



## Details of continuing historic commitments for 2017 to 2018 financial year: a guide for local authorities

### Introduction

1. As part of the process for confirming baselines for the dedicated schools grant (DSG), we are asking local authorities to confirm historical commitments they expect to spend against in the 2017 to 2018 financial year.
2. As a result of changes announced by DfE in 2012, the finance regulations restrict a number of central schools block lines (capital expenditure funded from revenue, combined budgets, termination of employment costs, prudential borrowing and miscellaneous purposes provided the expenditure does not amount to more than 0.1% of the authority's schools budget) to historic commitments. These are defined 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.”
3. 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.
4. This means the decision to incur specific amounts of expenditure against these lines in particular future years must have been made prior to 1<sup>st</sup> April 2013. It does **not** mean that there was a decision just to maintain a budget of indefinite size for an indefinite period for that purpose.
5. We are also covering exceptions, where the Secretary of State has approved a disapplication request to increase central expenditure or to incur new commitments.

### The approach to historic commitments

6. For **combined budgets**, we will accept that there is a commitment where there are ongoing staffing costs with permanent contracts as part of a service funded under this line, and where it is clear that the commitment extended at least as far as financial year 2017 to 2018, for example if the schools forum have not stated a specific end date for their agreement. We are aware that various wider children's services teams often receive

funding under this line. This should not prevent authorities from seeking efficiencies or delegating more funding to schools over time.

7. For **capital expenditure funded from revenue** and **termination of employment costs**, we will start from the assumption that the commitments should now be zero, unless local authorities provide adequate evidence to the contrary.

8. In the case of **capital expenditure funded from revenue**, we would expect that most projects planned and decided on prior to 1<sup>st</sup> April 2013 would now have been completed. You will therefore need to provide evidence that expenditure on specific projects in 2017 to 2018 had been planned and decided on prior to 1<sup>st</sup> April 2013. It does not count as a commitment to have identified a budget for different capital works each year. We would prefer private finance initiative (PFI) or building schools for the future (BSF) costs held centrally to be delegated through the formula as an exceptional factor in future to aid transparency.

9. In the case of **termination of employment costs**, we would expect most costs for individuals leaving their employment where the decision was made prior to 1<sup>st</sup> April 2013 to have expired by now, even if spread over a number of years, though we recognise that some authorities may have ongoing pension costs. You will therefore need to provide evidence that expenditure relating to a specific individual's termination of employment costs in 2017 to 2018 had been approved prior to 1<sup>st</sup> April 2013. It does not count as a commitment to have identified a budget for different individuals' costs each year.

10. In the case of **prudential borrowing costs**, we will require evidence that a decision made before 1<sup>st</sup> April 2013 commits the authority to repayments in 2017 to 2018.

11. The legal arrangement for **equal pay – back pay** is different. The commitment does not have to have been decided before 1<sup>st</sup> April 2013, though it does have to have been approved by the schools forum. However, we believe that equal pay issues have now been resolved in most local authorities so we are looking for evidence that centrally retained funding for this purpose will still be required in 2017 to 2018.

## Action for local authorities

12. The historical commitment template can be found at [the data collections portal](#). You should include details of any relevant commitments that you are still expecting to be incurred in 2017 to 2018. This includes evidence of the decision(s) on the commitment, any contractual evidence relevant to the commitment, and its end date.

13. Where the Secretary of State has approved a disapplication request to increase central expenditure or incur new commitments, you should provide the reference and date of the approval, and provide evidence that the request and approval extended to 2017 to 2018.

14. Local authorities should complete and return the template, signed by the Chief Financial Officer (CFO), by 27<sup>th</sup> May 2016

## Further information

- [Consultation on school funding reform](#)
- [The Data Collections Portal](#)

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