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| **AGENDA ITEM 5** |

**Title of report: Centrally Retained Budgets**

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**Details on who has been consulted with on this paper to date:**

**Executive Summary:**

Following earlier reports to Forum on centrally retained budgets, officers undertook to review the position in previous years.

This report looks at the budgets agreed by Forum and, as far as possible, the actual spend against them.

The review was to provide greater transparency so as to help the Council and Forum in future decision making.

**Details of recommendations and timescales for decisions:**

Schools Forum is asked to note the report.

1. **Dedicated Schools Grant (DSG) Centrally Retained Budgets.**
   1. This report and its appendices set out the statutory position on what can be retained centrally and look at what budgets Forum has agreed to retain over the last three years and, as far as possible, what has been spent against them.
   2. The review is to try to bring greater transparency to the process and to reassess as part of the budget setting process for 2020-21 which budgets should remain and which should be redirected.
   3. Greater transparency was provided in the closing position for 2018-19 when the outturn on each budget agreed by Forum was separately identified. Applying this to earlier years identified some issues where spend was not correctly allocated against budgets and the positions set out in Appendix 1 for 2017-18 and 2016-17 will contain errors of omission and commission.
   4. For 2019-20 and future years, the School Finance Team is working to ensure greater clarity around the use of budget codes and the timely allocation and reallocation of costs.
   5. It should be noted that where a ‘contribution’ is agreed the budgeted and actual spend should be the same.

**Appendix 2. Centrally retained funded allowed by funding block.**

The DSG is split into four funding blocks:

1. The Schools Block (SB).
2. The Central Schools Services Block (CSSB).
3. The Early Years Block (EYB).
4. The High Needs Block (HNB).

The type of expenditure that can be centrally retained is set out in regulations for each block.

Each funding block is determined by a national funding formula and in the first three blocks the Schools Forum has the power to agree what and how much is retained.

1. **Schools Block.**
   1. Regulations allow Local Authorities to top-slice two contingencies that should eventually be passed to schools. These are the Growth Fund, retained to provide additional funding to schools undergoing planned expansion and the Falling Rolls Fund, which protects good and outstanding schools with temporary falling rolls.
   2. In addition LAs can ask forums to de-delegate funding from maintained schools to create budgets for a limited number of central services. These fall into three groups.
      * 1. Funding for central services delegated to schools in 2013 (primary and secondary schools only). The services for which de-delegation is allowed are set out below:
      * Contingencies (including schools in financial difficulties and deficits of closing schools)
      * Behaviour support services
      * Support to underperforming ethnic groups and bilingual learners
      * Checking free school meals eligibility
      * Insurance
      * Museum and library services
      * Staff costs supply cover (for example, long-term sickness, maternity, trade union and public duties)
      * Licences and subscriptions (other than ESFA arranged).
        1. Funding for former Education Services Grant (ESG) general duties (primary, secondary, special and PRUs). These cover services provided under the following broad headings:

Statutory and Regulatory Duties

Education Welfare

Asset Management

Central Support services

Redundancy & Early Retirement.

* + - 1. Funding for additional school improvement. School improvement was formerly funded through the ESG. Following its abolition, funding for LA statutory functions was provided through the School Improvement Monitoring and Brokering Grant. Additional services can be provided for maintained mainstream schools if forum agrees to de-delegate.

1. **Central School Services Block.** This block was created in 2018 and covers three areas:
   1. Ongoing services. Funding is through a national formula (with transitional protection). For 2019-20 this totalled £2.029m. The charge for copyright licences is set nationally.
   2. Historical Commitments. Prior to April 2013 a schools forum could agree to centrally retain funding for either of the following:
      * + - Combined services, in which DSG funding was combined with other resources to provide services for the benefit of pupils generally.
          - To compensate non-DSG budgets for costs arising due to savings in DSG budgets. An example would be the incurring of redundancy costs (non-DSG) due to a school reorganisation that resulted in DSG savings.

No new commitments can be entered into and the Education and Skills Funding Agency (ESFA) expect historical commitments to be reducing and will investigate those that don’t. These commitments are funded through a lump sum, currently £2.782m, but the ESFA will begin to reduce this from 2020-21.

* 1. An allocation of £630k in respect of retained duties formerly funded through the ESG was transferred into this block, it covers the same broad areas set out in 1.2 b) but for services provided to both maintained schools and academies.

1. **Early Years Block.**

* 1. The great majority of this funding must be delegated or devolved to early years providers. Central retention is limited to 5% of the funding for three and four year olds.