

Open Report on behalf of Heather Sandy, Interim Director of Education

Report to:	Lincolnshire Schools' Forum
Date:	24 January 2019
Subject:	School Funding Arrangements 2019/20

Summary:

The purpose of this report is to brief the Schools Forum on the school funding arrangements for 2019/20

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 and high needs in 2018/19. A transition period was planned through a 'soft' approach, whereby Local Authorities (LAs) would continue to be responsible for calculating schools funding allocations. LAs were encouraged to move towards the NFF so that school's allocations were on a sensible trajectory towards the move to a 'hard' national formula.

Mainstream schools and academies were consulted during November 2017 on the LA's proposal to replicate the NFF in 2018/19. The implementation of the NFF increased Lincolnshire mainstream school funding levels by c.3.7% in 2018/19 compared to 2017/18 baseline funding, although Lincolnshire schools remained in the lowest quartile for school funding levels nationally from central government.

Mainstream schools and academies were supportive of the LA replicating the NFF in 2018/19. The LA funding formula proposals were considered at the Schools Forum and Children and Young Peoples Scrutiny committee meeting, before the Executive Councillor on the 10 January 2018 gave approval to replicate the schools NFF for 2018/19.

Lincolnshire mainstream schools are receiving the same funding formula factors and monetary values as per the NFF in 2018/19 along with the government's agreed floors and ceiling approach to enable incremental steps for schools to move towards the hard formula for a sustainable re-distribution of funding across the country.

School funding announcements

The schools revenue funding 2019/20 operational guidance published by the DfE on 21 December 2018 can be found at:

The information confirms that:

- Significant progress has been made across the system in moving towards the NFF in its first year of operation.
- LAs will continue to determine local formulas to 2020/21 – originally the 'soft' transition period was to end in 2019/20.
- Three key aspects of the schools NFF are being updated in 2019/20. These key areas will influence the LAs Schools block allocation, which is the overall funding used to set a LAs funding formula for mainstream schools:
 1. Within the Schools block, the government will provide for at least a 1% per pupil increase for each notional school allocation in 2019/20 through the NFF compared to their 2017/18 baseline.
 2. The minimum per pupil funding levels have increased to £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11. A new minimum level of £5,100 has been set for KS4 only schools.
 3. The gains cap has increased so that schools can attract gains of up to 6.09% against their 2017/18 baselines. The DfE have used compounded figures so that underfunded LAs can gain a further 3% on top of the 3% they gained in 2018/19.
- LAs will receive growth funding via a formulaic method based on lagged growth data, as opposed to LAs setting an agreed budget annually to meet need. The formula is intended to be a proxy for overall growth costs at a LA level, and the DfE acknowledge that LA spend will not necessarily match the sum allocated. LAs will still determine how they wish to allocate growth funding to schools.
- The DfE has reduced through the NFF the Primary low prior attainment factor value to £1,022 (from £1,050). All results are now being assessed under the new framework and there is no longer a need to use a weighting – this monetary adjustment is to keep the overall funding on a comparable basis.
- A new funding floor factor has been introduced to enable LAs to mirror the increase of 1% per pupil against 2017/18 baselines.
- Schools will continue to receive funding based primarily on the preceding October census data.
- LAs will continue to have flexibility to set the Minimum Funding Guarantee (MFG) between minus 1.5% and plus 0.5% per pupil.
- LAs must allocate at least 80% of the delegated Schools block funding through pupil-led factors.
- The funding LAs receive for the premises factors of rates and split-site will continue to be calculated using the LAs prior year spend.
- A national funding formula for the High Needs block was implemented in 2018/19. A funding floor has been established which will ensure all LAs will attract at least a 1% gain per head of population, subject to changes in estimated population, against their 2017/18 baselines.
- For those gaining LAs within the High Needs block, the gains cap will increase to 6.09% compared to their 2017/18 baselines.
- Funding for the Central School Services block will continue to be based on the national funding formula approach implemented in 2018/19.
- Early Years funding continues to be allocated through the national funding formula implemented in 2017/18.
- The Early Years block will again be updated after the start of the financial year. For 2019/20, the block uses data from the January 2018 census, but this will be updated in 2019/20 for the January 2019 census (5/12th) and for the January 2020

census (7/12th). The Early Years block funding will continue to be based on participation.

2019/20 Dedicated Schools Grant allocations

The Dedicated Schools Grant (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. LA's 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 17 December 2018 are set out below:

Table 1: Lincolnshire's 2019/20 DSG allocations:

Block	Lincolnshire (£m)
Schools Block	428.021 ¹
Central School Services Block	5.815 ²
Early Years block	40.781 ³
High Needs block	85.462 ⁴
Total	560.080

Overall Assessment

Lincolnshire's overall funding levels across the four blocks have increased in 2019/20, particularly in the Schools block where the schools national funding ceiling protection is unwinding. The initial DSG allocation for 2019/20 compared to 2018/19 has seen an increase of c.3.94% (£538.857m in 2018/19⁵); however this increase also takes into account the growth in pupil numbers of c.1.2%.

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 £3,913.59 per primary pupil and £5,068.63 per secondary pupil based on the October 2018 census.

	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£3,914	£4,155	-£241	48
Secondary	£5,069	£5,403	-£335	56

Lincolnshire's schools funding levels are increasing through the national funding formula, which is improving Lincolnshire's position nationally when making comparisons.

¹ This includes Growth and Premises funding of £8.508m.

² This includes £3.035m for the LAs ongoing responsibilities for school central services and £2.780m funding for historic commitments.

³ This includes indicative allocations of £24.980m for 3 & 4 year old funding (up to 15 hours); £9.199m for additional 15 hours entitlement for eligible working parents of 3 & 4 year olds; £5.412m for disadvantaged 2 year old funding; £0.518m for early years pupil premium funding; £0.132m of disability access funding and £0.542m supplementary funding for maintained nursery schools.

⁴ This includes the actual High Needs allocation through national funding formula £76.555m; basic entitlement £7.596m; import/ export adjustment of -£0.222m, and the additional £1.533m for Lincolnshire's share of the extra £125m of high needs funding announced by the Secretary of State for Education.

⁵ The 2018/19 indicative DSG allocation.

Lincolnshire primary schools overall are 48th lowest out of 150 LAs overall, and Lincolnshire secondary schools are 56th lowest out of 150 LAs overall.

The schools block will also include funding for premises factors (e.g. rates and split-site) based on historic spend. LAs will receive growth funding via a formulaic method based on the actual growth in pupil numbers they experienced in the previous year. The allocation will not take into account any known growth in pupil numbers expected in 2019/20. For each LA the growth factor will allocate:

- £1,370 for each primary 'growth' pupil
- £2,050 for each secondary 'growth' pupil and
- £65,000 for each new school that opened in the previous year (that is, any school not appearing on the October 2017 census but appearing on the October 2018 census).

Lincolnshire's growth allocation from new formulaic arrangements is £3.538m (£2.651m in 2018/19) or an increase of 33%, therefore it is a positive outcome from this DfE review. This allocation is updated annually to take account of the latest datasets, therefore the LA will review this annually to ensure the funding allocated by government enables Lincolnshire's school reorganisation policies to be fulfilled.

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 when determining school budgets. This will reflect significant increase in pupil numbers, including new schools who have opened in the previous seven years, and are still adding additional year groups.

Lincolnshire has a schools reorganisation policy to allocate funding to both the primary and secondary sector, copies of these policies are included in Appendix A.

In the primary sector, the policy allocates funding through the explicit growth route to ensure sufficient funding is allocated to those schools involved in LA planned reorganisations for existing schools. The LA is able to use the implicit growth approach for newly opened primary schools and secondary schools as per the schools reorganisation policy⁶. The policies are important in order to ensure the LA can fulfil its 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.

⁶ The new primary implicit growth schools involve: Manor Farm Academy; Beacon Primary Academy; Castle Wood Academy; Lincoln Carlton Academy; Boston Pioneers Free School Academy and Poplar Farm. The secondary implicit growth schools involve: Branston Community Academy; Lincoln Castle Academy; Sir Robert Pattison Academy; Haven High Academy; Walton Girls' High School & Sixth Form, and Bourne Academy.

Lincolnshire's 2019/20 allocation is £3.035m for ongoing responsibilities, which is an increase of 5.44%.

- Historic commitments: the government will fund historic commitments at the same level as in 2018/19 to LAs. Lincolnshire's 2019/20 budget is £2.780m, which funds the aggregated broadband provision for all schools (including academies) in Lincolnshire, and the funding gap for 7 PFI schools.

From 2020/21 the DfE expect to start to reduce the historic commitments element of the CSSB where LAs expenditure has not reduced.

High Needs block

The basic structure of the High Needs national funding formula in 2019/20 is not changing. For 2019/20, three changes have taken place:

- The funding floor: the funding floor will increase so that all LAs will attract at least a 1% gain per head of population, subject to changes in estimated population, against their 2017/18 baselines.
- Gains under the formula: the gains cap will increase to 6.09% as detailed in the schools funding announcement section above.
- Additional one-off funding: the Secretary of State for Education announced on the 17 December 2018 that an additional £125m of high needs funding would be made available nationally in 2019/20. This is to recognise the growing demands facing special educational needs and disabilities.

The formula is made up 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.

The government's direction of travel is to move 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.

In 2019/20, Lincolnshire is in receipt of £41 per pupil (or £5.776m) of protection funding when comparing the new national funding formula allocation to Lincolnshire's current High Needs block spending.

The DfE continue to be in the process of developing a method of allocating funding for hospital education, by combining LA spending data with NHS data to develop a new, formulaic hospital education factor, which will better respond to the number of patients requiring education. It is unlikely that there will be changes made in 2019/20.

Early years block

The government implemented the early years national funding formula in 2017/18, of which Lincolnshire continue to be funded on the 'minimum funding rate' of £4.30 per hour. LAs are required to have a universal rate for all providers of early years entitlement, and the funding formula also requires a mandatory deprivation supplement.

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 DfE has confirmed the intention to continue with the 'supplementary funding' until at least 2019/20 for nursery schools, whilst research is undertaken on the cost structure. A government report is planned for later in the year, and it is hoped that the LA and nursery schools will be engaged at each stage of the process.

The Schools Forum paper on the Early Years National Funding Formula sets out the funding proposals for 2019/20.

Pupil Premium announcement

The funding for pupil premium for 2019/20 will be protected at the 2018/19 rates 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 2019/20 will be published in June 2019 following the receipt of pupil number data from the January 2019 census.

Further details are available at:

<https://www.gov.uk/government/publications/pupil-premium-allocations-and-conditions-of-grant-2019-to-2020/pupil-premium-conditions-of-grant-2019-to-2020>

Universal Infant Free School Meals

The grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2019/20 academic year.

Free School Meals Supplementary Grant

This grant will provide schools with extra funding to help them meet the higher costs of providing extra meals before the lagged funding system catches up.

Teachers Pay Grant

On the 14 September 2018, the DfE confirmed the teachers' pay grant to support schools in meeting the cost of the September 2018 teachers' pay award. The rates for 2019/20 are:

School Sector	Teachers' Pay Grant Per Pupil Allocation
Primary and nursery	£28.29
Secondary	£45.56
Special and alternative provision schools	£113.46

The grant covers the cost of the September 2018 teachers' pay award for 2019/20. Following direction from the DfE, schools will however need to plan for the 2019/20 pay award, which will be based on the government's response to the STRB's recommendations next year. Schools should not assume that any future awards above 1% will be supported by a similar grant in future years. The LA recommends that all schools undertake prudent financial planning by incorporating potential pay cost increases in future financial years.

DSG School Budgets 2019/20

Work is underway in calculating the budget allocations for individual schools through the LA proforma tool, which requires submitting to the DfE by the 21 January 2019 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 the DSG. The LA remains committed to replicating the national funding formula in 2019/20 with the protection arrangements (floors and ceiling) in place, as detailed below:

1. Adoption of the government's minimum funding level in 2019/20 of £3,500 for primary schools and £4,800 for secondary schools within the funding formula.
2. Adoption of a 0% MFG per pupil in 2019/20.
3. Adoption of the government's funding floor factor for all schools to see a minimum gain of 1.0% per pupil against their 2017/18 baseline.
4. Adoption of the governments percentage cap in pupil-led funding of the maximum of either 6.09% gain on their 2017/18 baseline or 36% of their remaining gains in 2019/20.

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

DSG Central Budgets 2019/20

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.
2. LA's 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 growing trend 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. It is expected that it will be a much tighter financial environment going forward for high needs services.
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.

DSG Deficits

From 2019/20, the DfE intend to tighten up the rules under which LAs have to explain their plans to bring the DSG back into balance should it be in deficit. This change is due to the increasing number of LAs who are now incurring a deficit on their overall DSG, largely due to overspends on the High Needs block. Lincolnshire is not currently in this position, however the DSG in particular the High Needs block needs to be carefully and prudently managed to ensure a deficit is not incurred, especially in light of the uncertainty regarding High Needs block protection funding post 2019/20 and the growth in demand and complexities of young people.

Budget Setting Review

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

- The LA continues to encounter growth in the costs of top up funding for Education Health Care plans in the mainstream sector due to increases in pupils in meeting the threshold, and targeted funding for schools with a high incidence of high needs pupils. Officers are continuing to refine the budget and forecast process to ensure a more accurate position can be obtained of potential costs in 2019/20 and beyond.
- The LA continues to encounter growth in the number of places for special schools due to the complexity of children's needs. The LA ensures that place numbers reflect the current pupil numbers in special schools, however the number of places required has increased from 1,783 to 1,846 (3.5% increase) from 2018/19 to 2019/20. The special schools pupil band moderation is subject to annual review which is presently being compiled, however the recent trends has shown an increasing complexity of pupil needs within special schools.
- Home Tuition – new agreements have been made for widening the remit of the County's home Tuition Service. Referrals from SEND, Inclusion & Attendance, and Admissions are anticipated to increase by 31.25% in 2019/20, which will place a significant pressure on the Home Tuition budget in terms of both teaching staff levels and office-based staffing levels.

The demand-led nature of the high needs budgets require 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 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 2019/20 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 significant growth for pre-16	<ul style="list-style-type: none"> • The budget is essential so that the LA can fulfil its strategic and statutory responsibilities to provide sufficient school places for pupils in Lincolnshire. • 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. • This budget is to fund both explicit and implicit growth (as detailed above). Implicit growth funding is allocated through the LAs Authority Proforma Tool. • Lincolnshire has a Schools Reorganisational Policy to allocate funding to both the primary and secondary sector. • 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. • It will continue to be the case that funding could be allocated to maintained schools or academies. • 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. • At the time of writing this report, work is underway in calculating and checking growth allocations to individual schools. The LA has therefore set the budget as per the funding received within the DSG to allow for explicit and implicit growth, lagged funding and to allow for the management of any pressures within this budget. 	£3.538m

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>	
Admissions	<ul style="list-style-type: none"> The LA has a statutory duty to operate the admissions arrangements in county schools. Without this budget, the LA would be unable to fulfil its statutory duties. 	£0.527m
LA Retained Duties for all schools	<ul style="list-style-type: none"> This relates to the statutory responsibilities LA's hold for all schools. The retained duties rate includes: <ul style="list-style-type: none"> Statutory & Regulatory Duties: revenue budget preparation, preparation of income & 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. Education Welfare: functions in relation to the exclusion of pupils from schools, and school attendance. Asset Management: management of the LA's capital programme; 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. 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. 	£1.530m
Servicing of the Schools Forum	<ul style="list-style-type: none"> Historically, the cost has been very modest. Without this budget, the Schools Forum would find it difficult to operate effectively. It is proposed that the same budget for 2018/19 is set for 2019/20. 	£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"> The budget continues to fund an aggregated broadband provision to all schools (including 	£1.350m

	<p>academies).</p> <ul style="list-style-type: none"> • The LA through its decision making process triggered the full three year extension, which means all schools will continue to receive the consolidated core schools broadband contract to 31 October 2022. • Schools Forum approved the LAs proposals for schools broadband on the 11 October 2018. • As part of the CSSB historic commitments the budget cannot increase above that set in previous years. 	
Private Finance Initiative (PFI) Schemes	<ul style="list-style-type: none"> • This funds the PFI contractual commitments for the seven schools built under PFI a decade ago. • Without this budget, the LA would be unable to finance the on-going costs of these historic, contractual commitments. • The contract is in place until 31st August 2032. 	£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. In accordance with established practice, the LA will report to Schools Forum in June 2019 the final budgets for 2019/20, as set out in Section 251 budget statement which has to be published by 30 April 2019. Any material changes from the figures reported here will be communicated to the Schools Forum at that time.

Members of the relevant sections of the Schools Forum agreed the de-delegation of a number of budgets at its meeting on 26 June 2018. Those decisions will be reflected in the LA APT that will be submitted to the DfE on the 21 January 2019.

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 Services

The Executive are currently consulting on a single year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from the government. 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 that the Council has not considered it practicable to develop sustainable long term financial plans into the next decade. Work on this has started and will continue next year as information starts to emerge about the future funding framework.

The Council's total income is £441.707m in 2019/20 with planned expenditure including cost pressures and savings of £460.064m. This creates a budget shortfall of £18.357m, which is to be met from the use of one-off reserves. At the time of writing this report, work continues in terms of finalising the Council's proposed budget for 2019/20.

The situation for the Council continues to have a significant bearing on Children's Services budget of £112.752m. 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 a growth in children meeting the social care threshold and an increase in the complexity of children requiring specialist support.

In summary, the Council faces very significant financial challenges beyond 2019/20 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 2019/20 funding including amendments to the DfE's School and Early Years Finance Regulations, to ensure full compliance is achieved in 2019/20.

The APT for mainstream school budgets is due to be sent to the DfE by 21 January 2019.

Under the DfE regulations, the LA is required to publish schools budgets (excluding sixth form funding) by 28 February 2019.

The DfE will continue to work with stakeholders and experts to consider technical improvements to the following factors:

- Growth: the DfE will continue to explore options for developing the approach to growth funding in the future including the potential use of projections and in-year adjustments.
- Mobility: the DfE intend to work on developing an accurate and robust indicator of mobility to replace the use of historic spending patterns for this factor in 2020/21.
- Premises including PFI: the DfE will explore how funding for these factors could be allocated according to a formula in the future.
- Low prior attainment: the DfE will investigate further long-term changes to improve the targeting of funding to need, including the possibility of tiering the secondary low prior attainment factor.
- Sparsity: the DfE will review how the distance measure used in sparsity funding could be refined in the future.

Officers will contribute to any consultations regarding the above changes.

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	School Reorganisational Policy (Primary) and (Secondary)

Background Papers

Document title	Where the document can be viewed
Schools Broadband Services	http://lincolnshire.moderngov.co.uk/documents/g5163/Public%20reports%20pack%2011th-Oct-2018%2013.00%20Lincolnshire%20Schools%20Forum.pdf?T=10
De-Delegation of Maintained Primary School Budget 2019/20 and 2020/21	http://lincolnshire.moderngov.co.uk/documents/s22852/8.0%20De-delegation%20of%20Maintained%20Primary%20School%20Budgets.pdf
Schools Funding Arrangements 2018/19	http://lincolnshire.moderngov.co.uk/documents/s20941/Schools%20Funding%20Arrangements%20201819.pdf
National Funding Formula for Schools (December 2017)	http://lincolnshire.moderngov.co.uk/documents/g5194/Public%20reports%20pack%2011th-Dec-2017%2014.00%20Lincolnshire%20Schools%20Forum.pdf?T=10

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