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CENTRAL SCHOOL SERVICES BLOCK 2020-21

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

Summary

1. In October 2019, the Education and Skills Funding Agency (ESFA) issued their technical note on the Central School Services Block (CSSB) and provisional CSSB allocations for 2020-21. Final allocations are updated for October 2019 census data.
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 2020-21, historic commitments funding will be reduced by 20% compared to their 2019-20 baseline, with a protection so that no local authority loses more than the 0.5% of its 2019-20 Schools Block allocation. This reduction is in line with ESFA's previously stated policy to withdraw this funding over time.
6. For ongoing responsibilities, Schools Forum approval is required on a line-by-line basis and the budget can increase from year to year.
7. This report therefore presents a number of proposals on the retention of Dedicated Schools Grant (DSG) in 2020-21 to fund these statutory duties for which formal Schools Forum approval is required.

Recommendations

8. Schools Forum notes that the historic commitments value within Shropshire's CSSB funding allocation previously baselined as £2,142,380 has been subjected to a 20% cut in funding by the ESFA. Consequently, the historic commitments element of Shropshire's 2020-21 CSSB allocation has been reduced by £428,476 to £1,713,904.
9. Schools Forum notes that Shropshire Council has chosen to build expenditure growth of £328,476 into its 2020-21 budget with an expectation that the remaining £100,000 is delivered through efficiencies with minimal or no impact on service delivery.
10. Schools Forum consider and approve to the proposals presented in this report.

REPORT

Background

11. In 2018-19, Schools Block funding, for the first time, included the new Central School Services Block (CSSB), determined by a separate national funding formula.
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 CSSB funding is split into funding for historic commitments and funding for ongoing responsibilities.
14. CSSB historic commitments funding for each local authority is 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 comprised 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 school admissions and the servicing of Schools Forum.
16. The CSSB national funding formula allocated funding to local authorities for ongoing responsibilities uses a pupil-led formula to establish a CSSB ongoing responsibilities rate per pupil. This is multiplied by the Schools Block pupil count from the latest census to arrive at each local authority's final allocation.

Shropshire's Central Schools Services Block Allocation 2020-21

17. In 2019-20, Shropshire Council's CSSB allocation totalled £3,190,478, based on the baselining exercise described above, broken down as follows in the table

below. The contribution levels or allocations for ongoing responsibilities, plus the contributions for historic commitments, were approved by Schools Forum on 22 November 2018.

	2019-20 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	228,340
Servicing of Schools Forum	10,000
Other items (Copyright Licensing Agency fee)	216,630
Exceptions agreed by Secretary of State	0
Former retained duties ESG	593,128
Sub Total Ongoing Responsibilities	£1,048,098
Total Central Spend	£3,190,478

Shropshire's Provisional Central Schools Services Block Allocation 2020-21

18. In October 2019, the Department for Education issued provisional 2020-21 allocations for the CSSB. The technical note published in October states that "for local authorities that receive it, their historic commitments funding will be reduced by 20% compared to their 2019-20 baseline, with a protection so that no local authority loses more than the equivalent of 0.5% of its 2019-20 schools block allocation".
19. For Shropshire Council this means that the £2,142,380 historic commitments 2019-20 baseline value in the table above has been subject to a 20% cut equal to £428,476 in determining the 2020-21 provisional historic commitments allocation of £1,713,904.
20. The ongoing responsibilities value of £1,048,098 for 2019-20 has been run through the national funding formula to arrive at a provisional 2020-21 allocation for ongoing responsibilities of £1,068,394. This represents an increase of 1.94% on the ongoing responsibilities which is the maximum gain allowed for on ongoing responsibilities as published in the technical note. The provisional total CSSB allocation for 2020-21 is £2,782,298.

	2019-20 Allocation	Provisional Total 2020-21 CSSB NFF Funding	Provisional % Change to CSSB Funding in 2019-20
Historic commitments	£2,142,380	£1,713,904	20% reduction in line with ESFA's previously stated policy to withdraw this funding over time
Ongoing responsibilities	£1,048,098	£1,068,394	1.94%
Total Central Spend	£3,190,478	£2,782,298	-12.79%

Historic Commitments Approval

21. 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, the following paragraphs give more detail regarding what services are funded and any ongoing commitments.

Contribution to Combined Budgets

22. 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.
23. 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.
24. A detailed breakdown of how the Council spends this £852,110 is set out within Appendix C.
25. As previously stated the ESFA has cut the historic commitments funding by 20% or £428,476 in the 2020-21 CSSB funding allocation. As the "Contribution to combined budgets" funding is the budget area under historic commitments with the greatest degree of controllable expenditure and one of the largest of the 3 budgets area accounting for £852,110 of the £2,142,380 baseline funding, it has been determined that a sensible approach would be to target £400,000 of the £428,476 reduction in funding against this area.

26. Appendix C sets out how the remaining £452,110 of contribution to combined budgets funding will be allocated. Where the £400,000 reduction in funding is proposed, £328,476 will be replaced by Council base budget funding. To achieve this the Council is committed to building in £328,476 expenditure growth into its 2020-21 budget as part of the budget setting process. The remaining £71,524 will have to be found through savings or efficiencies to those services receiving the funding. Officers have already met to discuss which particular services or budget lines could manage this reduction in DSG funding and the expectation is that the £71,524 saving can be achieved through efficiencies with minimal impact on service delivery.

Recommendation 1 - Maintained and academy school representatives agree to continue to contribute £452,110 to combined budgets as per the detail of these costs outlined in Appendix C.

Termination of Employment Costs

27. 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.
28. The DSG exercise carried out of by the ESFA established a baseline cost for termination of employment costs of £994,920. 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.
29. In the Schools Forum report on 7 December 2017 dealing with specifically CSSB contributions levels in 2018-19, the recommended DSG level of £980,930 was approved on the basis that the total termination of employment costs will fall marginally year on year. For 2019-20, a DSG contribution level of £972,920 was approved on the basis that the total actual cost was decreasing by approximately 0.8% per annum.
30. The approach being taken is to target a small portion of the £428,476 reduction in funding to this area as it is known that expenditure has reduced slightly year on year since the original baselining exercise. It is important to note that this expenditure is not controllable for the Council as these are ongoing pension commitments. Based on a trend analysis of previous year's spend it would be appropriate to reduce the DSG contribution by £28,476 compared to the £994,920 baseline. This would mean allocating £28,476 of the £428,476 reduction to this budget line, leaving a round figure of £400,000 to be saved on "contribution to combined budgets" whilst also bringing the 2020-21 proposed DSG contribution for Termination of Employment Costs down to £966,444 which would be a £6,476 decrease compared to 2019-20 and a proportionate level of budget given the small reduction in costs each year. This is a saving of £28,476 as the Council does not need to replace the loss of £28,476 DSG funding with Council base budget.

	2016-17 Council Outturn	2017-18 Council Outturn	2018-18 Council Outturn %	2018-19 DSG Allocation	2018-19 DSG Contribution	2019-20 DSG Contribution	2020-21 Proposed DSG Contribution
Cost of School Pension Compensation Payments	1,909,955	1,894,368	-0.82%	994,920	980,390	972,920	966,444

Recommendation 2 - Maintained and academy school representatives agree to contribute £966,444 to fund a portion of these ongoing pension commitments, a reduction of £6,476 compared to 2019-20.

Prudential Borrowing Costs

31. The prudential borrowing costs budget heading covers expenditure incurred in the repayment of loans.
32. Shropshire Council has ongoing annual revenue costs of £295,350 for funding prudential borrowing relating to the Monkmoor Campus project approved in 2006-07.
33. 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.
34. 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.
35. 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.
36. As this is an ongoing cost commitment of £295,350 until 2035-36, it is not appropriate to target any of the £428,476 reduction in historic commitments DSG funding to this budget line.

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

37. 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, or any percentage reduction in funding. This portion of the CSSB funding allocation has increased by 1.94% compared to 2019-20.

Schools Admissions

38. 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.
39. 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.
40. In addition, an extended chargeable service is offered to academies which provides support in meeting the legal responsibilities of an admission authority.
41. To discharge these statutory duties, local authorities are expected to retain some central DSG funding to fund the costs of the Schools Admissions Team. The 2019-20 budget allocation for the Schools Admissions team was £228,340. An increased budget allocation of £243,040 is required for 2020-21. This increase of £14,700 would be met from the overall increase in CSSB allocation of £20,296.

Recommendation 4 - Maintained and academy school representatives agree to the increased charge of £243,040 for the provision of a School Admissions Team.

Servicing of Schools Forum

42. 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.
43. The 2019-20 budget allocation for the Servicing of Schools Forum was £10,000 and will be held at this level in 2020-21.

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

Copyright Licenses

44. 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).
45. 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.
46. The 2019-20 budget allocation for the annual copyright licensing invoice was set at £216,630. For 2020-21 it is anticipated that the annual charge will increase again due to inflation, so a proposed budget allocation for 2020-21 is £225,410. This is based on a 4.1% inflationary increase applied to the 2019-20 value of £216,630.

Financial Year	2015-16 Actual Cost	2016-17 Actual Cost	2017-18 Actual Cost	2018-19 Actual Cost	2019-20 Actual Cost	2020-21 Proposed Budget
Value	194,445	198,632	202,106	208,190	216,630	225,410
% Increase		2.2%	1.7%	3.0%	4.1%	

Recommendation 6 - Maintained and academy school representatives agree to the increased charge of £225,410 for the annual copyright licensing fees.

Ongoing Responsibilities that Local Authorities Hold for all Schools

47. 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.
48. Details of these retained ongoing duties are provided in Appendix B (Column 1).

£593,128 was included in Shropshire’s CSSB 2019-20 allocation to cover these duties.

49. 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 £589,944 to cover these ongoing retained duties. £589,944 is the value available within the ongoing responsibilities allocation of £1,068,394 once the items above have been allocated.
50. It is important to note that in some cases the total cost of providing the statutory functions listed could be greater than the illustrative budget allocation. In these cases, the Council subsidises the additional costs over and above the £589,944 allocation.

Recommendation 7 - Maintained and academy school representatives agree to continue to contribute £589,944 to ongoing responsibilities that the local authority provides for maintained schools and academies as per the detail of these costs outlined in Appendix D.

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

	2019-20 Allocation	2020-21 Proposed Allocation
Historic Commitments		
Contribution to combined budgets	£852,110	£452,110
Termination of employment costs	£994,920	£966,444
Prudential borrowing	£295,350	£295,350
Sub Total Historic Commitments	£2,142,380	£1,713,904
Ongoing Responsibilities		
Schools admissions	£228,340	£243,040
Servicing of Schools Forum	£10,000	£10,000
Other Items (Copyright Licensing Agency fee)	£216,630	£225,410
Former retained duties ESG	£593,128	£589,944
Sub Total Ongoing Responsibilities	£1,048,098	£1,068,394
Total CSSB Allocation	£3,190,478	£2,782,298