



Education
Funding
Agency

2017 to 2018 schools funding: historic commitments

**Supplementary guidance for local
authorities**

November 2016

Contents

| | |
|---|---|
| Introduction | 3 |
| Key findings from the baseline exercise | 3 |
| Evidence of historic commitments | 5 |
| Historic commitments spending lines | 6 |
| Combined budgets | 6 |
| Capital expenditure funded from revenue | 7 |
| Termination of employment costs | 7 |
| Prudential borrowing costs | 8 |
| Equal pay – back pay | 8 |
| Exceptions agreed by Secretary of State | 8 |
| Annex A - Examples of combined budget commitments | 9 |

Introduction

1. This guide provides information on the funding and reporting of historic commitments for the 2017 to 2018 financial year. It is aimed primarily at local authorities and schools forum members to help inform their funding discussions, prior to submitting their Authority Pro Forma Tool (APT) in January 2017. School business managers may also find it helpful in understanding their local funding formula.
2. In March 2016, local authorities were asked to [detail historic commitments](#) they expect to fund in the 2017 to 2018 financial year, as part of the process for confirming baselines for the dedicated schools grant (DSG). The assessment of evidence provided by local authorities suggests more guidance is needed on two elements:
 - clarity on acceptable historic commitments under the regulations
 - the quality of evidence that must be provided to local schools forums
3. This guide meets that need; providing information to local authorities and schools forum members on acceptable historic commitments, and confirms the need for adequate evidence showing that:
 - the commitment is appropriate under the regulations
 - the commitment was made prior to April 2013
 - there is an ongoing commitment
 - commitments have not increased compared to the previous year
4. Local authorities must provide schools forums with sufficient evidence on the historic commitment funding lines to enable them to make an informed decision.

Key findings from the baseline exercise

5. The returns from local authorities suggested that clearer guidance was needed on what constituted a historic commitment under the regulations.
6. The level of acceptable evidence for the commitment provided to schools forums often varied in its detail and transparency.

7. The 'combined budgets¹' funding line accounted for more than half the total historic commitments and three quarters of local authorities fund commitments under this category.

8. Funding for Private Finance Initiative (PFI) costs appeared across several historic commitment funding lines. PFI or Building Schools for the Future (BSF) costs held centrally should be delegated through the formula in 2017 to 2018 to aid transparency; only expenditure which can be treated as capital should be shown under the "capital expenditure funded from revenue" line.

¹ This line enables schools budget funding to be combined with other sources of funding for the provision of services outside the schools budget – but which have an educational benefit

Evidence of historic commitments

9. Schools forums need to be able to make informed decisions about historic commitments on a line by line basis each year. Evidence must include:

- **Minutes from the schools forum prior to 1st April 2013** - schools forum should have agreed the commitment prior to 2013.
- **Proof that the commitment extended at least as far as the 2017 to 2018 financial year.** Evidence can include reports which indicated an end date into 2017 to 2018 or beyond, or where the commitment has no specific end date.
- Where budgets relate to non-staffing costs, there must be a contractual commitment (such as a PFI agreement or lease agreement) which extends into the relevant financial year.
- **Schools forum papers and minutes that** show that approval has been granted for the financial year. The forum is expected to approve each spending line annually. It is important that schools forums have sufficient information to be able to make an informed decision.

10. EFA will check that the budget is not higher than that shown in the previous year's section 251 statement.

Historic commitments spending lines

12. Since 2013 finance regulations have restricted a number of central schools block funding lines to historic commitments:

- combined budgets
- capital expenditure funded from revenue
- termination of employment costs
- prudential borrowing
- miscellaneous purposes (provided the expenditure does not amount to more than 0.1% of the authority's schools budget)

13. These are defined in the regulations as:

'Expenditure referred to in paragraphs 3 and 4 of Part 1 (Central Services) of Schedule 2 may only be deducted by the local authority where the expenditure is to be incurred as a result of decisions taken before 1st April 2013 that commit the authority to incur expenditure in the funding period.' The 'funding period' here refers to the forthcoming financial year.

14. Schedule 2 also states that, other than in the case of paragraph 3 (capital expenditure funded from revenue), the schools forum or the Secretary of State must have approved the decision.

15. This means the decision to incur specific amounts of expenditure against these lines in particular future years must have been made prior to 1st April 2013. Schedule 2 does not allow local authorities to maintain a budget of indefinite size for an indefinite period against these funding lines.

16. The [schools revenue funding arrangements 2017 to 2018: operational guide](#) confirmed at paragraph 80 that DfE will not be reducing authorities' schools block funding for 2017 to 2018 as a result of the baseline exercise review of any historic commitment funding. The guide makes it clear that we expect local authorities to use any additional funding for schools or high needs.

Combined budgets

17. This line enables schools budget funding to join other sources of funding to contribute to services outside the schools budget – **but which have an educational benefit**. No new commitments were allowed in or after the 2013 to 2014 financial year.

18. Combined budget commitments are acceptable where it is clear it extends at least as far as financial year 2017 to 2018, including where the schools forum have not stated a specific end date for their agreement. While wider children's services teams often receive funding under this line, the funding should be linked to the terms of the original commitment and authorities should seek efficiencies as appropriate.

19. Combined budget commitments made up more than half the planned historic commitments in 2017 to 2018; [annex A](#) lists examples from the recent exercise. Acceptable funding under this line includes:

- early intervention and family support services where there is an educational element
- contributions to placements for looked after children that have an educational element

20. Funding incorrectly allocated to this line included:

- amounts identified as contributing to corporate overheads, without being specific about the services involved
- items relating to elements which should be within the formula, for instance rates or rents adjustments
- services which should be a cost to the school, for example tree maintenance
- copyright licences, which have their own funding line

Capital expenditure funded from revenue

21. In the case of **capital expenditure funded from revenue**, we expect that most projects planned and decided on prior to 1st April 2013 would now be complete. The recent exercise showed that relatively few local authorities were still allocating funding under this line, and, of those, most related to PFI contracts. These should be delegated through the funding formula.

22. It does not count as a commitment to have identified a budget for different capital works each year or a general contribution to the capital programme.

Termination of employment costs

23. There were relatively few historic commitments for termination of employment costs as most costs for individuals leaving their employment (where the decision was made prior to 1st April 2013) have expired, even if spread over a number of years. Acceptable ongoing commitments include:

- pension costs
- historic retirement allowances

24. Local authorities should provide evidence to their schools forums that expenditure relating to a specific individual's termination of employment costs in 2017 to 2018 had been approved prior to 1st April 2013. The costs cannot increase above 2013 levels. It does not count as a commitment to have identified a budget for different individuals' costs each year or to support new redundancy costs in schools.

Prudential borrowing costs

25. This allows for the interest payments, resulting from a decision to borrow funds for a specific (education related) capital project, to be charged to the school budget funding. The LA will need to provide evidence that a decision was made before the 1st April 2013 and that the LA is committed to repayments in 2017 to 2018. PFI costs also featured on this funding line for some local authorities, these should be delegated through the funding formula.

Equal pay – back pay

26. The arrangement for **equal pay – back pay** is different. The commitment does not have to have been decided before 1st April 2013, though it does have to have been approved by the schools forum. The recent exercise shows that equal pay issues have now been resolved in most local authorities. Very few LAs are expecting to fund under this line in 2017 to 2018. These LAs will need to demonstrate to their schools forums that centrally retained funding for this purpose will still be required in 2017 to 2018.

Exceptions agreed by Secretary of State

27. In a few cases local authorities have had approval from the Secretary of State to increase the value of a historic commitment or to incur a new commitment. In such cases the local authority should treat the commitment as if it had been approved by the schools forum before 2013. It still needs explicit new approval from the schools forum on an annual basis if it is to continue.

Annex A - Examples of combined budget commitments

The following are examples of historic commitments funded under the combined services line. These commitments were all entered into prior to April 2013 and require annual authorisation from the respective schools forum.

- Contribution to jointly run early help services, bringing together education, early years, social care, health and youth services. Acting as an initial contact and assessment hub for children and young people requiring support or at risk of becoming looked after.
- Early Intervention Family Workers (EIFWs) - EIFWs operate in close partnership with schools and deliver interventions to stop emerging needs escalating and requiring more intensive involvement. They deliver a mix of targeted casework and limited support including group work, delivering of parenting programmes and parent initiated support accessed at school drop-ins and surgeries. Support provided directly to schools includes; meetings with school staff without a family present, for example at pastoral meetings and supporting Family CAF completion
- Careers Education Information Advice and Guidance - this funding supports 3 permanent FTE to ensure care leavers are encouraged and supported to continue their education and training and have access to appropriate education and employment opportunities, including work experience and apprenticeships. This is achieved through the development of individual action plans for all young people preparing to leave care from year 10 through to year 12
- Part funding for the Looked After Children's Education Service which falls within the remit of the Virtual School. Covers approximately 2.1 full time equivalent Education Support Officers on permanent contracts and other specialist tutors and support workers as required to meet the specific, individual needs of the vulnerable children, to aid engagement and lead to pathways into education, employment or training. Around 870 LAC are supported each year and 760 care leavers, including support into higher education. Ensures targeted support to LAC, better outcomes, as evidenced in our narrow attainment gap to peers and low NEET percentage.



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