the creation of a Central School Services Block (CSSB).
2. The purpose of the CSSB is to provide funding to local authorities to carry out central functions on behalf of pupils in state-funded maintained schools and academies.
3. The funding is split into funding for historic commitments and funding for ongoing responsibilities.
4. For those centrally retained services categorised as historic commitments, Schools Forum approval is required on a line-by-line basis and the budget cannot exceed the value agreed in the previous funding period, and no new commitments can be entered into.
5. For ongoing responsibilities, Schools Forum approval is required on a line-by-line basis and the budget can increase from year to year.
6. This report therefore presents a number of proposals on the retention of Dedicated Schools Grant (DSG) in 2018-19 to fund these statutory duties for which formal Schools Forum approval is required.

Recommendation

7. Schools Forum consider and approve to the proposals presented in this report.

REPORT

Background

8. On 4 August 2017, the Education and Skills Funding Agency (ESFA) issued their Operational Guidance for Local Authorities and Schools on schools revenue funding in the 2018-19 financial year.
9. The guidance sets out a number of significant changes to funding for 2018-19 including the creation of a Central School Services Block (CSSB). The Dedicated Schools Grant (DSG) now comprises four blocks: schools, high needs, early years, and the new central school services block. Each of the four blocks will be determined by a separate national funding formula.
10. This report deals specifically with the CSSB and proposes a number of recommendations where Schools Forum approval of decisions is required. The guidance sets out the level of approval required for the various centrally retained services, as referenced in the extract from the guidance attached to this report at Appendix A.
11. It is important to note that a number of the services that are covered by centrally retained funding are subject to a limitation of no new commitments or increases in expenditure from 2017-18 and, when using centrally held funding, local authorities must treat maintained schools and academies on an equal basis.
12. The purpose of the CSSB is to provide funding to local authorities to carry out central functions on behalf of pupils in state-funded maintained schools and academies.
13. The funding is split into funding for historic commitments and funding for ongoing responsibilities. The total 2018-19 funding through the CSSB will be equal to the total 2018-19 funding for historic commitments plus the total 2018-19 funding for ongoing responsibilities.
14. CSSB historic commitments funding in 2018-19 for each local authority will be equal to their 2017-18 baseline value submitted to the ESFA in April 2017 and confirmed by the ESFA in August 2017. These historic commitments are subject to a limitation of new commitments or increases in expenditure.
15. The funding for ongoing responsibilities will comprise funding previously allocated through the retained duties element of the Education Services Grant (ESG) at a rate of £15 per pupil, plus funding for ongoing central functions such as schools admissions and the servicing of Schools Forum. Appendix B is an extract from the operational guidance which sets out the central services that may be funded with agreement of Schools Forums, and splits these services between responsibilities local authorities hold for all schools, and those that relate to maintained schools only.

16. The CSSB national funding formula allocates funding to local authorities for ongoing responsibilities using a pupil-led formula to establish a 2018-19 CSSB ongoing responsibilities rate per pupil. This is then multiplied by the Schools Block pupil count from the October 2017 census to arrive at each local authority's 2018-19 allocation.
17. The detailed methodology for the CSSB national funding formula is described in the Department for Education's '*Central Schools Services Block National Funding Formula: Technical Note*' issued in September 2017.

Shropshire's Central Schools Services Block Allocation 2017-18

18. In 2017-18, Shropshire Council's CSSB allocation totalled £3,121,660, based on the baselining exercise described above, broken down as follows:

	2017-18 Allocation
Historic Commitments	
Contribution to combined budgets	£852,110
Termination of employment costs	£994,920
Prudential borrowing	£295,350
Sub Total Historic Commitments	£2,142,380
Ongoing Responsibilities	
Schools admissions	£211,460
Servicing of Schools Forum	£10,000
Other items (Copyright Licensing Agency fee)	£187,820
Exceptions agreed by Secretary of State	
Former retained duties ESG	£570,000
Sub Total Ongoing Responsibilities	£979,280
Total Central Spend	£3,121,660

Shropshire's Provisional Central Schools Services Block Allocation 2018-19

19. On 14 September 2017, the Department for Education issued provisional 2018-19 allocations for the CSSB as well as School and High Needs Blocks. Historic commitments in the table above are baselined at the 2017-18 value in Shropshire's 2018-19 provisional CSSB national funding formula and the ongoing responsibilities value of £979,280 have been run through the national funding formula to arrive at a provisional allocation for ongoing responsibilities of £1,004,036. This represents an increase of 2.5% on the ongoing responsibilities and reflects that the transition to the formula for ongoing responsibilities will be gradual with gains capped at 2.5%. The provisional total CSSB allocation is £3,146,416.

	2017-18 Allocation	Provisional Total 2018-19 CSSB NFF Funding	Provisional % Change to CSSB Funding in 2018-19
Historic commitments	£2,142,380	£2,142,380	0% as limited to no increase in expenditure
Ongoing responsibilities	£979,280	£1,004,036	2.5%
Total Central Spend	£3,121,660	£3,146,416	0.8%

Historic Commitments Approval

20. As outlined in Appendix A, historic commitments require Schools Forum approval 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. To enable Schools Forum members to make a more informed decision to continue to approve funding at the baselined level the following paragraphs give more detail regarding what services are funded and any ongoing commitments.

Contribution to Combined Budgets

21. Contribution to combined budgets is expenditure that has traditionally been retained from the Central Schools Block for maintained schools and academies to fund a contribution from the schools budget to services which would otherwise be funded from other sources.
22. The ESFA carried out a DSG baselining exercise to determine the baseline level of all historic commitments including contribution to combined budgets funding that is deemed eligible for Shropshire Council under the condition that Schools Forum agreed to fund these costs prior to April 2013. To assist the ESFA with this exercise, Shropshire Council officers submitted evidence to the ESFA of these historic commitments. The result of this baselining exercise was the confirmation by the ESFA of a contribution to combined budgets value of £852,110.
23. A detailed breakdown of how the Council spends this £852,110 is set out within Appendix C. It is important to note that this budget line is contributing funding to ongoing historic commitments e.g. permanent posts and contracts that are providing a mix of statutory and essential services to schools.

Recommendation 1 - Maintained and academy school representatives agree to continue to contribute £852,110 to combined budgets as per the detail of these costs outlined in Appendix C.

Termination of Employment Costs

24. This budget covers the ongoing termination costs for ex-Shropshire Council school staff. This historic pension commitment will eventually to be reduced to nil, but over many years.
25. The DSG baselining exercise carried out of by the ESFA established a baseline cost for termination of employment costs of £994,920. These costs difficult to control and the total cost of these ongoing pension commitments is significantly higher than £994,920 with the Council also making a sizeable contribution. £994,920 is the maximum contribution permitted from centrally retained DSG on the basis that this budget line cannot increase in value compared to previous years and this was the level of contribution set in 2017-18. As the total cost, currently projected at £1,883,096 has fallen year on year, it is appropriate that both the Council and centrally retained DSG contribution falls by the same percentage. As set out in the table it is proposed that the 2018-19 budget allocation for termination of employment costs is lowered to £980,930.

Cost	2017-18 DSG Contribution	2017-18 Projected Spend	2018-19 Proposed Allocation
Primary School Pension Compensation Payments	£ 994,920	£ 403,517	£ 980,930
Secondary School Pension Compensation Payments		£ 1,413,957	
Special School Pension Compensation Payments		£ 65,622	
TOTAL	£ 994,920	£ 1,883,096	£ 980,930

Recommendation 2 - Maintained and academy school representatives agree to contribute £980,930 to fund a portion of these ongoing pension commitments, a reduction of £13,990 compared to 2017-18.

Prudential Borrowing Costs

26. The prudential borrowing costs budget heading covers expenditure incurred in the repayment of loans.
27. Shropshire Council has ongoing annual revenue costs of £295,350 for funding prudential borrowing relating to the Monkmoor Campus Project approved in 2006-07.
28. The rationale behind the project was to expand Severndale School to ensure that all Shropshire special needs pupils can be considered for a place in Severndale before a more expensive out of county place is deemed necessary. The delivery of this project delivered revenue savings against costs funded

within the High Needs Block of DSG where placements are funded at expensive out of county, independent special schools.

29. Due to available financing from other areas of the schools capital programme on a cash flow basis the borrowing was not applied until 2010-11, with the first borrowing costs in 2010-11 and will thus be incurred until 2035-36.
30. Shropshire Council was required to evidence these costs to the ESFA as part of the DSG baselining exercise. A capital budget report for 2006-07, which approved the prudential borrowing together with the capital project appraisal form was submitted to the ESFA and the figure of £295,350 was approved as part of the Shropshire's baseline.

Recommendation 3 - Maintained and academy school representatives agree to continue to contribute £295,350 to fund the ongoing revenue costs of funding prudential borrowing for the Monkmoor Campus Project.

Ongoing Responsibilities Approval

31. As outlined in Appendix A, funding for ongoing central functions previously retained from the School Block also require Schools Forum approval on a line-by-line basis. In contrast to the historic commitments discussed above, the ongoing central functions of school admissions, servicing of Schools Forum, copyright licensing and ongoing responsibilities formerly funded by retained duties ESG, are not subject to the limitation of no new commitments or increases in expenditure.

Schools Admissions

32. Shropshire Council employs a School Admissions team to provide a comprehensive administrative service for the allocation of school places within statutory requirements through compliance with the School Admissions Code published by the Department for Education in 2014.
33. The Schools Admissions Team's core service includes:
 - Exchange of application data with other local authorities
 - Production of the annual Parents' Guide
 - Input/import of application details
 - Submission of electronic transfer file to schools
 - Production of offer letters to parents on behalf of admission authority
 - Administration of review process/ offers refused
 - Maintenance of transfer group waiting list.
34. In addition, an extended chargeable service is offered to academies which provides support in meeting the legal responsibilities of an admission authority.
35. To discharge these statutory duties, local authorities are expected to retain some central DSG funding to fund the costs of the Schools Admissions Team. As shown in the table in paragraph 18 above, the 2017-18 budget allocation for

the Schools Admissions team was £211,460. An increased budget allocation of £219,420 is required for 2018-19. This increase of £7,960 would be met from the overall increase in CSSB allocation of £24,756.

Recommendation 4 - Maintained and academy school representatives agree to the increased charge of £219,420 for the provision of a School Admissions Team.

Servicing of Schools Forum

36. The servicing of Schools Forum expenditure line covers all expenditure incurred in connection with the local authority's functions of running the Forum as defined under section 47A of the 1998 Education Act.
37. As shown in the table in paragraph 18, the 2017-18 budget allocation for the Servicing of Schools Forum was £10,000, and will be held at this level in 2018-19.

Recommendation 5 - Maintained and academy school representatives agree to the budget of £10,000 for the servicing of Schools Forum.

Copyright Licenses

38. As set out in the 2017-18 DSG Technical Note published by the Department for Education on 20 December 2016, the Department agreed with the following agencies to purchase a single national licence managed centrally for all state-funded schools in England:
 - Copyright Licensing Agency (CLA)
 - Education Recording Agency (ERA)
 - Filmbank Distributors Ltd. (for the PVSL)
 - Motion Picture Licensing Company (MPLC)
 - Newspaper Licensing Authority (NLA)
 - Schools Printed Music Licence (SPML)
 - Christian Copyright Licensing International (CCLI)
 - Mechanical Copyright Protection Society (MCPS);
 - Performing Rights Society (PRS), and
 - Phonographic Performance Limited (PPL).
39. This means that local authorities and schools do not have to negotiate individual licences. The Department for Education pays the cost, including VAT, to the agencies and provides this as a service to local authorities, at a charge. Local authorities can reclaim VAT on the charge. These arrangements cover academies as well as maintained schools and local authorities can hold this money centrally, rather than include it in school budgets.

40. As shown in the table in paragraph 18, the 2017-18 budget allocation for the annual copyright licensing invoice was set at £187,820 and the actual annual charge confirmed by the Department for Education is £202,106. This budget has been incorrectly frozen for a number of years at £187,820 when it should have been uplifted to anticipate some inflation as demonstrated in the table below. For 2018-19 it is anticipated that the annual charge will increase again due to inflation, so a proposed budget allocation for 2018-19 is £202,106 subject to a 2% inflationary increase based on the increases experienced in 2016-17 and 2017-18. This results in an anticipated budget requirement of £206,150 for 2018-19.

Financial Year	2015-16 Actual Cost	2016-17 Actual Cost	2017-18 Actual Cost	2018-19 Budgeted Cost
Value	£ 194,445	£ 198,632	£ 202,106	£ 206,150
% Increase		2.2%	1.7%	2.0%

Recommendation 6 - Maintained and academy school representatives agree to the increased charge of £206,150 for the annual copyright licensing fees.

Ongoing Responsibilities that Local Authorities Hold for all Schools

41. The CSSB funds local authorities for the statutory duties they hold for both maintained schools and academies which was previously allocated through the retained duties element of the ESG.
42. Details of these retained ongoing duties are provided in Appendix B (Column 1).
43. An indicative amount of £0.570 million has been included in Shropshire's CSSB baseline to cover these duties based on the historic rate of £15 per pupil. The final value will depend on adjusted pupil numbers, based on October 2017 school census data.
44. Schools Forum is required to agree to the central retention of retained duties ESG and to enable Schools Forum members to make a more informed decision to continue to approve funding. Appendix D details how the Council apportions this £0.570 million to cover these ongoing retained duties.
45. It is important to note that in some cases the total cost of providing the statutory functions listed would be greater than the illustrative budget allocation. In these cases the Council subsidises the additional costs above and beyond the £0.570 million allocation.

Recommendation 7 - Maintained and academy school representatives agree to continue to contribute £570,000 to ongoing responsibilities that the local authority provides for maintained schools and academies as per the detail of these costs outlined in Appendix D.

46. The final table below illustrates what the proposed CSSB budget allocations above would be if all recommendations are approved.

	2017-18 Allocation	2018-19 Proposed Allocation
Historic Commitments		
Contribution to combined budgets	£852,110	£852,110
Termination of employment costs	£994,920	£980,930
Prudential borrowing	£295,350	£295,350
Sub Total Historic Commitments	£2,142,380	£2,128,390
Ongoing Responsibilities		
Schools admissions	£211,460	£219,420
Servicing of Schools Forum	£10,000	£10,000
Other Items (Copyright Licensing Agency fee)	£187,820	£206,150
Former retained duties ESG	£570,000	£570,000
Sub Total Ongoing Responsibilities	£979,280	£1,005,570
Total Central Spend	£3,121,660	£3,133,960
Provisional 2018-19 CSSB Allocation		£3,146,416
Unallocated 2018-19 CSSB Allocation		£12,456

High Needs Block Provision

47. Shropshire Council's provisional High Needs Block allocation was published in September 2017 and, under the new operational guidance and as detailed in Appendix B, High Needs Block provision does not require Schools Forum approval although they should be consulted.
48. The High Needs Block budget setting process has commenced and the DSG monitoring paper to be brought to Schools Forum on 18 January 2018 will report back to Schools Forum members with any budget pressures or reallocations of funding required as part of allocating the 2018-19 High Needs Block provisional allocation of £25.085 million.