

Report to the Cabinet

Meeting to be held on Thursday, 19 January 2023

Report of the Director of Finance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

Schools Budget 2023/24

(Appendices 'A' and 'B' refer)

(Appendix 'B' will be circulated after the Schools Forum meeting on 12 January 2023)

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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 2023/24 to the Education and Skills Funding Agency by 20 January 2023. 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 2023/24.

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) Note the report, including the 2023/24 Dedicated Schools Grant allocations, the final budget proposals for each funding block and 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 2023/24 to the Education and Skills



Funding Agency by 20 January 2023, on the basis set out in this report.

- (iii) Approve the 2023/24 budgets for the Early Years, High Needs and Central Schools Services Blocks and local proposals for the High Needs Supplementary Grant allocation for 2023/24.
- (iv) Agree that the Dedicated Schools Grant Reserve underwrite the uncertainties around the 2023/24 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 20 January 2023.

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 2022, the Government made initial announcements about the 2023/24 school funding arrangements.

Further updates about school funding were provided on 17 November 2022, when the Chancellor delivered his Autumn Statement 2022. This included a further £2.3bn in additional funding for 2023/24 and £2.3 billion in 2024/25.

Further information on each of the funding blocks is provided below and details of the final 2023/24 Dedicated Schools Grant allocations, notified in December 2022, 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 2023/24 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 2023/24.

Department for Education announcements indicate that the basic structure of the National Funding Formula remains unchanged for 2023/24, but the higher funding allocations have been used to increase factor values from April 2023.

Key changes to the schools National Funding Formula in 2023 to 2024 are:

- rolling the 2022 to 2023 schools supplementary 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 supplementary grant's basic per-pupil values, and an additional amount which represents the average amount of funding schools receive from the free school meals Ever 6 and lump sum parts of the grants.
- increasing National Funding Formula factor values (on top of the amounts added for the schools supplementary grant) by:
 - 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index. The Department for Education says that this additional support directed to disadvantaged pupils, by increasing the free school meals Ever 6 and income deprivation affecting children index factors in the schools National Funding Formula by a greater amount than other factors, means that a greater proportion of schools National Funding Formula will be targeted towards deprived pupils than ever before. 9.8% of the schools National Funding Formula will be allocated according to deprivation in 2023/24.
 - 2.4% to the basic entitlement, low prior attainment, free school meals, English as an additional language, mobility, and sparsity factors, and the lump sum;
 - 0.5% to the floor and the minimum per pupil levels;
 - 0% on the premises factors, except for Private Finance Initiative which has increased by Retail Prices Index excluding mortgage interest payments which is 11.2% for the year to April 2022. The additional £2.3bn funding arising from the Chancellor's announcements will be paid as a grant outside the Dedicated Schools Grant for 2023/24, and £2.3 billion in 2024/25.



Minimum Funding Guarantee

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2023/24 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's letter to Cabinet on finalising the Schools Budget for 2023/24, as set out at Appendix 'B', will include a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2023.

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 2022/23, 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 £1m in each year.

However, modelling indicates that all allocated funding will be required for the Schools Block formula in 2023/24, meaning that there will be no headroom available to support pressures in the early years sector.

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 2023/24 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2023/24:

- The funding floor – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2023/24, the funding floor is being set at 5%, having adjusted the baseline to include the supplementary high needs funding that was allocated to local authorities in December 2021, following the 2021 spending review.



- The gains cap – the limit on gains per head of the population compared to the baseline. For 2023/24, the gains cap is being set at 7%, which means that local authorities can see an increase of up to 7% before their gains are capped (again, compared to a baseline that takes account of the supplementary high needs funding allocated in December 2021).
- The hospital education factor will also be uplifted by 5%.

The county council has received additional High Needs Funding for 2023/24, following the Autumn 2022 Statement. Nationally, this is a total of £400 million and Lancashire's additional High Needs Funding totals £8 million. This is applied as a 4.6% increase to the funding floor and a proxy factor in the high-needs National Funding Formula allocations. This has been included in our total baseline allocation.

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 in April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from the national Government to each local authority, and set a framework that must be used to distribute funding to all types of early education providers, 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 sets out the type and level of supplements that are available.

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 has stated that they will continue to unwind the historic commitments funding to zero in future years.

Final Dedicated Schools Grant Allocation 2023/24

Details of Lancashire's final Dedicated Schools Grant allocations for 2023/24 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 12 January 2023 will be provided to Cabinet on 19 January 2023 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 2023.

The Schools Forum's letter to Cabinet will include any recommendations relating to setting the 2023/24 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 2023/24.

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 over time. A number of 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 2022 was £24 million.

There is still concern that there could be increased strain on the High Needs Block budget from 2023/24 or 2024/25 onwards, dependent on the rise in demand. The initial announcements from the Government indicate circa 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, approximately 8%. This could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term. Special Educational Needs and Disabilities Sufficiency work is currently being carried out to address this issue.

List of Background Papers

Paper	Date	Contact/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		

