

## Report to the Cabinet

Meeting to be held on Thursday, 16 January 2020

### Report of the Head of Service - Financial Management (Development and Schools)

#### Part I

Electoral Division affected:  
(All Divisions);

#### Schools Budget 2020/21

(Appendices 'A' and 'B' refer)

(Appendix 'B' will be circulated after the Schools Forum meeting on 14 January 2020)

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#### Executive 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 2020/21 to the Education and Skills Funding Agency by 21 January 2020. 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 2020/21.

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

#### Recommendation

Cabinet is asked to:

- (i) Note the report, including the 2020/21 Dedicated Schools Grant allocations, the final budget proposals for each funding block and any comments made by the Lancashire Schools Forum.
- (ii) Authorise the Head of Service Financial Management (Development and Schools) to submit the final Schools Block budget pro-forma for 2020/21 to the Education and Skills Funding Agency by 21 January 2020, on the basis set out in this report.
- (iii) Approve the 2020/21 budgets for the Early Years, High Needs and Central Schools Services Blocks.

- (iv) Agree that the Dedicated Schools Grant Reserve underwrite the uncertainties around the 2020/21 Schools Budget.

This decision should be implemented immediately for the purposes of Standing Order C29 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 21 January 2020.

## **Background and Advice**

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

Provisional announcements about Dedicated Schools Grant allocations for 2020/21 were made by the Government in October 2019. Following the re-election of the Conservative Government at the General Election on 12 December 2019, final 2020/21 Dedicated Schools Grant allocations were received on 19 December 2019. This is a few days later than would have normally been expected.

Further information on each of the funding blocks is provided below and details of the actual 2020/21 Dedicated Schools Grant allocations and proposed expenditure are contained in Appendix 'A'.

### **Schools Block**

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

The Schools Block funding framework for 2020/21 will continue to operate under the 'soft' National Funding Formula arrangements first introduced in 2018/19. This is where the allocations for each local authority are calculated on the aggregated individual school National Funding Formula amounts calculated by the Government, but the local authority's local formula still applies in making actual allocations to schools.

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 2020/21.

Announcements from the Prime Minister set out an additional £14b of funding for schools between 2020/21 and 2022/23 for '5-16 schools'. £2.6b of the additional funding will be available in 2020/21. Funding will then increase by £4.8b for 2021/22 and £7.1b for 2022/23 compared to 2019/20.

The announcement confirmed Minimum Pupil Funding levels for primary and secondary schools:

- For secondary schools, the Minimum Pupil Funding level will be £5,000 per pupil from 2020/21 (compared to £4,800 per pupil in 2019/20);
- The primary school Minimum Pupil Funding level will rise to £3,750 per pupil in 2020/21 and to £4,000 per pupil in 2021/22 (compared to £3,500 per pupil in 2019/20).

The Minimum Pupil Funding is calculated by adding the Age Weighted Pupil Unit or the basic pupil element that schools receive for all pupils, to other formula factors based on the characteristics of the pupils and the school, including the lump sum allocation. The Minimum Pupil Funding ensures that schools receive a minimum level of funding calculated by dividing all the pupil led factors plus the lump sum allocation by the number of pupils on roll. This calculation excludes other factors, for example, rates.

The Government announcements have indicated that they still intend to move to a 'hard' National Funding Formula in the future and as a first step to hardening the formula, the government have made the use of the Minimum Pupil Funding levels, at the values in the national school National Funding Formula, compulsory for local authorities to use in their own 2020/21 funding formulae.

As Lancashire has already adopted the National Funding Formula methodology, including the use of the previous Minimum Pupil Funding levels, this compulsory change to the 2020/21 formula will not have any significant implications.

In addition to the Minimum Pupil Funding levels, other Schools Block funding factors will increase by 4% over 2019/20 levels, with the exception of:

- The free school meals factor, which will be increased at inflation, as it is intended to broadly reflect actual costs;
- Premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2019/20, with a Retail Prices Index Excluding Mortgage Interest Payments increase for the Private Finance Initiative factor only.

Some Lancashire schools will also benefit from a technical change to the mobility factor that is being introduced from April 2020, which calculates allocations on a formulaic approach, rather than on the basis of historic spend.

### **High Needs Block**

The High Needs Block funds:

- Special Schools budgets

- Alternative Provision budgets (mainly Pupil Referral Units)
- Special Education Resource Provision Units 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. The national formula is largely unchanged for 2020/21.

However, the Government announcements about additional funding for schools earmarked an extra £700m nationally for children with Special Educational Needs and Disabilities in 2020/21.

The announcements indicated that every local authority will receive an increase of at least 8% per head of two to 18 population. Considerable cost and demand led pressures remain on the High Needs Block budget both nationally and locally. It was previously forecast that increased High Needs expenditure in 2020/21 could be approximately £13.2m. Initial analysis of the funding announcements suggested that Lancashire's share of the extra £700m High Needs Block nationally may be able to cover the growth in expenditure from April 2020.

Forecasts still indicate that increases in High Needs Block expenditure in 2020/21 will be covered by the additional High Needs funding of circa £17m Lancashire will receive from April 2020. This is in contrast to recent years when the High Needs Block has been overspent and Dedicated Schools Grant reserves have been used to balance the budget. However, increased expenditure on the High Needs Block is forecast to continue in coming years and there is no guarantee that there will be equivalent additional funding for this Block to meet the demand and cost pressures. The latest estimate of future demand for High Needs Block expenditure still forecasts a funding gap of circa £25m by 2023/24, if there are no further increases in High Needs Block 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.

Government announcements indicate that an additional £66m has been made available nationally for 2020/21. This is to be distributed via an uplift of 8p per hour on the funding we receive from the Department for Education for two year olds and for three and four year olds.

The allocation levels to Lancashire for 2020/21 will be as follows:

- Two year olds - £5.28 per hour;
- Three and four year olds - £4.38 per hour.

These funding levels remain the lowest in the country, along with about a third of local authorities. The highest two year old rate in the country is £6.58 per hour, with £8.51 per hour being the highest rate for three and four year olds.

Government announcements also confirmed the continuation of supplementary funding for Maintained Nursery Schools for 2020/21, at the 2019/20 funding rates.

Pressures on early years funding have placed considerable financial strain on all types of early years providers in recent years, and these are expected to continue in 2020/21.

### **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 funding announcements indicate that there will be a cash flat allocation in the formulaic 'Ongoing responsibilities' element of the budget, but the funding level for 'historic commitments' will reduce by 20%.

The Department for Education have indicated that they will continue to unwind this historic commitments funding in future years.

## **Final Dedicated Schools Grant Allocation 2020/21**

Final Dedicated Schools Grant allocations for 2020/21 were published by the Department for Education on 19 December 2019.

Lancashire's Gross 2020/21 Dedicated Schools Grant allocation is £1,003.852m. Appendix 'A' sets out a detailed analysis of the Lancashire allocation.

The equivalent Gross Dedicated Schools Grant income figure for 2019/20 was £947.933m. The 2020/21 figure is over £55m higher than the previous year, for the reasons set out in Appendix 'A'.

The decisions and recommendations arising from the Schools Forum's consideration of the 2020/21 Schools Budget proposals will be circulated as Appendix 'B' after the Forum meeting on 14 January 2020.

### **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 14 January 2020 will be reported to Cabinet on 16 January 2020.

Detailed consultations have been held with Lancashire schools and academies in connection with a Schools Block funding transfer for 2020/21, and about some other aspects of the Schools Block funding arrangements from April 2020. Early Years providers have also been consulted about the Early Years Block formula for 2020/21.

The Schools Forum letter to the Cabinet will include any recommendations relating to setting the 2020/21 Schools Budget that arise from the school and early years consultations.

### **Implications:**

This item has the following implications, as indicated:

#### **Risk management**

#### **Financial**

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

The report forecasts a balanced Dedicated Schools Grant funding position in 2020/21, which will be underwritten by the Dedicated Schools Grant reserves.

In addition, the Department for Education are consulting on arrangements to tighten the ring-fencing around the Dedicated Schools Grant. Proposals look 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 overtime. A number of other local authorities are

already working with the Department for Education to agree 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 at 31 March 2019 was £12.744m. The reserve had reduced by over £1.5m in 2018/19 and further pressures on the reserve are forecast at the end of 2019/20, perhaps in the order of £3m. These overspends are attributable to cost and demand pressures on the High Needs Block. However, forecasts for 2020/21 suggest some relief on High Needs Block pressures due to the increased allocations.

### **List of Background Papers**

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A