

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

Report to:	Lincolnshire Schools' Forum
Date:	10 October 2019
Subject:	Revised Schools Budget 2019/20

Summary:

The purpose of this report is to notify the Schools Forum of the revised Schools Budget for 2019/20 and to seek support for the proposed use of the underspending from 2018/19.

Recommendation(s):

Schools Forum is asked to:

- (1) note the contents of the report, and
- (2) support the Local Authority's proposed development, and support the proposals for use of the uncommitted sum, as outlined in section 5.

The views of the Schools Forum will be reported to Children's Services Directorate Leadership Team and Executive Councillor for Children's Services before final decisions are made.

Background

1. The Dedicated Schools Grant (DSG) is a ring-fenced grant that can only be spent for the purposes outlined in the Department for Education's (DfE's) School's and Early Years Finance (England) Regulations.

A revision to the Schools Budget is necessary each year to reflect the under or overspending arising on the DSG in the previous financial year and adjustment to the DSG once the Early Years figures have been confirmed. Under DfE' regulations, underspendings are carried forward automatically to the following financial year and the Local Authority (LA) must consult with the Schools Forum over its plans to utilise underspendings, or address overspendings.

The carry forward for 2018/19

2. The cumulative underspend carried forward at 31/3/19 was £18.187m before accounting for existing commitments of £7.233m. The uncommitted sum of £10.954m represents 2% of Lincolnshire's 2019/20 overall DSG (£560.080m). This reflects the net underspendings of £6.082m¹ on budgets in 2018/19 held centrally within the DSG. Details are set out per block in Appendix A.

Existing commitments

3. A thorough review of commitments has taken place and prudent estimates of those have been made. They total £7.233m. Details are set out in Appendix B. Some commitments are earmarked but cannot be fully quantified at this stage, however as work streams are finalised or the government's position is confirmed, spending will start to take place.

Proposed developments

4. The LA is proposing to capitalise £5.000m of the DSG underspend to support the implementation of the Building Communities of Specialist Provision Strategy. This strategy is to transform SEND support for local children and young people. The strategy will bring £58.220m of major improvements to Lincolnshire special school buildings to ensure they have the right facilities to meet all types of need including special schools having greater capacity to meet the increasing demands for places in Lincolnshire. This strategy will create an integrated system where pupils attend their nearest school, and are confident their education, health and care needs will be met fully. The LA strongly believe this will not only achieve greater outcomes for Lincolnshire pupils, but also be an effective invest to save approach in managing the pressures within the High Needs block², which many LAs across the country are overspending on. It is important for Lincolnshire to continue securing value for money within these demand-led budgets and within the finite funding resource we have available.

The government has allocated funding to LAs through the special provision capital fund to invest in improving the quality and range of provision for children and young people with SEND aged 0-25. Lincolnshire's share of the government's £365m investment nationally between 2018/19 to 2020/21 is £3.929m. The LA continue to make representation to the department that the current capital investment allocated to LAs falls significantly short of the funding required to transform local SEND infrastructures. The LA has developed plans to deliver the capital infrastructure from earmarked funding (from a number of funding streams) and anticipated future funding over the project period.

In the latest round of government free school applications, Lincolnshire was unsuccessful in its special free school application for Lincoln. This was a major

¹ In December 2018, the Secretary of State for Education recognised the pressures that all LA's were witnessing in relation to High Needs, he therefore announced LA's would receive additional High Needs funding of £125m in 2018/19 (Lincolnshire's allocation of £1.533m is included within the overall reported underspend.) The in-year underspend also takes into account the early years adjustment of an additional £0.402m into Lincolnshire's DSG – the LA was informed in July 2019.

² This cost avoidance measures will reduce the requirement on expensive out of county specialist placements.

disappointment to the LA. To support the fulfilment of the strategy including the Lincoln area place requirements, and secure the funding now, the LA is seeking to utilise the DSG funding to contribute towards the major improvements to Lincolnshire special schools.

Proposals for use of the uncommitted sum

5. The cumulative underspend (£18.187m) less existing commitments (£7.233m) and proposed developments (£5.000m) leaves £5.954m. However, as stated in paragraph 3 above, there are likely to be other commitments that arise during the year within the schools arena that the LA will be required to respond to. There is also great uncertainty at a national level due to Brexit and the political environment, which could still have an impact on future funding levels, therefore a degree of prudence is required. Allowing for the proposed developments, the remaining £5.954m figure represents only 1.06% of Lincolnshire's 2019/20 DSG.

The DfE continues to review the four blocks (Schools, Central School Services, High Needs, and Early Years) that make up the DSG. Each of the four blocks of the DSG is now determined by a separate national funding formula. The areas of financial risk (for affordability purposes) include:

Schools block

- The LA Primary and Secondary Units of funding used to finance the schools block, which schools calculations are based on, are based on the previous years' data / characteristics. This therefore does not take account of up to date pupil characteristics and any associated costs. Such costs have to be managed within the Schools block.
- The DfE continues to use historic spending to finance some school formula factors e.g. premises, such as rates adjustments. This time lag does not take account of current year rises in costs (particularly for rates' rises) therefore such cost increases have to be managed within the existing funding levels. The in-year rates adjustments are currently met by one-off DSG reserves.

Central Schools Services block (CSSB)

- The CSSB funds the LAs ongoing responsibilities and historic commitments for its schools. The government has previously indicated that historic commitments funding will reduce as contracts come to an end. From 2020/21, the government intend to reduce the historical commitments funding allocations where LAs expenditure has not reduced to support its drive towards the move to the 'hard' national funding formula. Funding levels for historic commitments from 2020/21 remain unclear³.

³ On the 11 October 2018, Schools Forum agreed to earmark funding for the core school broadband service from the DSG underspend to manage the financial risk of historic funding levels being reduced by central government before the ending of the contract in 31 October 2022.

Early Years block

- The DfE has confirmed the intention to continue with the 'supplementary funding' for nursery schools until at least the summer 2020, whilst research is undertaken on the cost structure. A government report is planned for later in the year, however future funding levels continue to remain unclear. Financial certainty and stability of Lincolnshire's maintained nursery schools is needed.

High Needs block

- There a number of budgets within the High Needs block that are large, demand-led, and can be difficult to estimate (e.g. Special Educational Needs & Disability (SEND) related budgets, including out of county placements, top up funding for Education Health Care 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 in Lincolnshire for more specialist support for young people which is having a material financial impact on the High Needs block. It is expected that it will be a much tighter financial environment going forward for high needs services. The SEND strategy has also identified a need to increase special schools capacity over the next five years to respond to the increased demands. The LA is currently working with school leaders and health colleagues to consider how best we address the increasing proportion of pupils not being educated in mainstream settings.
- In 2019/20, Lincolnshire will continue to be in receipt of protection funding when comparing the national funding formula to Lincolnshire's current High Needs block. Lincolnshire's protection funding is £5.776m when comparing to the national funding formula, and this is before considering the temporary funding of £1.533m allocated in 2018/19 and 2019/20⁴ to Lincolnshire. The recent announcement of £700m for High Needs block funding is welcomed news for LAs to ensure funding levels are more aligned to spending commitments, as a result of the growth and complexity of pupils requiring additional support. The provisional DSG allocations are planned to be published in October. There is however an inherent risk that the LA could face incremental reductions in protection funding, as LAs are required to transition to the national formula.
- The DfE are continuing to consult with LAs, hospital schools and other interested parties on options for the funding of hospital education. The DfE have stated it remains their intention to introduce a formulaic hospital education factor in the high needs National Funding Formula in future years, that takes into account both LA spending data and NHS data and therefore better responds to the number of patients needing education. The DfE have confirmed there will be no further changes for 2019/20.

⁴ Additional one-funding of £125m for High Needs funding has been made available in 2018/19 and 2019/20 This was announced by the Secretary of State for Education in December 2018, and was in recognition of the growing demands facing SEND.

Conclusion

An increasing number of LAs are now incurring a deficit on their overall DSG account, largely because of overspends on their High Needs blocks. The department has tightened up the rules under which LAs have to explain to the DfE their plans for bringing the DSG account back into balance. Lincolnshire is currently not in this position, however expenditure is forecast to grow, and therefore the position needs to be carefully and prudently managed. The uncertainty at a national level with Brexit and the political environment could still impact future funding levels within the DSG, hence the prudent approach being applied.

The LA proposes that the remaining sum is not committed and held in reserves due to the anticipated growth in costs in the area of SEND and the much tighter financial environment expected going forward.

The LA has the ability to transfer up to 0.5% of the Schools block funding to an alternative block (such as High Needs) following consultation with all schools and academies, to manage unfunded cost increases. The LA is not proposing to move funding from the Schools block in 2020/21. The LA would wish to retain the financial capacity within DSG reserves to temporarily manage such unfunded cost pressures (when they arise) providing time for the LA to respond in a planned manner, rather than seeking to transfer funding away from the Schools block, which is taking place across a number of LAs across the country.

The LA must act prudently and avoid overspending the DSG.

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	Central DSG Budgets 2018/19 - explanations of major under an overspendings.
Appendix B	2018/19 DSG commitments

Background Papers

Document title	Where the document can be viewed
Revised Schools Budgets 2018/19 – October 2018	http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5163&Ver=4

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