

Report to the Cabinet

Meeting to be held on Thursday, 18 January 2024

Report of the Director of Finance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

Schools Budget 2024/25

(Appendices 'A' and 'B' refer)

(Appendix 'B' will be circulated after the Schools Forum meeting on 11 January 2024)

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Brief Summary

In accordance with the Government's school funding Regulations and Guidance, the Authority is required to submit a final Schools Block budget pro-forma for 2024/25 to the Education and Skills Funding Agency by 22 January 2024. This report seeks the authorisation of the Cabinet to submit the Schools Block budget pro-forma and requests approval for the Early Years, High Needs and Central Schools Services Block budgets for 2024/25.

This is deemed to be a Key Decision and the requirements of Standing Order C19 have been complied with.

Recommendation

Cabinet is asked to:

- (i) Approve the 2024/25 budgets for the Early Years, High Needs and Central Schools Services Blocks and local proposals for the High Needs Supplementary Grant allocation for 2024/25, having regard to any comments made by the Lancashire Schools Forum.
- (ii) Authorise the Principal Accountant – Schools Finance to submit the final Schools Block budget pro-forma for 2024/25 to the Education and Skills



Funding Agency by 22 January 2024, on the basis set out in this report.

- (iii) Agree that the Dedicated Schools Grant Reserve underwrite the uncertainties around the 2024/25 Schools Budget.

This decision should be implemented immediately for the purposes of Standing Order C28(3) as any delay could adversely affect the execution of the county council's responsibilities. The reason for this is to ensure that the necessary pro-forma can be submitted to the Education and Skills Funding Agency by the required deadline of 22 January 2024.

Detail

The Dedicated Schools Grant is a ring-fenced specific grant and it must be used in support of the Schools Budget as defined in the Dedicated Schools Grant Conditions of Grant and the School and Early Years Finance (England) Regulations. The Dedicated Schools Grant is allocated to every Local Authority in four funding blocks, each calculated using national funding formulae. The four blocks are:

- Schools Block.
- High Needs Block.
- Early Years Block.
- Central School Services Block.

In July 2023, the Government made initial announcements about the 2024/25 school funding arrangements.

Further information on each of the funding blocks is provided below and details of the final 2024/25 Dedicated Schools Grant allocations, notified in December 2023, and the proposed Schools Budget expenditure are contained in Appendix 'A'.

Schools Block

The Schools Block funds mainstream primary and secondary schools and academies.

Following a previous consultation with schools and academies in the County, and discussions with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2024/25.

Department for Education announcements indicate that the basic structure of the National Funding Formula remains unchanged for 2024/25, but higher funding allocations have been used to increase factor values from April 2024.



National Funding Formula factor values for 2024/25 have increased, as follows:

- 1.4% to basic entitlement, free school meals at any time in the last 6 years (FSM6), income deprivation affecting children index, lower prior attainment, English as an additional language and the lump sum.
- 0.5% to the funding floor, the minimum per pupil levels and free school meals.
- 0% on the premises factors, except for Private Finance Initiative which has increased by Retail Prices Index.

Key changes to the schools National Funding Formula in 2024 to 2025 are:

- introducing a new formulaic approach to allocating split sites funding in the National Funding Formula in 2024 to 2025, replacing the previous locally determined split sites factor.
- rolling the 2023 to 2024 mainstream schools additional grant into the National Funding Formula by:
 - adding an amount representing what schools receive through the grant into their baselines.
 - adding the value of the lump sum, basic per pupil rates and free school meals Ever 6 (FSM6) parts of the grant onto the respective factors in the National Funding Formula.
 - uplifting the minimum per pupil values by the mainstream schools additional grant's basic per-pupil values and an additional amount which represents the average amount of funding schools receive from the FSM6 and lump sum parts of the grants.

The announcements also included the relevant minimum pupil funding levels for primary and secondary schools, which incorporate the 1.9% uplift for 2024/25:

- For primary schools, the Minimum Pupil Funding level will be £4,610 per pupil in 2024/25 compared to £4,405 per pupil in 2023/24.
- For secondary schools, the Minimum Pupil Funding level will be £5,995 per pupil from 2024/25 compared to £5,715 per pupil in 2023/24.

Minimum Funding Guarantee

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2024/25 must be between +0.0% and +0.5%.

The level to be applied in Lancashire is the subject of a consultation with schools and the Schools Forum. The Forum letter to the Cabinet on finalising the Schools Budget for 2024/25, as set out at Appendix B, will include a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2024.

Schools Block Transfer

The Regulatory framework continues to allow local authorities to be able to transfer up to 0.5% of their schools block allocation to other blocks of the Dedicated Schools Grant, with schools forum approval.



Current modelling indicates that all allocated funding will be required for the Schools Block formula in 2024/25, meaning that there will be no headroom available to support pressures in the other funding blocks.

Once approved, the Schools Block proposals for 2024/25 must be submitted to the Education and Skills Funding Agency, for compliance checking against the Department for Education regulations and guidance. A proforma is provided by the Education and Skills Funding Agency to facilitate submissions and the deadline for the 2024/25 return is 22 January 2024.

High Needs Block

The High Needs Block funds:

- Special Schools budgets.
- Alternative Provision budgets (mainly Pupil Referral Units).
- Special Education Resource Facility and Special Educational Needs in mainstream schools.
- Individually Assigned Resources for High Needs pupils across all educational establishments.
- Certain Special Education Needs Central Schools Services.

The allocation to Lancashire is calculated using a national High Needs Block formula, but the Local Authority's local funding formulae still apply to distribute High Needs funding to Lancashire providers.

Department for Education announcements confirm that the basic structure of the High Needs National Funding Formula for 2024/25 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2024/25:

- the funding floor is set at 3% so each local authority will see an increase of at least 3% per head of their 2 to 18 population (as estimated by the Office of National Statistics).
- the gains cap is set at 5%, allowing local authorities to see gains up to this percentage increase under the formula, again calculated on a per head basis of their 2 to 18 population.
- The hospital education factor will also be uplifted by 3.4%.

High needs funding is increasing by £440 million, or 4.3%, in 2024 to 2025, compared to the high needs funding allocations for 2023 to 2024. The total high needs budget for 2024 to 2025 will be £10.54 billion, the vast majority of which is allocated through the high needs National Funding Formula and will be included in local authorities' Dedicated Schools Grant allocations.

Early Years Block

Early Years Block funding is utilised for:

- Funding for the universal 15 hours entitlement for three and four-year olds.



- Funding for the additional 15 hours entitlement for three and four-year-old children of eligible working parents.
- Funding for the 15 hours entitlement for disadvantaged two-year olds.
- Funding for the Early Years Pupil Premium.
- Funding for the Disability Access Fund.
- Supplementary funding for Maintained Nursery Schools.

The Government introduced an Early Years National Funding Formula from April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from national Government to each local authority and set a framework that must be used to distribute funding to all types of early education provider, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary, and Independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and set out the type and level of supplements that are available.

As detailed in the Chancellor's Spring 2023 Budget announcements earlier this year the early years funded entitlements are being expanded to enable working parents of younger children to access funded childcare as follows:

- From April 2024, eligible working parents of 2-year-olds can access 15 hours per week.
- From September 2024, eligible working parents of children aged 9 months up to 3-year-olds can access 15 hours per week.
- From September 2025, eligible working parents of children aged 9 months up to 3 years old can access 30 hours free childcare per week.

Central School Services Block

This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The Central School Services Block was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding have reduced considerably over recent years.

The Central School Services Block allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.

The ongoing responsibilities element of funding is calculated by the Department for Education on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the Dedicated Schools Grant.

The Department for Education have stated that they will continue to unwind the historic commitments funding to zero in future years.



Final Dedicated Schools Grant Allocation 2024/25

Details of Lancashire's final Dedicated Schools Grant allocations for 2024/25 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.

Appendices

Appendix 'A' is attached to this report. For clarification, it is summarised below and referenced at relevant points within this report. Appendix 'B' will be provided to Cabinet as set out below.

Appendix	Title
Appendix 'A'	Details of Lancashire's final Dedicated Schools Grant allocations for 2024/25 for each funding block, and the expenditure proposals for each block.

Consultations

Discussions have been held with the Schools Forum throughout the budget-setting process, and any decisions and recommendations arising from the Forum's budget meeting on 11 January 2024 will be provided to Cabinet on 18 January 2024 as Appendix 'B'.

To help inform Schools Forum considerations, consultations have been held with Lancashire schools and academies in connection to certain aspects of the Schools Block funding arrangements from April 2024.

The Schools Forum's letter to Cabinet will include any recommendations relating to setting the 2024/25 Schools Budget that arise from the consultations.

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risks identified in this report.

Financial

There are no financial implications for the county council's budget arising from this report.

The report forecasts a balanced Dedicated Schools Grant funding position in 2024/25, subject to the planned use of £1.154m in Schools Budget reserves to mitigate transitional pressures in the Schools Block budget.

It should also be noted that the Department for Education has tightened the ring-fencing around the Dedicated Schools Grant from 2020/21 onwards, to ensure that local authorities do not make provisions in their general reserves to cover possible



Dedicated Schools Grant deficits, and any deficits would be carried forward into future years and then repaid over time. Several other local authorities are already working with the Department for Education to agree on recovery plans to repay deficits.

To date, Lancashire has always contained any school funding pressures within the Dedicated Schools Grant. The Dedicated Schools Grant reserve as at 31 March 2023 was £25.8 million.

However, there is concern that there could be increased strain on the High Needs Block budget from 2024/25 onwards, when initial announcements from the Government indicate circa 5% rises in funding per annum, but forecast cost and demand led pressures in the High Needs Block are estimated to remain at levels well above this. The pressures on High Needs Block are affecting local government as whole and could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

