

Report to the Cabinet

Meeting to be held on Thursday, 20 January 2022

Report of the Acting Head of Service - Schools Finance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;
Caring for the vulnerable.

Schools Budget 2022/23

(Appendices 'A' and 'B' refer)

(Appendix 'B' will be circulated after the Schools Forum meeting on 13 January 2022)

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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 2022/23 to the Education and Skills Funding Agency by 21 January 2022. 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 2022/23.

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 2022/23 Dedicated Schools Grant allocations, the final budget proposals for each funding block and any comments made by the Lancashire Schools Forum.
- (ii) Authorise the Acting Head of Service – Schools Finance to submit the final Schools Block budget pro-forma for 2022/23 to the Education and Skills Funding Agency by 21 January 2022, on the basis set out in this report.

(iii) Approve the 2022/23 budgets for the Early Years, High Needs and Central Schools Services Blocks and local proposals for the High Needs Supplementary Grant allocation for 2022/23.

(iv) Agree that the Dedicated Schools Grant Reserve underwrite the uncertainties around the 2022/23 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 21 January 2022.

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 2021, the Government made initial announcements about the 2022/23 school funding arrangements.

2022/23 is the final year of the Department for Education's three year funding settlement that has increased funding by over £7bn compared to the 2019/20 baseline. This is a £2.3bn increase nationally in 2022/23 from 2021/22. These increases relate to the Schools Block and High Needs Block allocations.

Further updates about school funding were provided on 27 October 2021, when the Chancellor delivered his Autumn Budget and 2021 Spending Review. This included a further £1.6bn in additional funding for 2022/23 school budgets, on top of the year-on-year increases already confirmed. The Chancellor indicated that this was to help the sector respond to the cost pressures faced by schools including, for example, increases in national insurance on high needs, in managing Covid and in supporting children and young people to recover from the pandemic.

In addition, the Chancellor's announcement indicated that an additional £170m would be made available by 2024/2025, to increase the hourly rate to be paid to early years providers for the government's free hours offers.

Further information on each of the funding blocks is provided below and details of the final 2022/23 Dedicated Schools Grant allocations, notified in December 2021, and the proposed Schools Budget 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 2022/23 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 2022/23.

Department for Education announcements indicate that the basic structure of the National Funding Formula remains unchanged for 2022/23, but the higher funding allocations have been used to increase factor values from April 2022.

National Funding Formula factor values for 2022/23 have increased, as follows:

- 3% to basic entitlement, free school meals at any time in the last 6 years (Free School Meals Ever 6), income deprivation affecting children index, lower prior attainment, English as an additional language and the lump sum;
- 2% 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 the Retail Price Index.

The announcements also included the relevant minimum pupil funding levels for primary and secondary schools, which incorporate the 2% uplift for 2022/23:

- For primary schools, the minimum pupil funding level will be £4,265 per pupil in 2022/23 compared to £4,180 per pupil in 2021/22.
- For secondary schools, the minimum pupil funding level will be £5,525 per pupil from 2022/23 compared to £5,415 per pupil in 2021/22.

Following a Government consultation on the Sparsity factor held in 2021, the Department for Education has amended the factor from April 2022, including:

- Increasing the maximum sparsity values for the both the primary and secondary phases by £10,000. Maximum sparsity values will be £55,000 for primary schools and £80,000 for secondary, middle, and all-through schools;
- Updating the schools sparsity distances calculations so that they are now based on road distances, instead of straight-line distances;

- Introducing a sparsity distance taper, in addition to the existing year group size taper.

Another Government consultation in 2021 has also led to changes to the payment process of schools business rates. From 2022/23, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools.

The additional £1.6bn funding arising from the Chancellor's announcements will be paid as a grant outside the Dedicated Schools Grant for 2022/23, due to the National Funding Formula and Minimum Pupil Funding levels already being announced.

Minimum Funding Guarantee

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2022/23 must be between +0.5% and +2.0%.

The level to be applied in Lancashire is the subject of a consultation with schools and the Schools Forum. The Forum letter to Cabinet on finalising the Schools Budget for 2022/23, as set out at Appendix 'B', will include a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2022.

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.

In 2020/21 and 2021/22, following consultation with schools and academies, the Schools Forum agreed to transfer Schools Block headroom to support pressures in the Early Years Block. This transfer equated to £2m in each year.

However, modelling indicates that all allocated funding will be required for the Schools Block formula in 2022/23, meaning that there will be no headroom available to support pressures in the early years sector.

Once approved, the Schools Block proposals for 2022/23 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 2022/23 return is 21 January 2022.

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 2022/23 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2022/23:

- the funding floor is set at 8% so each local authority will see an increase of at least 8% per head of their 2 to 18 population (as estimated by the Office of National Statistics);
- the gains cap is set at 11%, 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 8%.

In terms of the increased core school funding for 2022/23, the Government have stated that £780m is targeted at the High Needs Block. The Department for Education indicates that this represents a 9.6% increase for High Needs Block nationally in 2022/23, and say that the extra resource will continue to help local authorities manage their cost pressures in this area, while the government remains focused on completing the cross-departmental review of the Special Educational Needs and Disabilities system, to ensure that it supports those children and young people as efficiently and effectively as possible.

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.

The Government has indicated that an additional £170m would be made available by 2024/2025 to increase the hourly rate to be paid to early years providers for the government's free hours offers.

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 had reduced considerably compared to previous 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 for 2022/23 indicate that the per pupil rate used in the formulaic ongoing responsibilities calculation will receive an uplift similar to the Schools Block, but the historic commitments funding will continue to decrease, by a further 20% from April 2022.

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

Final Dedicated Schools Grant Allocation 2022/23

Details of Lancashire's final Dedicated Schools Grant allocations for 2022/23 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.

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 13 January 2022 will be provided to Cabinet on 20 January 2022 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 2022.

The Schools Forum letter to the Cabinet will include any recommendations relating to setting the 2022/23 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 2022/23, subject to the planned use of £1m in Schools Budget reserves to mitigate transitional pressures in the Early Years Block budget.

Any uncertainties contained in the Schools Budget proposals will be underwritten by the Dedicated Schools Grant reserves.

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 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 as at 31 March 2021 was £16.096m.

However, there is concern that there could be increased strain on the High Needs Block budget from 2023/24 onwards, when initial announcements from the Government indicate approximately 3% rises in funding per annum, but forecast cost and demand led pressures in the High Needs Block are estimated to remain at a level well above this. This 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