

**Open Report on behalf of Debbie Barnes, Executive Director Children's Services**

Report to:	<b>Lincolnshire Schools' Forum</b>
Date:	<b>18 January 2018</b>
Subject:	<b>School Funding Arrangements 2018/19</b>

**Summary:**

The purpose of this report is to brief the Schools Forum on the school funding arrangements for 2018/19

**Recommendation(s):**

The Schools Forum is asked to agree the Local Authority's (LA) proposals relating to a number of centrally held budgets.

## **Background**

On the 14 September 2017, the government announced the implementation of the national funding formula (NFF) for schools in 2018/19. This followed the governments:

- stage 1 consultation on the 7 March 2016, which outlined the principles that would underpin the proposed formula and the pupil characteristics and factors to be included within the formula;
- stage 2 consultation on the 14 December 2016, which provided details of the proposed funding formula including illustrative school funding allocations. The consultation however outlined that its implementation would be pushed back to 2018/19, and
- in July 2017, the government confirmed that the introduction of the NFF would be supported by additional investment in 2018/19 and 2019/20. An additional £1.3bn for schools and high needs (£416m in 2018/19, and £884m in 2019/20) would be provided, over and above the schools budget set at the 2015 Spending Review (overall the total schools budget will increase by £2.6 billion between this year to 2019/20).

A report to the Schools Forum on 4 October 2017 explained the background to the national funding formula for schools, and the building blocks and formula factors.

The Local Authority (LA) has consulted with mainstream schools and academies in Lincolnshire on the proposal to replicate the NFF in 2018/19 ensuring schools' allocations are on a sensible trajectory towards the move to a 'hard' formula from 2020/21. There were a series of questions that schools were asked to respond to that would help shape the formula for 2018/19.

The schools consultation period covered the period 9 November to the 22 November 2017. The consultation period timescales were tight due to the lateness in the government releasing the NFF information and datasets (September / October) leaving limited time for

consultation and the LA decision-making process. Schools were however forewarned on the 17 October 2017 informing all county schools of the LA's intention to conduct this consultation exercise.

As part of the consultation exercise, the Education & Skills Funding Agency (ESFA) required LA's to illustrate the likely financial impact of its proposals upon individual schools. This was enclosed within the supporting documentation using the schools October 2016 census data (due to the October 2017 census date not available at the time), and the 2017/18 baseline information for illustrative funding purposes.

An extraordinary meeting of the Schools Forum was held on 11 December 2017 where members supported the LA's funding formula proposals for 2018/19 and the direction of travel.

A report was also tabled at Children and Young Peoples Scrutiny Committee Meeting on 1 December 2017 on the consultation findings, and the proposed 2018/19 funding formula and direction of travel for the committee's consideration, of which they supported.

Since 11 December 2017 Schools Forum meeting, the LA has:

1. Undertaken the decision making process for the Lead Member to approve the implementation of the NFF on the 10 January 2017.
2. Started work on the completion of the DfE's Authority ProForma Tool (APT) for mainstream schools for 2018/19 (released on 15 December 2017) that uses October 2017 pupil census data.
3. Considered the DfE's December 2017 announcement on the Dedicated Schools Grant (DSG) block allocations for 2018/19 (released on 19 December 2017), including the updated schools funding operational guidance.
4. Reviewed and proposed provisional DSG centrally held budgets for 2018/19, as set out in this report.

A significant amount of further work still remains up to 28 February 2018 before schools budgets can be published. In the short amount of time available since these publications, officers have considered the implications of these changes, which have been included within this report, however officers will continue to review these government publications and update the Schools Forum where necessary.

### **School funding announcements**

The schools revenue funding 2018/19 operational guidance published by the DfE on 20 December 2017 can be found at:

<https://www.gov.uk/guidance/pre-16-schools-funding-guidance-for-2018-to-2019>

The information confirms that:

1. The DSG remains a ring-fenced grant that can only be used in accordance with the School's and Early Years Finance (England) Regulations.
2. The DSG now comprises four blocks – Schools Block, Central School Services Block (CSSB), High Needs Block and Early Years Block, each of these blocks have been determined by a separate national funding formula.
3. The schools block will be ring-fenced from 2018/19. LA's are able to transfer up to 0.5% of their schools block funding to an alternative block with the agreement of their Schools Forum following consultation with all schools and academies.
4. The Schools block will continue to be based primarily on the preceding October census.

5. Within the Schools block, the government will provide for at least a 0.5% per pupil increase for each school in 2018/19 through the NFF.
6. Within the Schools block, the NFF will provide LA's with a minimum pupil funding level in 2018/19 of £3,300 for the Primary sector and £4,600 for the Secondary sector. This will rise to £3,500 for all primary schools and £4,800 for all secondary schools in 2019/20.
7. The LA will have flexibility to set the Minimum Funding Guarantee (MFG) between minus 1.5% and plus 0.5% per pupil.
8. Funding for Growth will continue to be funded through the Schools block in 2018/19 based on historic spend from 2017/18.
9. The LA has been allocated funding via the CSSB for central services provided to schools.
10. Movements of budget from the CSSB to the Schools block, or from the High Needs block to any other block are not subject to any limit, and can be made in consultation with Schools Forum.
11. Within the High Needs block, the government has provided for at least a 0.5% increase in proportion to population changes in 2018/19. This has been reflected in the allocations to the LA through the high needs national funding formula.
12. The High Needs block will be allocated through a national funding formula in 2018/19. LA's will be protected from losing funding under the formula and will instead see minimum increases of 0.5% per head in 2018/19 and 1% per head in 2019/20, on their planned high needs spending levels from the 2017/18 DSG.
13. Funding for Early Years has been allocated through a national funding formula since 2017/18.
14. The early years block will again be updated after the start of the financial year. For 2018/19, the block uses data from the January 2017 census, but this will be updated in 2018/19 for the January 2018 census (5/12ths) and for the January 2019 census (7/12ths). The Early Years block funding will continue to be based on participation.
15. The LA's Chief Finance Officer will continue to be required to confirm that the DSG has been deployed in support of the Schools Budget. This duty will be discharged via the s.251 outturn statement and by appending a note to the LA's statements of accounts.

### **2018/19 DSG allocations**

The DSG allocations announced by the DfE on 20 December 2017 are set out below:

Table 1: Lincolnshire's 2018/19 DSG allocations:

<b>Block</b>	<b>Lincolnshire (£m)</b>
Schools Block	410.366 <sup>1</sup>
Central School Services Block	5.737 <sup>2</sup>
Early Years block	40.576 <sup>3</sup>
High Needs block	82.177 <sup>4</sup>
<b>Total</b>	<b>538.857</b>

<sup>1</sup> This includes Growth and Premises funding of £7.150m.

<sup>2</sup> This includes £2.878m for CSSB based on the new formulaic funding method and £2.859m funding for historic commitments.

<sup>3</sup> This includes indicative allocations of £24.641m for 3 & 4 year old funding (up to 15 hours); £8.151m for additional 15 hours entitlement for eligible working parents of 3 & 4 year olds; £6.292m for disadvantaged 2 year old funding; £0.815m for early years pupil premium funding; £0.128m of disability access funding and £0.549m supplementary funding for maintained nursery schools.

<sup>4</sup> This includes the actual High Needs allocation through national funding formula £75.218m; Basic entitlement funding £7.208m and import/ export adjustment of -£0.249m.

### Overall Assessment

Lincolnshire continues to remain in the lowest quartile for school funding levels with Lincolnshire primary schools being the 33<sup>rd</sup> lowest funded LA, and Lincolnshire secondary schools being the 37<sup>th</sup> lowest funded out of 150 LA's. The floors and ceiling arrangements adopted by the government during the transition to the NFF are limiting the re-distribution of funding nationally. It was previously reported that the LA anticipated the increase in the DSG for Lincolnshire would be c3.4% (based on October 2016 census data), however the increase of the initial DSG allocation for 2018/19 compared to 2017/18 has seen an increase of 4.4%, £22.907m (£515.950m in 2017/18<sup>5</sup>), however this increase also includes a growth in pupil numbers of 0.8%.

### Schools block

LA Schools block allocations will be calculated by aggregating schools' notional allocations under the NFF. Schools block allocations will be expressed as separate per pupil primary and secondary rates for each LA. Lincolnshire will receive £3,810.89 per primary pupil and £4,932.86 per secondary pupil based on the October 2017 census. The schools block will also include funding for premises and growth based on historic spend.

### Central school services block (CSSB)

The CSSB has been created from two existing funding streams:

- The DSG funding that was held centrally by the LA for central services, and
- The retained duties element of the Education Services Grant (ESG), which provided funding for duties which LAs hold in respect of all schools.

Funding for the CSSB will cover two distinct elements which will be treated separately within the formula:

- Ongoing responsibilities: distributes funding to LAs using a simple formula. Lincolnshire will receive £30.47 per child based on the October 2017 census.
- Historic commitments: funding will be allocated based on evidence, with the expectation that historic funds will unwind over time, for example because a contract has reached its end point. This budget funds the aggregated broadband provision for all schools (including academies) in Lincolnshire with an initial contract end / extension date of October 2019, and the funding gap for 7 Private Finance Initiative (PFI) schools (3 primary schools and 4 special schools). The LA is currently reviewing the options for schools broadband services post October 2019. Further information will be provided in due course.

### High Needs block

The High Needs block based on the national funding formula will consist of:

- Basic entitlement: to provide a per pupil amount of £4,000 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 remaining funding on the basis of historic spending. This provides every LA with an amount based on its existing high needs costs, and particularly those costs that may not be reflected by indicators of need used in the other formula factors.
- Proxy Factors: to allocate the other 50% on the basis of proxy factors, such as population, low prior attainment, deprivation factors etc.
- Funding Floor factor: funding to ensure that LAs are protected from losing funding under the new formula and will instead see minimum increases of 0.5% per head.
- Hospital Education Factor: funding for LAs hospital education provision.

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<sup>5</sup> The 2017/18 DSG figure taken from School Funding Arrangements 2017/18 Schools Forum paper.

- Import / export adjustment: an adjustment to reflect pupils who are educated outside of their own LA.
- For 2018/19, based on the formula allocations against historical funding Lincolnshire will be receiving protection funding of c£5.2m. The government has committed to increasing all LAs High Needs block by 0.5% per pupil, which for Lincolnshire means an increase of £0.547m.

### Early years block

The government implemented the early years national funding formula in 2017/18, of which Lincolnshire is funded on the 'minimum funding rate' of £4.30 per hour. The LA consulted with all providers, and a universal rate of £3.82 per hour was established along with a deprivation supplement in 2017/18. 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, disadvantaged 2 year old funding and supplementary funding for maintained nursery schools. The Schools Forum paper on the Early Years National Funding Formula sets out the funding proposals for 2018/19.

### Pupil Premium announcement

The funding for pupil premium for 2018/19 will be protected at the 2017/18 rates (except for Looked-after children (LAC) which has increased by £400 per eligible child due to the exclusion of this formula factor from the NFF) which are:

1. £1,320 per primary pupil who is currently eligible for free school meals (FSM) or has been eligible for FSM in the past 6 years except where the pupil is allocated the LAC or post-LAC premium.
2. £935 per secondary pupil who is currently eligible for free school meals (FSM) or has been eligible for FSM in the past 6 years except where the pupil is allocated the LAC or post-LAC premium.
3. £2,300 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 Children Act 1989, or; have left care under a special guardianship order, a residency order, a child arrangement order, or because of adoption.
4. £300 per pupil for service premium.
5. £0.53 per hour early years pupil premium for each eligible three and four year old up to the full 570 hours of free education entitlement.

Pupil premium allocations for the financial year 2018/19 will be published in June 2018 following the receipt of pupil number data from the January 2018 census.

Further details are available at:

<https://www.gov.uk/government/publications/pupil-premium-conditions-of-grant-2018-to-2019>

### UIFSM

The grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2018 to 2019 academic year.

### DSG School Budgets 2018/19

Work is underway in calculating the budget allocations for individual schools through the LA proforma tool, which requires submitting to the DfE by the 19 January 2018 for approval.

The LA's objective is to continue to provide stability in funding for schools whilst maintaining the affordability of the current levels of DSG. The LA intends to replicate the NFF (see appendix A) for 2018/19 subject to affordability, particularly in light of the below:

1. Adoption of the government's minimum funding level in 2018/19 of £3,300 for primary schools and £4,600 for secondary schools within the funding formula.
2. Adoption of the government's proposal of a 0% MFG per pupil in 2018/19.
3. Adoption of the government's funding floor proposal for all schools to see a minimum gain of 0.5% of their baseline pupil-led funding in 2018/19.
4. Adoption of the governments percentage cap in pupil-led funding of the maximum of either 3% gain on their transitional protection baseline or 20% of their remaining gains in 2018/19.
5. Introduction of a Primary Schools Rents Factor (where the school premises gives rise to significant additional costs greater than 1% of the school's budget, and where such costs affect fewer than 5% of the schools (including academies in the area)).
6. Removal of the LAC factor within the NFF, instead increasing pupil premium plus by £400, therefore the LA is required to adjust the baseline by £400 for each eligible LAC pupil for 2018/19 for protection and scaling purposes.
7. The lump sum for all schools will now be £110,000.
8. Both Primary and Secondary schools can now qualify for sparsity funding, funding will be allocated on a tapered methodology. The maximum funding that a primary school will receive is £25,000 the equivalent for the secondary sector will be £65,000.
9. Pupils identified in the October census with a first language other than English will attract funding for the first three years (previously two) after they enter the statutory school system.
10. The LA will now use both pupils who are eligible for a current Free School Meal (FSM) using the previous October census and Ever6 FSM (pupils entitled to FSM in the last 6 years) from the previous January census as part of the funding for deprivation.
11. School Budgets will continue to be calculated based on the October census, and the calculation of protection on pupil numbers will be based on the October census.
12. To continue to fund the rates adjustment for 2018/19 and 2019/20.
13. The other proposed change to school funding relates to the DfE approval for the 'one-off' £3m allocation to be made to schools from the 2016/17 DSG underspend<sup>6</sup>. This one-off funding through the 2018/19 funding formula will mirror the DfE's Devolved Formula Capital (DfC) distribution mechanism, i.e. lump sum of £4,000 per school with the remaining funds going through pupil funding.

At the time of writing this report, work is underway in calculating and checking the budget allocations to individual schools.

### **DSG Central Budgets 2018/19**

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

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.

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<sup>6</sup> Schools Forum paper: Revised Schools Budgets 2017/18 (October 2017).

2. LA's limitations in movement of funding between block 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 are planned funding changes for schools, early years and high needs taking place in the coming year, therefore the LA's ability to adapt / transition to them is important.
5. Under current DfE's regulations, for an overspend on the DSG to be written off in the following year, approval from the Schools Forum would be required. The LA would be unable to fund the DSG overspend from its non-DSG budgets which have and will continue to be subject to significant cuts in future years, in stark contrast to the protection given by the government to the DSG.

The LA has conducted its annual review of the DSG central budgets. The significant planned changes relate to the area of high needs funding.

- The LA has identified a requirement of 75 places for alternative provision places as identified in the October 2017 Schools Forum paper Alternative Provision Arrangements. Maintaining and strengthening Lincolnshire's vocational sector will necessitate a degree of investment (c.£1m), of which a tendering process is planned to begin this month with successful vocational providers (DfE registered only) commencing on the 4<sup>th</sup> September 2018. Schools will be able to access this through following the Lincolnshire 'Ladder'.
- The LA has encountered growth in the costs of top up funding for Education Health Care plans in the mainstream sector due to an increasing in pupils in meeting the threshold, and targeted funding for schools with a high incidence of higher needs pupils. Data analysis continues to take place by LA officers to further refine the anticipated future funding requirements.
- The LA has undertaken its annual place number review for the 2018/19 academic year for its special schools in line with the ESFA process. The LA ensures place numbers reflect the pupil numbers in the school, of which the pupil population in special schools is increasing. The LA in conjunction with the schools has undertaken a pupil moderation for all special school pupils to ensure pupils are assigned to the most appropriate band descriptor need, which determines the level of funding to the school. These changes including the review of the funding formula will be implemented in April 2018 following a consultation. The LA will need to ensure affordability of the High Needs block is maintained in the final proposals, along with a schools financial stability.

The demand-led nature of the high needs budgets requires the LA to set prudent budgets to ensure it is able to respond to the financial challenges from the changing schools landscape and requirements of pupils. The LA remains confident that the cost pressures can be managed within the existing funding level.

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, and places in independent schools for non-SEN pupils can be retained centrally with the agreement of the Schools Forum.

3. Budgets for admissions and servicing of the Schools Forum can be retained, and for 2018/19 a financial limit no longer applies. 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:

Budget	Key points	Proposed budget 2018/19 £
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>	
Funding for significant growth pre-16	<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>• There has been major pressure on reception places for the last six years and this has resulted in a significant number of school reorganisation in Lincolnshire. As pupils move through the primary sector into the secondary sector, pressures will start to be experienced in this sector from September 2018.</li> <li>• Officers have recently reviewed the policies on funding arrangements for both primary and secondary school reorganisation and will consult all schools and academies imminently, in preparation for the agreed policies commencing on 1 April 2018.</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 LA's until the following financial year, therefore earmarked funding is required to meet this obligation. As the DSG is based on lagged pupil numbers, any increases through growth funding must be subject to overall affordability.</li> </ul>	£2.000m

	<ul style="list-style-type: none"> <li>• The growth funding determined for Lincolnshire is based on 2017/18 funding levels (£2.000m), and therefore is not reflective of future growth trends, i.e. secondary sector place pressures.</li> <li>• Even allowing for uncertainty within the policies to be agreed and lagged funding, the LA will continue to set a budget based on the previous financial year, and any pressures will be managed through one-off monies, and re-assessed in 2019/20.</li> </ul>	
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Table 3: Budgets requiring Schools Forum decisions – CSSB ongoing commitments:

Budget	Key points	Proposed budget 2018/19 £
	<i>Under DfE regulations, the following budgets can be set at any monetary value.</i>	
Places in independent schools for non-SEN pupils (Stamford Endowed schools)	<ul style="list-style-type: none"> <li>• The LA has a contractual agreement to purchase these places in Stamford.</li> <li>• The contract provides for a phased reduction over time in the number of places purchased.</li> <li>• The budget requirement is due to decline by £0.186m next year. 2018/19 is the final year of the contract as it will officially end in August 2018.</li> <li>• Without this budget, the LA would be unable to meet its final contractual liabilities and it would remain the LA's responsibility to make education provision for these young people.</li> </ul>	£0.054m
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> </ul>	£0.506m
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:</li> <li>• Statutory &amp; Regulatory Duties: revenue budget preparation, preparation of income &amp; expenditure relating to education; administration of grants to schools; 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; review of an asset</li> </ul>	£1.530

	<p>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 for 2017/18 is set for 2018/19.</li> </ul>	£0.020m

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

Budget	Key points	Proposed budget 2018/19 £
	<i>Under DfE regulations, the following budgets can only be set at historic costs, they are not permitted to increase.</i>	
Schools Broadband	<ul style="list-style-type: none"> <li>The budget continues to fund an aggregated broadband provision to all schools (including academies)</li> <li>As part of the CSSB historic commitments the budget cannot increase above that set in previous years.</li> <li>Following a review of Broadband costs the budget has reduced by £0.250m. These savings will be transferred to the schools block to fund the primary rents factor, to support the growth fund due to pressures in place numbers in the secondary sector and to assist with the replication of the NFF.</li> </ul>	£1.350m
Private Finance Initiative (PFI) Schemes	<ul style="list-style-type: none"> <li>This funds the PFI contractual commitments for the seven schools built under PFI a decade ago.</li> <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> </ul>	£1.180m

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

Some minor refinements to the overall budgets may be necessary in light of officers' on-going work, but material changes are not expected. In accordance with established practice, the LA will report to Schools Forum in June 2018 the final budgets for 2018/19, as set out in s.251 budget statement which has to be published by 30 April 2018<sup>7</sup>. Any

<sup>7</sup> The previous submission date was 31 March 2018. Section 251 Guidance for 2018/19 is still under consultation.

material changes from the figures reported here will be communicated to the Schools Forum at the time.

Members of the relevant sections of the Schools Forum agreed the de-delegation of a number of budgets at its meeting on 4 October 2017. Those decisions will be reflected in the LA APT that will be submitted to the DfE on the 19 January 2018.

### **Education Services Grant - General Duties**

The general duties relate to the statutory responsibilities LA's hold for maintained schools only. The government provided transitional funding to LA's for the period April – August 2017 at a rate of £66 per maintained school pupil, however from September 2017 the government announced the ending of this central funding.

The government amended the regulations to allow LA's to retain some of their Schools block funding to cover the statutory duties that they carry out for maintained schools only, which were previously funded through ESG. An amount being retained would need to be agreed by the relevant maintained schools members of the Schools Forum. A single rate would be set, and for maintained schools a deduction from a schools basic entitlement funding would be required.

The LA has taken the decision not to retain funding in the Schools block for statutory duties relating to maintained schools only in 2018/19 (as previously applied for the period September 2017 to March 2018), however the LA will continue to keep this decision under review. Any amendments or changes to this proposal will be presented to Schools Forum during 2018/19 for 2019/20.

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 Services**

For the first time in four years the Council has been able to develop budget plans for more than the next financial year. The Council continues to face significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means the Council does not consider it practicable, at present, to develop sustainable long term financial plans into the next decade.

In developing its two year financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.

The Council's total income is £423.106m in 2018/19 with planned expenditure including cost pressures and savings of £453.931m. This creates a significant budget shortfall of £30.875m, which is to be met from the use of one-off reserves.

The Council will continue to explore further opportunities to bridge the gap between the funding available and levels of expenditure taking into account further income reductions in government funding. At the July County Council this authority launched a campaign to lobby government to increase the funding coming to the sector and specifically requesting central government look at the distribution of funding to this County Council with a view to addressing past inequalities between authorities, and to address the relative allocations to reflect the needs of this area.

The situation for the Council continues to have a significant bearing on Children's Services budget of £110.797m. The challenge of contributing towards the Council's savings target is much more difficult for Children's Services in Lincolnshire, given the volatile and demand-led budget of home to school / college transport budget (c.£25m), and increased cost pressures in children's social care through an growth in children meeting the social care threshold and an increase in complexity of children requiring specialist support.

In summary, the Council faces very significant financial challenges beyond 2018/19 and this is likely to have an impact upon Children's Services budgets in future years.

**Next Steps**

Officers will continue to review the government's publications that implicate 2018/19 funding including amendments to the DfE's School and Early Years Finance Regulations, to ensure full compliance is achieved in 2018/19.

The APT for mainstream school budgets is due to be sent to the DfE by 19 January 2018. It will reflect the proposals reported to and supported by the Schools Forum on 4 October 2017 and 10 December 2017.

Under the DfE regulations, the LA is required to publish schools budgets (excluding sixth form funding) by 28 February 2018. The LA will however endeavour to publish all budgets as early as possible.

**Consultation**

**a) Have Risks and Impact Analysis been carried out??**

No

**b) Risks and Impact Analysis**

N/A

**Appendices**

These are listed below and attached at the back of the report	
Appendix A	Schools National Funding Formula - Funding Formula Extract

## Background Papers

Document title	Where the document can be viewed
National Funding Formula for Schools (December 2017)	<a href="http://lincolnshire.moderngov.co.uk/documents/s20516/3.0%20National%20Funding%20Formula%20for%20Schools.pdf">http://lincolnshire.moderngov.co.uk/documents/s20516/3.0%20National%20Funding%20Formula%20for%20Schools.pdf</a>
National Funding Formula for Schools (October 2017)	<a href="http://lincolnshire.moderngov.co.uk/documents/s19765/National%20Funding%20Formula%20for%20schools.pdf">http://lincolnshire.moderngov.co.uk/documents/s19765/National%20Funding%20Formula%20for%20schools.pdf</a>
De-Delegation of Maintained Primary School Budget 2018/19 and 2019/20	<a href="http://lincolnshire.moderngov.co.uk/documents/s19758/De-Delegation%20of%20maintained%20primary%20schools.pdf">http://lincolnshire.moderngov.co.uk/documents/s19758/De-Delegation%20of%20maintained%20primary%20schools.pdf</a>

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