



**Open Report on behalf of Heather Sandy, Executive Director - Children's Services**

Report to:	<b>Lincolnshire Schools' Forum</b>
Date:	<b>19 January 2023</b>
Subject:	<b>School Funding Arrangements 2023/24</b>

**Summary:**

The purpose of this report is to brief the Schools' Forum on the school funding arrangements for 2023/24.

**Recommendation(s):**

The Schools' Forum is asked to:

- (1) Note the contents of the report, and
- (2) Agree the Local Authority's proposals relating to a number of centrally held budgets.

The views of the Schools' Forum relating to the proposed schools funding arrangements for 2023/24 will be reported to Children's Services Directorate Leadership Team and Executive Councillor for Children's Services, for final consideration.

**Background**

The Government first introduced the national funding formula (NFF) in 2018/19 for mainstream schools, its purpose was to create consistency in funding across all schools nationally ensuring a fairer settlement for each school. Since its introduction, Local Authorities (LAs) have continued to be responsible for agreeing and calculating schools funding allocations however, LAs were strongly encouraged to move to the NFF arrangements so that schools' allocations were on a sensible trajectory towards the 'hard' formula, subject to floors and ceilings due to a re-distribution of funding nationally.

In 2020/21, the Government made available sufficient funding to LAs to replicate the NFF so that all schools would attract at least their full allocations under the formula. Only 78 out of 150 LAs have mirrored the NFF in 2022/23. Lincolnshire is one of those LAs. Since the introduction of the NFF in 2018/19, Lincolnshire has replicated the Government's NFF

due to the increased per pupil funding levels that have been received. It currently remains the LA decision on setting its schools funding formula within the DfE's funding framework.

In 2022/23, Lincolnshire continued to replicate the monetary values of the NFF factors, however due to the significant increase in Free School Meals (FSMs) recorded on the October 2021 census resulting from the pandemic, as LAs are expected to finance this increase through their Schools block allocation, the Minimum Funding Guarantee (MFG) had to be applied at +0.5% (within the MFG range) to support the formula being affordable.

The Government's initial consultation outcomes on how further reforms to the NFF can be implemented for mainstream schools with the intention of moving to a 'hard' formula were published last year, and a report to the Schools' Forum was provided in the April 2022 meeting. The Council responded to this consultation concluding the importance of retaining local flexibility and decision-making powers for all aspects of schools funding. LAs in working with the sector are best placed to respond to local needs and demands on a timely basis within reasonable DfE parameters rather than through a centralised system. The focus of the consultation was on progressively tightening the rules governing LAs' flexibilities over school funding, so that school allocations move closer to the NFF which is being implemented in 2023/24.

On 7 June 2022 the DfE launched a second consultation which considered the next steps in completing the NFF reforms to move all schools onto the 'hard' NFF. The consultation was more future focused rather than for 2023/24. Further details can be found within the National Funding Formula for Schools – update for 2023/24 report to the Schools' Forum in the October 2022 meeting.

### **School funding announcements**

On 20 July 2022, the Government announced its funding intentions for 2023/24 including the publication of the Schools Revenue Funding 2023/24 Operational Guidance and the provisional Dedicated Schools Grant (DSG) allocations for 2023/24. A report presented to the Schools' Forum in October 2022 meeting provides details of the amendments to schools funding arrangements for 2023/24.

An updated version of the Government's schools NFF funding intentions and DSG settlement were released on 16 December 2022, and as expected there were minimal changes to the version published in July 2022. The DSG settlement included updated datasets.

As part of the spending review the Government announced in 2021, the total core schools budget had planned to increase to £56.8 billion by 2024/25. This included the £4bn funding increase in the current year (including the supplementary grant) to £53.8bn compared to 2021/22 levels. The 2023/24 funding levels would rise by £1.5bn to £55.3bn or a 1.9% increase in per pupil funding. The Autumn 2022 statement announced a further £2bn increase in funding in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities. For Lincolnshire mainstream schools, this new grant equates to an additional 3.4% increase in per pupil

funding, or a total grant allocation of £18.897m for the sector. A share of the £2bn additional grant allocation (£400m) will be directed through Local Authorities High Needs block allocations, which includes conditions of use. For Lincolnshire’s High Needs block, this represents £5.008m.

### **2023/24 Dedicated Schools Grant allocations**

The DSG remains a ring-fenced grant that can only be used in accordance with the School's and Early Years Finance (England) Regulations.

The DSG will continue to comprise of four blocks – Schools block, Central School Services Block (CSSB), High Needs block and Early Years block, each of these blocks continue to be determined by a separate national funding formula.

The Schools block continues to be ring-fenced. LAs are able to transfer up to 0.5% of their Schools block to an alternative block with the agreement of their Schools Forum following consultation with all schools and academies.

The DSG allocations announced by the DfE on 16 December 2022 are set out below:

Table 1: Lincolnshire's 2023/24 DSG allocations:

<b>Block</b>	<b>Lincolnshire (£m)</b>
Schools Block	550.838 <sup>1</sup>
Central School Services Block	4.781 <sup>2</sup>
Early Years block	43.833 <sup>3</sup>
High Needs block	126.416 <sup>4</sup>
<b>Total</b>	<b>725.869</b>

### **Overall Assessment**

Lincolnshire's overall funding levels across the four blocks have increased in 2023/24.

The Schools block is allocated to LAs to fund schools delegated budgets. The key NFF Schools block funding updates include: the increase to deprivation formula factor values by 4.3%; all other pupil-led factors increasing by 2.4%, each school receiving 0.5% more for pupil-led factors compared to 2022/23 and an increase in the minimum per pupil formula factor.

<sup>1</sup> This includes Growth and Premises funding of £9.490m.

<sup>2</sup> This includes £3.642m for the LAs ongoing responsibilities for school central services and £1.139m funding for historic commitments.

<sup>3</sup> This includes indicative allocations of £25.561m for 3 & 4 year old funding (up to 15 hours); £11.528m for additional 15 hours entitlement for eligible working parents of 3 & 4 year olds; £4.947m for disadvantaged 2 year old funding; £0.799m for early years pupil premium funding; £0.275m of disability access funding and £0.723m supplementary funding for maintained nursery schools.

<sup>4</sup> This includes the actual High Needs allocation through national funding formula £109.063m; basic entitlement £10.704m, the provisional import / export adjustment of -£1.176m, Hospital education and AP teachers' pay grant and teachers' pension employer contribution grant of £2.818m and Additional High Needs Funding £5.008m.

The High Needs block has seen an increase due to the funding floor being set at +5.0% compared to the prior year's funding levels.

The initial DSG allocation for 2023/24 compared to 2022/23 has seen an increase of c.4.45% (£679.866m in 2022/23<sup>5</sup> plus schools supplementary funding received £15.053m).

### Schools block

Schools block allocations are calculated by aggregating schools' notional allocations under the NFF. Schools block allocations are expressed as a separate per pupil primary and secondary rate for each LA. The primary ranked positions for Lincolnshire have improved from a national context (out of 150 LAs) for 2023/24, the secondary ranked position remains the same for Lincolnshire when comparing to the national context. Although the rates have increased, they are however still below the England national average, as a result of the indices being used:

<b>2022/23</b>	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,735	£4,786	-£51	96
Secondary	£5,899	£6,213	-£314	54
<b>2023/24</b>				
Primary	£4,933	£5,014	-£81	103
Secondary	£6,216	£6,542	-£326	54
<b>Difference</b>				
Primary	£198	£228	-£30	7
Secondary	£317	£329	-£12	0

The Schools block will also include funding for premises factors (e.g. PFI and split-site). The starting position for this is based on prior year spend.

LAs will receive growth funding via a formulaic method based on the actual growth in pupil numbers experienced from the October 2022 census and the prior year census. The allocation will however not take into account any known growth in pupil numbers expected in 2023/24.

The funding that LAs receive for growth is to cover two elements of funding:

- Explicit growth – funding that LAs allocate through their growth fund.
- Implicit growth – LAs adjust the pupil count used to allocate funding in the Authority Proforma Tool (APT) when determining school budgets. This will reflect only significant increases in pupil numbers.

Lincolnshire has schools reorganisation policies to allocate funding to both the primary and secondary sector, copies of these policies were presented to the Schools' Forum in January 2019 meeting as part of the School Funding Arrangements 2019/20 paper. These policies remain live. The policies are important in order to ensure the LA can fulfil its

---

<sup>5</sup> The final 2022/23 DSG allocation.

strategic and statutory responsibilities to provide sufficient school places for pupils in Lincolnshire.

#### Central school services block (CSSB)

The LA is allocated funding via the CSSB for central services provided to schools to reflect the ongoing LA role in education.

Funding will continue to cover two distinct elements which are treated separately within the formula:

- Ongoing responsibilities: distributes funding to LAs using a simple formula which distributes 90% of funding according to a per-pupil factor and 10% of funding according to a deprivation factor. The funding supports: admissions service; servicing the Schools' Forum; nationally agreed schools copyright licences, and Education Service Grant retained duties for all schools. The DfE has continued to fund in the CSSB the cost of centrally employed teachers' employer pension increases. Lincolnshire's CSSB 2023/24 allocation is £3.642m for ongoing responsibilities, which incorporates an increase in unit funding of 2.42%.
- Historic commitments: as previously detailed, the historic commitments category of funding will continue to reduce in line with ESFA expectations that contracts are starting to have reached their natural conclusion. The ESFA confirmed a further 20% reduction compared to the 2022/23 baselines, which will result in a reduction of £0.285m for the LA in 2023/24. This will be a challenge for LAs to ensure a sustainable outcome is achieved for the remaining long-term contract in place, namely PFI school buildings. It is forecast that the 2023/24 funding levels will be sufficient to meet next year's historic commitment for PFI school building. There is no longer a central contract in place for schools broadband arrangements following the contract coming to an end in October 2022.

#### High Needs block

The basic structure of the High Needs national funding formula for 2023/24 is not changing.

The formula is made up of:

- Basic Entitlement: to provide a per pupil amount of £4,660 for all pupils in special schools taken from the school census data collection in the October prior to the year for which allocations are made.
- Historic funding: to allocate 50% of the 2017/18 actual spend following a recent consultation exercise rather than 2017/18 planned spend.
- Proxy factors: the remaining high needs funding uses a selection of proxy factors, such as population, low prior attainment, deprivation factors etc. Nationally, this funding stream represents 60% of the overall of the High Needs block funding being distributed to Local Authorities.

The Government is continually moving to a basis for distributing funding to LAs for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. LAs will

be protected under the formula by seeing a minimum increase of 5% per head in 2023/24 compared to their 2022/23 funding baseline level<sup>6</sup>. The High Needs block allocation is £126.416m for 2023/24, which is a rise in funding of £11.080m from the prior year. This includes the additional £5.008m through the additional £2bn funding announcement in the Autumn statement. Within the High Needs block allocation, Lincolnshire will receive protection monies of £8.692m. The SEND Green paper acknowledged the unsustainable SEND system and considers ways to address this. The outcomes of the consultation will likely have an impact on high needs funding allocated to Local Authorities and schools.

There are a number of budgets within the High Needs block that are large, demand-led, and can be difficult to estimate (e.g. SEND related budgets, including out of county placements, top up funding for Education, Health and Care (EHC) plans for mainstream schools, special school placements, and meeting the education needs for pupils through alternative provision arrangements).

There continues to be a growing trend nationally, and this growth is being experienced in Lincolnshire with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a financial challenge. In Lincolnshire, transformational work is considered fundamental to securing further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable within the central Government allocation. The SEND Transformation Board is governing the transformational process and its key work streams, including of monitoring of progress against our ambitions.

Lincolnshire's special schools funding formula is robust and is underpinned by key cost drivers. The formula has been as a result of extensive consultation with special school leaders and other parties over the years. The underlying principles and formula factors will remain in place for 2023/24 but the formula will respond to the inflationary cost rises facing the sector. Alternative Provision and Hospital Schools that are funded on the basis of the special schools formula will also be considered in this process. The funding requirements will be considered in the context of overall high needs spending priorities and conditions of the grant.

Other areas of high needs funding are being kept under review to ensure appropriate delegations are made.

#### Early years block

The Government implemented the early years national funding formula in 2017/18. Lincolnshire continues to be funded on the 'minimum funding rate' which has increased in 2023/24 to £4.87 per hour. LAs are required to have a universal rate for all providers of early years entitlement, and a mandatory deprivation supplement.

---

<sup>6</sup> The baseline used for the funding floor and gains calculation in 2023/24 is the LA's actual high needs allocations in 2022/23 less the Basic Entitlement of Funding and import / export adjustments.

The Early Years block covers the 15 hours 3 & 4 year old free entitlement; the additional hours for working families up to 30 hours; disability access fund, early years pupil premium, and disadvantaged 2 year old funding.

The underlying principles and formula factors will remain in place for 2023/24, and the increased hourly rate funding from Government has been considered in the context of this and its agreed distribution.

The Schools' Forum paper on the Early Years National Funding Formula paper sets out the funding proposals for 2023/24.

### **Pupil Premium announcement**

Pupil Premium will continue in the 2023/24 financial year. Funding for 2023/24 will increase by 5%:

1. £1,455 per primary pupil who is currently eligible for free school meals (FSM) or have been eligible for FSM in the past 6 years (except where the pupil is allocated the LAC or post-LAC premium).
2. £1,035 per secondary pupil who is currently eligible for free school meals (FSM) or have been eligible for FSM in the past 6 years (except where the pupil is allocated the LAC or post-LAC premium).
3. £2,530 for Looked-after Children. Eligibility criteria includes those pupils who are in the care of, or provided with accommodation by, an English LA defined in the Children's Act 1989, or; have left care under a special guardianship order, a residency order, a child arrangement order, or because of adoption.
4. £335 per pupil for Service Premium. Eligibility criteria includes one parent serving in the regular armed forces.
5. £0.62 per hour early years pupil premium for each eligible three- and four-year-old up to the full 570 hours of free education entitlement.

The October census will continue to be used as the point upon which the allocations are based.

### **Universal Infant Free School Meals**

The grant for universal infant free school meals (UIFSM) funds a meal rate of £2.41 for the 2022/23 academic year. Rates for 2023/24 academic year have not yet been published.

### **Mainstream Schools Additional Grant (MSAG)**

The Autumn 2022 statement announced a further £2bn increase in funding in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities. Schools will have flexibility to prioritise the spending of this grant to best support the needs of their pupils and staff.

Although this funding is categorised as a separate grant for 2023/24. The ESFA have indicated they intend to incorporate the funding into schools core funding from 2024/25 where possible, for primary and secondary schools this will mean incorporating into the NFF for 2024/25.

The base funding rates for 5-16 schools will be:

- Basic per-pupil rate of £119 for primary pupils
- Basic per-pupil rate of £168 for key stage 3 pupils
- Basic per-pupil rate of £190 for key stage 4 pupils
- Lump sum of £4,510 per school
- FSM6 per-pupil rate of £104 per eligible primary pupil
- FSM6 per-pupil rate of £152 per eligible secondary pupil

School-level allocations will be published in Spring 2023. The grant does not consider early years or 16-19 providers.

A share of the £2bn additional grant allocation (£400m) will be directed through Local Authorities High Needs block allocations, which includes conditions of use. For Lincolnshire's High Needs block, this represents £5.008m.

### **DSG School Budgets 2023/24**

The LAs proposals are to continue adopting the NFF in 2023/24 (subject to affordability) by adopting the following:

- Free School Meals Ever 6 (FSM6) and IDACI factors will increase by 4.3%
- All other key formula factors will increase by 2.4% in monetary value.
- A positive minimum funding guarantee of +0.50% per pupil protection (subject to affordability). The MFG range is between +0.0% and +0.5% per pupil in 2023/24.
- No gains ceiling cap (subject to affordability).
- The minimum per pupil funding levels will be set at £4,405 for primary schools and £5,715 for secondary schools<sup>7</sup>.
- Schools Supplementary Grant funding that schools received as a separate grant in 2022/23 will be rolled into the NFF in 2023/24 including the funding being added into the schools 2022/23 baseline funding for MFG purposes.
- Continuation of the 'prior' methodology for the payment of Non Domestic rates, in that billing authorities will issue bills directly to schools who will receive funding within their budget. In order for the 'new' payment methodology to be implemented all billing authorities must be in agreement to adopt the new process, this has not been the case in Lincolnshire.

Appendix A provides a funding comparison of the NFF factors from 2022/23 to 2023/24.

The sector and Schools' Forum have supported the decision for Lincolnshire to replicate the NFF due to the increased per pupil funding levels being seen in all mainstream schools. The LA still does however consider local flexibility and decision-making powers important to best respond to local needs and demands on a timely basis within reasonable DfE parameters.

---

<sup>7</sup> The minimum per pupil values have been uplifted by the supplementary grants' basic per-pupil values, and an additional amount which represents the average amount of funding schools received from the FSM6 and Lump Sum parts of the grants.



The fundamental principles of the NFF are not changing for 2023/24. In accordance with the 20 January 2021 Executive Councillor decision, and sector support through the consultation exercise to continue replicating the NFF, the LA plans to replicate the NFF in 2023/24, which will include the modest changes identified above. This will of course be subject to affordability of the Schools block, due to the Government's application of lagged funding arrangement for LA Schools block funding.

The latest October schools census information for determining schools budgets was shared with the LA Finance department in late December. The LA is working on completing the Authority Proforma Tool (APT) to determine schools budgets and the assessment of affordability, before submitting to the ESFA for compliance by 20 January 2023. This therefore leaves limited time for engagement with the sector on the impact of specific measures to address affordability, if necessary. Schools responses have previously been mixed on affordability matters, however MFG and the ceilings cap have been the preferred solutions, in that order. In 2022/23, the LA decision was to continue with the MFG level (to the lower range of +0.5%) along with considering the use of other DSG funding streams. This was required due to the rise in FSMs eligibility. The reason for the preference to alter the MFG is firstly it is a positive MFG (i.e. all schools receive a per pupil increase) and those schools are being funded above the NFF due to historic funding levels. Another option available is to apply a percentage gains ceiling cap to schools per pupil gains, which was a mechanism the DfE used to incrementally introduce the NFF due to affordability purposes. This does have its disadvantages for those schools impacted, particularly where schools have seen an increase in pupil deprivation levels, such as free school meal eligibility. For the purposes of the DfE's tightening criteria to move to the hard NFF, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF, this means that LA's such as Lincolnshire can establish their NFF values for 2023/24 anywhere within the +/- 2.5% range – this is considered an option to manage affordability through a sector-wide solution, such as an amendment to the 2023/24 AWPU values. The LA will continue to adopt fair approaches and principles, if affordability issues arise for 2023/24. The affordability position will be shared with the Schools' Forum in the January meeting including the mitigating measures to address this and the school impact.

#### **DSG Central Budgets 2023/24**

As stated in previous years, it is important that the LA takes a prudent approach to the setting of central budgets within the DSG. It is important to note the following:

1. Since the 2013/14 school funding reforms, the LA has been able to retain far fewer budgets centrally, and so there will inevitably be lower levels of underspendings in future years and therefore less capacity to respond to any significant emerging issues.
2. LAs limitations in movement of funding between blocks to respond to arising cost pressures.
3. There are a number of budgets that are difficult to estimate and control (e.g. SEN related budgets, including out of county placements, top up funding for Education Health Care plans for mainstream pupils, special school pupil placements, and meeting the education needs for pupils through alternative provision placements).

4. There continues to be a significant growth in the demands for more specialist support for young people, which is having a material financial impact on those centrally held budgets of the High Needs block. Although the Government has responded to the financial demands placed upon the High Needs block in 2023/24, financial sustainability in the medium term is unclear.
5. The Government has agreed to the extension of the DSG statutory override for a one-off period of three years (up to March 2026), affording the short-term financial flexibility needed for Local Authorities as they implement sustainable change, underpinned and reinforced by the Government’s longer-term reforms. LAs are required to carry forward the whole of overspends to the schools budget in future years to address. Therefore, overspends need to be managed within the overall DSG.

DSG Deficits and DSG Management Plans

The DfE now have three programmes offering direct support in respect of the effectiveness and sustainability of LAs High Needs systems. The aim of all three programmes is to secure sustainable management of LA High Needs systems. The Safety Valve Intervention programme will continue to target the LAs with the highest DSG deficits. The new Delivering Better Value in SEND (DBV) programme will target authorities with less severe but either substantial and/or growing deficit issues. The DfE will support all remaining LAs supporting them to develop appropriate DSG management plans.

Budget Setting Review

The LA has conducted its annual review of the DSG central budgets, although further refinement continues to take place. The area of refinement is focused on those demanded budgets within the High Needs block, which includes analysis of activity data and trajectory planning. The affordability position for all the blocks of the DSG will be finalised over the coming weeks. The LA does not seek to make a Schools block transfer to the High Needs block in 2023/24.

The DfE regulations contain a number of provisions in relation to the setting of central budgets within the DSG:

1. The High Needs block and central licences negotiated by the Secretary of State can be retained by the LA before allocating the DSG to school budgets. Schools’ Forum approval is not required.
2. Funding for significant pre-16 growth to meet basic need can be retained centrally with the agreement of the Schools’ Forum.
3. Budgets for admissions and servicing of the Schools’ Forum can be retained. The Schools’ Forum is required to confirm the amount for each budget line.

In light of these regulations, Tables 2 to 4 below set out the budgets requiring Schools Forum approval.

Table 2: Budgets requiring Schools Forum decisions – Schools Block:

<b>Budget</b>	<b>Key points</b>	<b>Proposed budget 2023/24</b>	<b>Agreed budget 2022/23</b>
---------------	-------------------	--------------------------------	------------------------------

		£	£
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>		
Funding for significant pre-16 growth	<ul style="list-style-type: none"> <li>• The budget is essential so that the LA can fulfil its strategic and statutory responsibilities to provide sufficient school places for pupils in Lincolnshire.</li> <li>• Schools will not receive funding through this budget in instances where schools simply have the opportunity to offer more places above their PAN. It must be commissioned and supported by the LA.</li> <li>• This budget is to fund both explicit and implicit growth (as detailed above). Implicit growth funding is allocated through the LAs Authority Proforma Tool.</li> <li>• Lincolnshire has a Schools Re-organisational Policy to allocate funding to both the primary and secondary sector.</li> <li>• Funding will be allocated in accordance with these policies. This is when, as part of its strategic planning of places, the LA needs to ask a school to take in additional pupils above its planned admission number (PAN) temporarily or permanently.</li> <li>• It will continue to be the case that funding could be allocated to maintained schools or academies.</li> <li>• DSG funding for increases to pupil numbers is lagged for LAs until the following financial year, therefore earmarked funding is required to meet this obligation.</li> <li>• At the time of writing this report, work is underway in calculating and validating growth allocations to individual schools. The LA has therefore set the budget as per the funding received within the DSG</li> </ul>	£3.437m	£3.480m

	until the position is clear.		
--	------------------------------	--	--

Table 3: Budgets requiring Schools Forum decisions – CSSB ongoing commitments:

Budget	Key points	Proposed budget 2023/24 £	Agreed budget 2022/23
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>		
Admissions	<ul style="list-style-type: none"> <li>The LA has a statutory duty to operate the admissions arrangements in county schools.</li> <li>Without this budget, the LA would be unable to fulfil its statutory duties.</li> <li>The increase incorporates the pay award.</li> </ul>	£0.679m	£0.646m
SACRE	<ul style="list-style-type: none"> <li>Expenditure in connection with the LAs functions in relation to the standing advisory council on religious education constituted by the authority under section 390 of the 1996 Act(b).</li> </ul>	£0.030m	£0.030m
LA Retained Duties for all schools	<ul style="list-style-type: none"> <li>This relates to the statutory responsibilities LA's hold for all schools. The retained duties rate includes: <ul style="list-style-type: none"> <li>Statutory &amp; Regulatory Duties: revenue budget preparation, preparation of income &amp; expenditure relating to education; authorisation and monitoring of expenditure not met by the schools budget shares; formulation and review of LA schools funding formula; director of children's services duties relating to schools, planning for the education services as a whole, to name the key duties.</li> <li>Education Welfare: functions in relation to the exclusion of pupils from schools, and school attendance.</li> <li>Asset Management: management of the LA's capital programme;</li> </ul> </li> </ul>	£1.530m	£1.530m

	<p>review of an asset management plan, including private finance transactions, and, general landlord duties for all buildings owned by the LA, including those leased to academies.</p> <ul style="list-style-type: none"> <li>The Government transferred £117m for ESG retained duties into the DSG Schools block in 2017/18. Lincolnshire's share was £1.530m, which is now included within the CSSB.</li> </ul>		
Servicing of the Schools' Forum	<ul style="list-style-type: none"> <li>Historically, the cost has been very modest.</li> <li>Without this budget, the Schools' Forum would find it difficult to operate effectively.</li> <li>It is proposed that the same budget is set for 2023/24 as set for 2022/23.</li> </ul>	£0.020m	£0.020m
Centrally employed teachers' employer pension contributions	<ul style="list-style-type: none"> <li>The DfE included funding into the CSSB to fund the increase in the employer contribution rate of teachers' pension scheme from 16.4% to 23.6% (September 2019).</li> <li>This budget supports the additional cost for centrally employed teachers'.</li> <li>At the time of writing this report, work is underway in calculating and validating this budget. The LA has therefore set the budget as per the funding received within the DSG until the position is clear.</li> </ul>	£0.371m	£0.342m

Table 4: Budgets requiring Schools Forum decisions – CSSB historic commitments:

Budget	Key points	Proposed budget 2023/24 £	Agreed budget 2022/23
	<i>Under DfE regulations, the following budgets can only be set at historic costs, they are not permitted to increase.</i>		
Private Finance	<ul style="list-style-type: none"> <li>This funds the PFI contractual</li> </ul>	£0.644m	£0.644m <sup>8</sup>

<sup>8</sup> As part of the finalising school budgets for 2022/23 the budget was re-stated

Initiative (PFI) Schemes	<p>commitments for the seven schools built under PFI a decade ago.</p> <ul style="list-style-type: none"> <li>• Without this budget, the LA would be unable to finance the on-going costs of these historic, contractual commitments.</li> <li>• The contract is in place until 31st August 2032.</li> <li>• In response to the Government's changes to historic funding levels, the LA created a mainstream schools PFI formula factor in 2020/21 to support the affordability gap / unavoidable costs.</li> <li>• The remaining sum of £0.644m will meet the affordability gap / unavoidable costs for the four special schools built under PFI.</li> </ul>		
--------------------------	---	--	--

The budgets proposed above are prudent and have been determined following a detailed review.

Some minor refinements to the overall budgets above may be necessary in light of officers' on-going work. In accordance with established practice, the LA will report to Schools' Forum in June 2023 the final budgets for 2023/24 as set out in the Section 251 budget statement which has to be published by 30 April 2023. Any material changes from the figures reported here will be communicated to the Schools' Forum at that time.

Members of the primary maintained schools section of the Schools' Forum agreed the de-delegation of a number of budgets at its meeting on 6 October 2022. Those decisions will be reflected in the LA APT that will be submitted to the DfE on the 20 January 2023.

**Education Services Grant - General Duties**

The general duties relate to the statutory responsibilities LA's hold for maintained schools only. The LA continues to make the decision not to retain funding in the Schools block for statutory duties relating to maintained schools only. The LA will continue to review this on an annual basis.

The general duties rate functions include:

1. Statutory and Regulatory Duties: monitoring compliance with requirements in relation to the scheme for financing schools; consistent financial reporting; investigations of employees or potential employees; HR corporate duties; compliance with duties under health and safety; investigations and resolution of complaints relating to maintained schools.

2. Asset Management: general landlord duties for all maintained schools to ensure the buildings have appropriate facilities; reasonable weather resistance; safe escape routes; adequate water supplies and drainage; playing fields to the appropriate standard; general health & safety duty as an employer for employees etc.
3. Monitoring national curriculum assessments.

### **The financial outlook for the Council and Children's Service**

The Executive is currently consulting on a single year financial plan for revenue and capital budgets. The budget proposal is informed by both the Autumn Statement announced on 17 November 2022 and the Provisional Settlement published on 19 December 2022.

At its meeting on the 4 January 2023, the Executive considered the budget proposals , which has now been put forward as a basis of consultation.

The Autumn statement reflects a more positive outlook for 2023/24 and 2024/25 than anticipated, however the Government has signalled that public spending will increase at a much slower rate after 2024/25.

The Council wide current position reflects a deficit position in all years. The deficit estimate in 2023/24 is currently estimated to be around £10.3m. In closing the gap for 2023/24 and delivering services in a balanced budget, the Council can either utilise available reserves and/or increase council tax, the latter on its own will only partially close the gap.

There are two particular cost pressures relating to Children's Services:

- Children in Care (CiC): a £1.689m proposed cost pressure reflecting the growth in CiC, the increased costs across the composition of placement types supporting this vulnerable group and Special Guardianship Orders.
- Children in Care (CiC): a £1.400m proposed cost pressure for social care legal costs due to the complexity of cases and increase in CiC numbers.

Transformational activity continues to take place in this area.

### **Next Steps**

The LA has received the final version of the APT that includes October 2022 census information including the rise in FSMs through the pandemic and cost of living crisis, including the impact this has on FSM Ever 6.

At the point of writing the report, officers are unable to provide an update on affordability of the NFF, however a further update will be provided at the meeting, including the steps the LA proposes to take should the formula not be affordable. The APT will be submitted to the Education Skills Funding Agency (ESFA) by 20 January 2023 for compliance.

School budget shares must be published by 28 February 2023.

The Government has conducted its latest consultation on how further reforms to the NFF will be implemented, with the intention of moving to a 'hard' formula. The Government expect to have moved all schools onto the NFF within the next five years, by the 2027/28 funding year. This would remove the LA responsibility in the setting of school budgets. The LA has responded to the latest consultation concluding the importance of retaining local flexibility and decision-making powers for aspects of schools funding, such as schools growth arrangements to support our statutory duty and premise-led factors. What the NFF has achieved is a move to greater consistency in how LAs are funded, which the LA considers to be extremely important in ensuring fair and equitable funding for the schools sector in each area.

Officers will continue to review the Government's publications that implicate 2023/24 funding including amendments to the DfE's School and Early Years Finance Regulations, to ensure full compliance is achieved in 2023/24.

## **Conclusion**

The LA plans to continue adopting the NFF in 2023/24 (subject to affordability).

The LA requires the approval of budgets from Schools' Forum in Tables 2 to 4 in accordance with the DfE regulations. Further budget work will continue in light of on-going work to secure the financial sustainability of the DSG. The LA will report to Schools' Forum in June 2023 the final budgets for 2023/24.

The funding announcements of increased per pupil funding and Mainstream Schools Additional Grant funding are welcomed and positive for Lincolnshire schools.

The High Needs block continues to be an area of concern and will require careful and prudent management.

## **Consultation**

### **a) Risks and Impact Analysis**

The affordability of the Schools block in replicating the NFF for 2023/24 will be finalised during the completion of the APT that contains the latest census information. The options for addressing affordability have been outlined in the body of the report.

CSSB Historical Commitment Funding started to reduce by 20% per annum in 2020/21 in line with the ESFA expectations that contracts are starting to have reached their natural conclusion. Officers are continuing to raise this with the department due to the commitment of the PFI contract (due to end August 2032). It is forecast that the 2023/24 funding levels will be sufficient to meet next year's historic commitment.

High Needs funding continues to see growth in the demand for more specialist support for young people, which is having a material financial impact on those centrally held budgets of the High Needs block. Although the Government has again responded to the



financial demands placed on the High Needs block, spending levels continue to grow. The SEND Transformation Board is governing the transformational process and its key work streams, including monitoring of progress against our ambitions. The High Needs block will continue to require careful and prudent management going forward.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Funding comparison of the NFF factors from 2022/23 to 2023/24

## Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
De-Delegation of Maintained Primary School Budgets (2023/24) – October 2022	<u><a href="#">Report Reference: (moderngov.co.uk)</a></u>
National Funding Formula for Schools – Update 2023/24 – October 2022	<u><a href="#">Report Reference: (moderngov.co.uk)</a></u>
School Funding Arrangements 2022/23 – January 2022	<u><a href="#">Report Reference: (moderngov.co.uk)</a></u>

This report was written by Elizabeth Bowes, who can be contacted on 01522 554905 or [elizabeth.bowes@lincolnshire.gov.uk](mailto:elizabeth.bowes@lincolnshire.gov.uk).

This page is intentionally left blank