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Report title:	Central Expenditure Review		
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PURPOSE OF THE REPORT

1. This report outlines the statutory framework and principles underpinning the review of all education services provided to schools (maintained and academies), whether statutory or discretionary, currently funded by the Dedicated Schools Grant (DSG) undertaken to determine whether the DSG is, and remains, the appropriate source of funding in accordance with the statutory framework as it relates to schools funding.

RECOMMENDED ACTION FOR SCHOOLS FORUM

That the Schools Forum note

2. the statutory framework and principles underpinning the central expenditure review; and
3. that final proposals for centrally retained expenditure from all DSG finding blocks will be presented to the December Schools Forum.

BACKGROUND INFORMATION

4. Local Authorities (LAs) are statutorily responsible for the provision of various education services to schools, which may depend on the school being maintained or an academy.
5. Statutory education services are funded by the DSG and LA core budgets (i.e. General Fund). LAs can also provide additional discretionary or traded education services where they determine it is appropriate to do so.
6. The DSG currently comprises four separate funding blocks: Central School Services; School; Early Years and High Needs. Each block is calculated differently and is subject to specific regulations to determine eligible central expenditure.
7. A review of all education services provided to schools (maintained and academies), whether statutory or discretionary, currently funded by various elements of the DSG has commenced to determine whether the DSG is, and

remains, the appropriate source of funding. In addition, where the specific budgetary allocations do not strictly comply with the current [The School and Early Years Finance and Childcare \(Provision of Information About Young Children\) \(Amendment\) \(England\) Regulations 2024](#) (the regulations), there may need to be a realignment of the various DSG blocks.

8. It was the LA's intention to present the preliminary findings of the review for all four DSG funding blocks to the September Schools Forum meeting. However, in the absence of the publication of the provisional 2025-26 DSG allocations (usually announced in July) and in anticipation of the autumn budget statement due on 30 October, there remains uncertainty about inflationary increases and the potential impact of multi-year settlements for local government both in terms of amounts and the need for multi-year allocations.
9. Having a provisional DSG allocation is critical to the Schools Forum decision making process in respect of approving almost all the allocation of the central schools services block used to support all schools, de-delegation and education functions fulfilled by the LA in respect of maintained schools only and centrally retained expenditure to support early years provision.
10. It should be noted that whilst the final allocation of the Central Schools Services and Early Block does not directly impact individual maintained schools' budgets, the principles adhered to may result in the need to move the source of funding for current services between DSG blocks. If that shift is to the Schools Block, it may directly impact individual maintained schools' budget shares through increased central expenditure, either through de-delegation or LA education functions.
11. Please note, there is no proposed realignment to the 2024-25 DSG funded central expenditure.

KEY ISSUES FOR CONSIDERATION

Centrally retained expenditure and Schools Forum approval

Central Schools Services Block

12. The Central Schools Services Block (CSSB) was created in 2018-19, bringing together centrally retained budgets transferred from the schools block and funding for statutory duties retained for all schools (maintained schools and academies) formerly funded through the Education Services Grant (ESG). schools (prior to 2017-18, ESG was paid direct to LAs to fund statutory duties).
13. The funding a LA receives is made up of two elements: a lump sum element for historical commitments; and funding through a national formula for ongoing responsibilities, such as admissions and former ESG services. Southwark council does not receive an allocation for historical commitments - this was something that would have been agreed in 2017-18.

14. Each year, the LA must propose how much is spent on the prescribed functions funded by the CSSB. The prescribed functions are set out in Schedule 2, Parts 1 to 3 of the regulations and are listed at **Appendix A**.
15. Schools Forum approval is not required for the costs of central licences negotiated by the DfE but line by line approval is required for: independent schools' fees; schools forum; admissions; and the total contribution to ongoing responsibilities that LAs hold for all schools.

School Block

16. The Schools Block (SB) is ring-fenced to mainstream schools which can be top sliced for growth, falling rolls fund and any block transfer from the SB before determining the schools funding formula (with the agreement of the Schools Forum).
17. Once the formula has been determined, the LA may propose to de-delegate funding to support: non statutory services for primary and secondary schools; and the former general duties element of the ESG that funded LA responsibilities for their maintained schools. Schedule 2, Parts 6 and 7 of the regulations govern the nature of expenditure that can be supported by this block.
18. De-delegated services are for maintained primary and secondary (mainstream) schools only. The funding for de-delegated services must first be allocated through the local schools funding formula but can be passed back, or 'de-delegated', from those mainstream schools. This means that LAs will provide services centrally for those schools as this may be more efficient or practical than schools delivering such services themselves. The prescribed services are listed at **Appendix B**.
19. De-delegation does not apply to special schools, nursery schools, or PRUs. Where de-delegation has been agreed for maintained mainstream schools, the presumption is that the service will be offered on a buy-back basis to all schools and academies in the LA area which are not covered by the de-delegation.
20. In addition, LAs are be able to fund services previously funded from the ESG (for maintained schools only) from maintained primary, secondary, and special school budget shares¹. The prescribed services are also listed at **Appendix B**.
21. A LA must appropriate its entire DSG to their schools budget - that is, the LA's maintained schools budget is funded in entirety by the DSG and may be supplemented by the Council's general fund.
22. Schools Forum (maintained school members only) line by line approval is required for: de-delegated services for primary and secondary schools; and the contribution to ongoing responsibilities that LAs hold for maintained schools. If services are supported by the council's general fund, this does not require Schools Forum approval.

¹ Centrally retained expenditure for maintained nursery schools is determined under the Early Years Block

Early Years Block

23. A LA must pass through 95% of most elements of the Early Years Block (EYB) to providers. Schedule 2, Part 4 of the regulations govern the nature of expenditure that can be supported by this block.
24. The LA may retain the remaining 5% of the early years block to meet its statutory duties in respect of early education and childcare as set out in the *Childcare Act 2016*. The prescribed central service provision is listed at **Appendix C**.
25. Schools forum approval is required for central EYB provision when final proposed allocations are made by the LA.

High Needs Block

26. High needs funding is provided to LAs through the high needs block, enabling them to meet their statutory duties under the *Children and Families Act 2014*.
27. While the majority of a LAs HNB is spent on place and top-up funding for schools and colleges, HNB funding can be used to provide additional or targeted support for children and young people with SEND, as permitted under Part 5 of the regulations. The prescribed central service provision is listed at **Appendix D**.
28. The Schools Forum is expected to discuss the details, including funding and effectiveness of these services.

Non-schools Education Budget

29. LAs also determine for themselves the size of their non-schools education budget. The non-schools education budget for services provided to the LA's maintained schools can only be funded by the Council's general fund or other (non-DSG) grants, if applicable.
30. Schedule 1 of the Regulations prescribe the expenditure that is classed as the non-schools education budget which cannot be funded by the DSG.

The review

31. Within the context of the education funding regulatory framework described above, the review is specifically concerned with the allocated DSG funding for the Council's central provision of:
 - a. Education services to all schools;
 - b. De-delegated services to maintained mainstream schools;
 - c. Education services to maintained schools;
 - d. Early years central services; and

e. High needs central support services.

32. The first aspect of the review will determine if the DSG is the appropriate source of funding in terms of the compliance with the regulations and, secondly, whether the current level of DSG allocated to those services optimises the use of those resources and continues to represent value for money by way of benchmarking against other London boroughs.
33. The review (described above) will be undertaken whilst:
- a. considering the juxtaposition of the DSG funding against the non-schools budget funded by the Council's general fund; and
 - b. evaluating the impact, the introduction of a hard NFF may have on the current flexibility and limits the Council has in accessing DSG to fund those services, with the agreement of the Schools Forum.

Alternatives to DSG funding

34. If the central services currently supported by any block of the DSG were no longer eligible for funding in compliance with the regulations, the LA may have to either cease some services or move to traded services to fund. In addition, existing buyback charges may have to increase to compensate.
35. The alternative would be the core council funding from the general fund, although given well documented local government funding pressures - affordability would be a significant challenge.

CONCLUSION AND NEXT STEPS

Schools Forum is asked to note:

36. the statutory framework and principles underpinning the central expenditure review; and
37. that final proposals for centrally retained expenditure from all DSG funding blocks will be presented to the December Schools Forum.

APPENDICES

Appendix A	Classes of expenditure that can be funded from the Central Schools Services Block
Appendix B	Classes of expenditure that can be funded from the Schools Block
Appendix C	Classes of expenditure that can be funded from the Early Years Block
Appendix D	Classes of expenditure that can be funded from the High Needs Block

CENTRAL SCHOOLS SERVICES BLOCK	NATURE OF EXPENDITURE	SCHEDULE 2
		Paragraph
HISTORICAL COMMITMENTS		PART 1
Capital expenditure funded from revenue	Historic commitments	1
Prudential borrowing costs	Historic commitments	2(a)
Termination of employment costs	Historic commitments	2(b)
Contribution to combined budgets	Historic commitments	2(c)
Special educational needs transport costs	Historic commitments	2(d)
Historical commitment budgets are fixed (cannot increase)	Historic commitments	3
FORMER CENTRALLY RETAINED BUDGETS		PART 2
Licences negotiated centrally by the Secretary of State for all schools	Other ongoing duties	8
Operation of the system of admissions and appeals	Other ongoing duties	9
Fees or expenses payable in connection with the attendance of non-SEN pupils at schools not maintained by any LA	Other ongoing duties	10
Remission of boarding fees at maintained schools and academies	Other ongoing duties	11
Servicing of schools forums	Other ongoing duties	12
Back-pay for equal pay claims	Other ongoing duties	13
EDUCATION SERVICES FOR ALL SCHOOLS (Former ESG)		PART 3
LA's capital programme management (asset mngt plan preparation & review and PFI transaction negotiation & mngt)	Asset management	14a
Landlord responsibilities, including those in relation to land leased to academies for schools	Asset management	14b
Director of children's services and personal staff for director	Statutory & Regulatory Duties	15a
Planning for the education service as a whole (all schools)	Statutory & Regulatory Duties	15b
Authorisation and monitoring of expenditure not met from schools' budget shares	Statutory & Regulatory Duties	15c
Formulation and review of local authority schools funding formula	Statutory & Regulatory Duties	15d
Internal audit & other S151 (Local Government Act 1972) responsibilities except duties related to maintained schools	Statutory & Regulatory Duties	15e
Plans involving collaboration with other local authority services or public or voluntary bodies	Statutory & Regulatory Duties	15f
Functions in relation to school attendance	Education Welfare	16
Standing Advisory Committees for Religious Education (SACREs)	Statutory & Regulatory Duties	17
Responsibilities regarding restrictions on the employment of children	Education Welfare	18
Consultation costs relating to non-staffing issues	Statutory & Regulatory Duties	19
Functions in relation to the exclusion of pupils from schools, excluding any provision of education to excluded pupils	Education Welfare	20
Provision of information to or at the request of the Crown other than relating specifically to maintained schools	Statutory & Regulatory Duties	21
Revenue budget preparation, preparation of information on income & expenditure and external audit relating to education	Statutory & Regulatory Duties	22
Writing to year 9 pupils' parents re: schools with an atypical admission age within a reasonable travelling distance	Other ongoing duties	23
Teachers pension contribution for LA e/ed teachers (not in maintained schools)	Other ongoing duties	24

SCHOOLS BLOCK	NATURE OF EXPENDITURE	SCHEDULE 2
		Paragraph
TOP SLICE		PART 2
Growth Fund	Schools block top slice	4
Falling Rolls	Schools block top slice	5
Expenditure incurred for new schools	Schools block top slice	6
Expenditure incurred for infant clas sizes	Schools block top slice	7
DE-DELEGATION (MAINTAINED PRIMARY AND SECONDARY ONLY)		PART 6
Education of pupils with behavioural difficulties and on other activities for the purpose of avoiding exclusion from schools	De-delegation	40
Free school meal eligibility	De-delegation	41
Maternity, paternity, shared parental or adoption leave	De-delegation	42
Temporary replacement for: Trade union duties, To carry out certain public duties (s.50 Employment Rights Act 1996), Jury Service, H&S rep, Ante natal care, Reserve forces, Suspension	De-delegation	43
Secondment to LA or another school	De-delegation	44
Sickness absence (> 21 days)	De-delegation	45
Insurance	De-delegation	46
Risk protection arrangements	De-delegation	47
Museum and gallery services	De-delegation	48
Library services	De-delegation	49
License fees or subscriptions	De-delegation	50
Schools' specific contingency	De-delegation	51
EMAG / Bilingual support	De-delegation	52
EDUCATION FUNCTIONS FOR MAINTAINED SCHOOLS		PART 7
Expenditure related to core school improvement activities of local authorities with respect to maintained schools	School improvement	53
Clothing grants	Central support services	54
Provision of tuition in music, or on other music-related activities	Central support services	55
Visual, creative, and performing arts other than music	Central support services	56
Outdoor education centres (but not centres mainly for the provision of organised games, swimming, or athletics)	Central support services	57
Functions of local authority related to best value and provision of advice to governing bodies in procuring goods and services	Statutory & Regulatory Duties	58
Authorisation and monitoring of expenditure in respect of schools which do not have delegated budgets, and related financial administration	Statutory & Regulatory Duties	59
Monitoring of compliance with requirements in relation to the scheme for financing schools and the provision of community facilities by governing bodies	Statutory & Regulatory Duties	60
Internal audit and other tasks related to the local authority's chief finance officer's responsibilities under Section 151 of the Local Government Act 1972 for maintained schools	Statutory & Regulatory Duties	61
Functions under regulations made under section 44 of the Education Act 2002 (Consistent Financial Reporting) in so far as the functions related to maintained schools	Statutory & Regulatory Duties	62
Investigations of employees or potential employees, with or without remuneration to work at or for schools under the direct management of the headteacher or governing body	Statutory & Regulatory Duties	63
Functions related to local government pensions and administration of teachers' pensions in relation to staff working at maintained schools under the direct management of the headteacher or governing body	Statutory & Regulatory Duties	64
HR duties, including advice to schools on the management of staff, pay alterations, conditions of service and composition or organisation of staff	Statutory & Regulatory Duties	65
Determination of conditions of service for non-teaching staff	Statutory & Regulatory Duties	66
Appointment or dismissal of employee functions	Statutory & Regulatory Duties	67
Consultation costs relating to staffing	Statutory & Regulatory Duties	68
Compliance with duties under Health and Safety at Work etc Act 1974	Statutory & Regulatory Duties	69
Provision of information to or at the request of the Crown relating to maintained schools	Statutory & Regulatory Duties	70
School companies	Statutory & Regulatory Duties	71
Functions under the Equality Act 2010	Statutory & Regulatory Duties	72
Establish and maintaining computer systems, including data storage	Statutory & Regulatory Duties	73
Appointment of governors and payment of governor expenses	Statutory & Regulatory Duties	74
Budgeting and accounting functions relating to maintained schools	Statutory & Regulatory Duties	75
Monitoring of National Curriculum assessments	Monitoring national curriculum assessment	76
Retrospective membership of pension schemes where it would not be appropriate to expect a school to meet the cost	Statutory & Regulatory Duties	77
General landlord duties for all maintained schools	Asset management	78a & b
Dismissal or premature retirement when costs cannot be charged to maintained schools	Premature retirement and redundancy	79
Inspection of attendance registers	Education welfare	80

Classes of expenditure that can be funded from EYB

Appendix C

EARLY YEARS BLOCK	NATURE OF EXPENDITURE	SCHEDULE 2
		Paragraph
		PART 4
Expenditure on early years, excluding expenditure on EY's provision	Central services expenditure	25
Expenditure on determining eligibility for FSM, EYPP, DAF and funded EY provision	Central services expenditure	26
Expenditure on an early years contingency fund	Central services expenditure	27

Classes of expenditure that can be funded from HNB

Appendix D

HIGH NEEDS BLOCK	NATURE OF EXPENDITURE	SCHEDULE 2
		Paragraph
		PART 5
Top up funding in respect of pupils with special educational needs in maintained schools and academies	Top up funding	28
		29
Top up funding in respect of pupils with special educational needs not in a FE placement	Top up funding	30
Expenditure on <u>support services</u> for CYP who have attained compulsory school age with an EHCP or special educational needs who do not have such a plan	SEN support services	31
Expenditure on services for children who have not attained compulsory school age with an EHCP or special educational needs who do not have such a plan	SEN support services	32
Expenditure for the purposes of encouraging and supporting inclusion not met from a maintained school's budget share or an academy's general annual grant	Support for Inclusion	33
Expenditure incurred in support of education at a pupil referral unit or an alternative provision Academy	Alternative provision	34
Top-up and other funding for independent schools or non maintained at special schools	Top up funding	35
Expenditure on hospital education services	Hospital education (not placements)	36
Expenditure on special schools and pupil referral units in financial difficulty	Other alternative provision services	37
Expenditure on private finance initiatives and the BSF programme at—secondary, special, PRUs, AP and 16 to 19 academies	PFI/BSF	38
Expenditure on the provision of special medical support for CYP in so far as it is not met by the NHS, integrated care board or Local Health Board	Health support	39