

Agenda Item 6



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

Report to:	Lincolnshire Schools' Forum
Date:	20 January 2022
Subject:	School Funding Arrangements 2022/23

Summary:

The purpose of this report is to brief the Schools' Forum on the school funding arrangements for 2022/23.

Recommendation(s):

The Schools' Forum is asked to:

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

The views of the Schools' Forum relating to the proposed schools funding arrangements for 2022/23 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 and its purpose is 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 73 out of 150 LAs have however mirrored the NFF in 2021/22. 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 has been received. It currently remains the LA decision on setting its schools funding formula within the DfE's funding framework.

In 201/22, Lincolnshire continues to replicate the monetary values of the NFF factors, however due to the significant increase in Free School Meals (FSMs) recorded on the October 2020 census resulting from the pandemic, of which LAs were expected to finance this increase through its 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. This decision was made by the Executive Councillor on the 20 January 2021.

School funding announcements

On 19 July 2021, the Government announced its funding intentions for 2022/23 including the publication of the Schools Revenue Funding 2022/23 Operational Guidance and the provisional Dedicated Schools Grant (DSG) allocations for 2022/23. 2022/23 is the final year of the three-year funding package for schools (aged 5 to 16), which included a £7.1bn funding increase compared to 2019/20 levels, or a £2.6bn increase from 2021/22. A report presented to the Schools Forum in October 2021 detailed the amendments to schools funding arrangements for 2022/23 (see agenda item 6 of the October 2021 Schools Forum).

An updated version of the government's schools NFF funding intentions and DSG settlement were released on 16 December 2021, and as expected there were minimal changes to the version published in July. The DSG settlement included updated datasets.

The Government has however announced as part of the spending review that additional funding to the DSG allocations will be made out to the schools sector to support with unforeseen costs, such as the Health and Social Care Levy. Nationally, mainstream schools will receive an additional grant in 2022/23 worth £1.2bn, and £325m will be made available to LAs to support high needs spending. More information is included within the Supplementary Funding section of the report.

2022/23 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 2021 are set out below:

Table 1: Lincolnshire's 2022/23 DSG allocations:

Block	Lincolnshire (£m)
Schools Block	518.089 ¹
Central School Services Block	4.950 ²
Early Years block	40.976 ³
High Needs block	111.161 ⁴
Total	675.176

Overall Assessment

Lincolnshire's overall funding levels across the four blocks have increased in 2022/23.

The Schools block is allocated to LAs to fund schools delegated budgets. The key NFF Schools block funding updates include: the increase in pupil-led formula factor values by 3%; each school receiving 2% more for pupil-led factors compared to 2021/22; an increase in the minimum per pupil formula factor and an increase in the sparsity factor of up to £10,000.

The High Needs block has seen an increase due to the funding floor being set at +8.0% compared to the prior year's funding levels.

The initial DSG allocation for 2022/23 compared to 2021/22 has seen an increase of c.4.50% (£646.119m in 2021/22⁵).

Schools block

LA Schools block allocations are calculated by aggregating schools' notional allocations under the NFF. Schools block allocations are expressed as separate per pupil primary and secondary rate for each LA. Both the primary and secondary ranked positions for Lincolnshire have improved from a national context (out of 150 LAs) for 2022/23. Although the rates have increased, they are however still below the England national average, as a result of the indices being used:

¹ This includes Growth and Premises funding of £9.507m. Within this budget there is £4.837m of non-domestic rates funding that the LA expects to be recouped from the LA due to the changes in the funding of non-domestic rates from 2022/23.

² This includes £3.527m for the LAs ongoing responsibilities for school central services and £1.423m funding for historic commitments.

³ This includes indicative allocations of £24.429m for 3 & 4 year old funding (up to 15 hours); £10.741m for additional 15 hours entitlement for eligible working parents of 3 & 4 year olds; £4.616m for disadvantaged 2 year old funding; £0.537m for early years pupil premium funding; £0.237m of disability access funding and £0.416m supplementary funding for maintained nursery schools.

⁴ This includes the actual High Needs allocation through national funding formula £98.978m; basic entitlement £10.755m, the provisional import / export adjustment of -£1.269m and Hospital education and AP teachers' pay grant and teachers' pension employer contribution grant of £2.697m.

⁵ The final 2021/22 DSG allocation.

2021/22	Lincolnshire's Unit of Funding	England National Average	Difference	Rank
Primary	£4,570	£4,665	-£95	81
Secondary	£5,724	£6,046	-£322	50
2022/23				
Primary	£4,735	£4,786	-£51	96
Secondary	£5,899	£6,213	-£314	54
Difference				
Primary	£165	£121	£44	15
Secondary	£175	£167	£8	4

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. Following a consultation on the methodology of paying rates bills, the process will change for 2022/23. Rates will be paid by the Education and Skills Funding Agency (ESFA) directly to billing authorities on behalf of all maintained schools and academies. Officers are awaiting further guidance regarding how schools and academies should treat this cost in their financial accounts.

LAs will receive growth funding via a formulaic method based on the actual growth in pupil numbers experienced from the October 2021 census and the prior year census. The allocation will however not take into account any known growth in pupil numbers expected in 2022/23.

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 as part of the School Funding Arrangements 2019/20 paper. 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. The DfE has continued to fund in the CSSB the cost of centrally employed teachers' employer pension

increases. Lincolnshire's CSSB 2022/23 allocation is £3.526m for ongoing responsibilities, which is comparable to 2021/22.

- 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 2021/22 baselines, which will result in a reduction of £0.356m for the LA in 2022/23. 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 2022/23 funding levels will be sufficient to meet next year's historic commitments.

High Needs block

The basic structure of the High Needs national funding formula for 2022/23 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.

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 8% per head in 2022/23 compared to their 2021/22 funding baseline level⁶. The High Needs block allocation is £111.161m for 2022/23, which is a rise in funding of £8.497m from the prior year. Lincolnshire will receive protection monies of £8.807m within its High Needs block allocation. LAs are still however waiting for the outcomes of the DfE 2019 SEN review and Call for Evidence exercise, which are fundamental to securing a long-term financial plan for high needs.

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 is being seen in Lincolnshire, with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a significant financial risk, particularly at a time of growing demands. Like many LAs,

⁶ The baseline used for the funding floor and gains calculation in 2021/22 is an LA's actual high needs allocations in 2021/22 less the Basic Entitlement of Funding and import / export adjustments.

Lincolnshire faces a significant challenge in establishing a sustainable High Needs block budget going forward.

Transformational work commenced in 2019 to consider the way partners across Lincolnshire work together to support children and young people with SEND. Key activities to support this strategy include SEND Advice line (SALL); rollout of the Valuing SEND; revised graduated approach guidance; strengthening the Local Offer; a new performance framework, to name a few. This transformational work is starting to have an impact and is intended to secure further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is more financially sustainable within its central Government allocation. The Building Communities of Specialist Provision Strategy is also part of the work to secure improved value for money.

Lincolnshire's special schools funding formula is currently being reviewed and refined as a matter of best practice for 2022/23. Engagement with the sector and a sector working group have been undertaken during 2021. The current funding formula is robust and is underpinned by key cost drivers and their costs based on theoretical school models. The formula has been as a result of extensive consultation with special school leaders and other parties over the years. The last significant change to the formula was made in 2018/19. The underlying principles and formula factors will remain in place for 2022/23 but the formula will respond to the inflationary cost rises facing the sector, and refinements to the formula to maintain fairness in its distribution to reflect current needs and practices, which will support the ambitions of 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.

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 2022/23 to £4.61 per hour. LAs are required to have a universal rate for all providers of early years entitlement, and 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.

As part of the 2021 Spending Review the Government confirmed the continuation of maintained nursery schools supplementary funding throughout the Spending Review period, giving the sector a level of certainty over the medium-term. For 2022/23, the Government will financially support an increase in funding for the maintained nursery schools. This is an important step forward for maintained nursery schools and is the first

year of increased hourly rate funding since 2016/17. The LA will work with the ESFA and the sector to agree its base funding levels for 2022/23.

The Schools Forum paper on the Early Years National Funding Formula paper sets out the funding proposals for 2022/23.

Pupil Premium announcement

Pupil Premium will continue in the 2022/23 financial year. Funding for 2022/23 will increase in line with the latest inflation forecasts:

1. £1,385 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. £985 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. £2,410 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. £320 per pupil for Service Premium. Eligibility criteria includes one parent serving in the regular armed forces.
5. £0.60 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 £2.34 for the 2021/22 academic year. Rates for 2022/23 academic year have not yet been published.

Supplementary Funding

The Autumn 2021 spending review confirmed schools supplementary grant funding for 2022/23. In addition to the DSG, nationally mainstream schools will receive an additional grant in 2022/23 worth £1.2bn. The grant is being provided in respect of the Health and Social Care Levy, however primary and secondary schools can use the grant towards other cost pressures. Schools will have flexibility to prioritise the spending of this grant to best support the needs of their pupils and staff.

The grant will continue in each year of the spending review period, although it is categorised as a separate grant for 2022/23. The ESFA have indicated they intend to incorporate the funding into schools core funding from 2023/24 where possible, for primary and secondary schools this will mean incorporating into the NFF for 2023/24.

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

- Basic per-pupil rate of £97 for primary pupils

- Basic per-pupil rate of £137 for key stage 3 pupils
- Basic per-pupil rate of £155 for key stage 4 pupils
- Lump sum of £3,680 per school
- FSM6 per-pupil rate of £85 per eligible primary pupil
- FSM6 per-pupil rate of £124 per eligible secondary pupil

The base per-student funding rate for 16-19 provision in schools, including 16 to 19 schools and academies, will be £35 per student.

The base per-pupil funding rate for early years provision in schools, and for maintained nursery schools, will be £24 per pupil.

School-level allocations and the conditions of the grant will be published in Spring 2022, for Lincolnshire this will be £15m.

An additional allocation on top of the published DSG High Needs block allocation has also been announced to support additional costs LAs and schools will face in the coming year, which were not foreseen in the original High Needs block publication, including the Health and Social Care Levy. Of the overall national distribution of £325m, Lincolnshire will receive £4.082m in 2022/23. At the time of writing the report, officers are currently considering the position. Engagement with the sector will take place to ensure unforeseen cost pressures are supported including using objective mechanisms for allocating funding.

The schools supplementary grant will only be payable to public sector employers. This means that further education colleges, sixth form colleges, independent learning providers, as well as private and voluntary sector early years providers will not be eligible to receive this funding.

DSG School Budgets 2022/23

The LAs proposals are to continue adopting the NFF in 2022/23 (subject to affordability) by adopting the following:

- Key formula factors will increase by 3% in monetary value.
- A positive minimum funding guarantee of +2.0% per pupil protection (subject to affordability). The MFG range is between +0.5% and +2.0% per pupil in 2022/23
- No gains ceiling cap (subject to affordability).
- The minimum per pupil funding levels will be set at £4,265 for primary schools and £5,525 for secondary schools.
- Adoption of the increase in Sparsity Funding to a maximum of £10,000 per school.
- Adoption of the new methodology of the payment of non-domestic rates bills. Officers are awaiting further guidance regarding how schools and academies should treat this cost in their financial accounts under the new payment methodology.

Appendix A provides a funding comparison of the NFF factors from 2021/22 to 2022/23.

The fundamental principles of the NFF are not changing for 2022/23. The formula refinements from the DfE are recognising inflationary rises (namely, key formula factors in the NFF will increase by c.3%), and changing of the sparsity measure to road distance, an increased maximum funding allocation and tapering methodology. These sparsity changes better reflect sparsity challenges and are seen as positive steps to better reflect costs that will be incurred by schools. This is an important step forward for Lincolnshire's small and rural schools.

The sector and Schools Forum have previously 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.

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 2022/23, 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 are 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 21 January 2022. This therefore left 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; considering other DSG budget in the Schools block and Central Schools Services block, and the ceilings cap have been the preferred solutions. The latter being what the DfE used to introduce the NFF in 2018/19. The LA would favour adopting the same approach and principles, if affordability issues arose for 2022/23. At the time of writing the report, officers were still working on completing the APT and therefore cannot confirm the affordability position. The affordability position will be shared with the Schools' Forum on the 20 January 2022 meeting including the mitigating measures to address this and the schools impact, if applicable.

DSG Central Budgets 2022/23

As stated in previous years, it is important that the LA takes a prudent approach to the setting of central budgets within the DSG. Following the £0.719m Early Years clawback mechanism for 2020/21 reflecting the January 2021 data, the net overspend on the DSG for 2020/21 increased to £1.861m. 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 2022/23, financial sustainability in the medium term is unclear.
5. The government has consulted on amendments to the conditions of the DSG for LAs 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

Where a LA has a substantial in-year overspend or cumulative DSG deficit balance at the end of the financial year, a LA management plan should bring the overall DSG account into balance within a timely period. The ESFA has published a deficit recovery plan format for applicable LAs to complete. The report must be discussed with Schools Forum and signed by the Chief Finance Officer.

It has previously been reported to the Forum that an increasing number of LAs are incurring a deficit on their overall DSG, largely due to overspends on their High Needs block. Some of these DSG deficit balances are material in value. The ESFA has agreed financial support to selected LAs that have the highest DSG deficits. Under these agreements, those councils are expected to agree to a plan of action to make them more sustainable in the long-term and stop deficits growing.

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 demand-led 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 2022/23.

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:

Budget	Key points	Proposed budget 2022/23 £
	<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"> • 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 Re-organisational 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 LAs 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 validating growth allocations to individual schools. The LA has therefore set the budget as per the funding received within the DSG until the position is clear. 	£3.480m

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

Budget	Key points	Proposed 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"> 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. 	£0.646m
SACRE	<ul style="list-style-type: none"> 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). 	£0.030m
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: 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 is set for 	£0.020m

	2022/23 as set for 2021/22.	
Centrally employed teachers' employer pension contributions	<ul style="list-style-type: none"> 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). This budget supports the additional cost for centrally employed teachers'. 	£0.342m

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

Budget	Key points	Proposed budget 2022/23 £
	<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 supports the final 7 months of the contract for the aggregated broadband provision to all schools (including academies) ending on the 30 October 2022. From 1 November 2022, in accordance with the DfE conditions on the ending of historic commitments, schools will be required to fund the costs of broadband provision going forward through a direct relationship. The LA is undertaking a tendering exercise following the decision by the Council to procure a new contract for managed connectivity services for use by the Council, districts and schools to procure, to retain high quality services and also achieve a competitive market price. An update letter has been shared with all schools on week commencing the 10 January 2022. 	£0.643m
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. In response to the government's changes to historic funding levels, the LA created a 	£0.573m

	<p>mainstream schools PFI formula factor in 2020/21 to support the affordability gap / unavoidable costs.</p> <ul style="list-style-type: none"> • The remaining sum of £0.573m will meet the affordability gap / unavoidable costs for the four special schools built under PFI. 	
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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 2022 the final budgets for 2022/23 as set out in the Section 251 budget statement which has to be published by 30 April 2022. 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 delegation of a number of budgets at its meeting on 7 October 2021. Those decisions will be reflected in the LA APT that will be submitted to the DfE on the 21 January 2022.

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.

School Improvement Monitoring and Brokering Grant

The Department for Education (DfE) launched a consultation between 29 October to 26 November 2021 on removing the funding for Local Authorities School Improvement Monitoring and Brokering Grant for school improvement activities supporting maintained schools. The estimated grant value had expected to be £0.585m in 2022/23. The DfE consultation proposed a 50% reduction in 2022/23 and the removal of the funding entirely in 2023/24. The Council has responded strongly to this consultation opposing such a

change, as have Council's across the country. The Council has raised concerns over the rationale of removing the grant funding; the inequity this will provide when comparing the Regional Schools Commissioner role in supporting academies; the short timescales for responding to such a significant change in funding; the impact this will have on maintained schools including our small schools, and the Council does not agree with the DfE solution of maintained schools bearing an additional financial burden on their schools budgets. The Council considers its investment in the education sector as a strategic priority to enable all children to prosper across all Lincolnshire schools, and supports the continuation of the current delivery, which is considered a lean school improvement support model. The Council has an important role in driving standards and joined up arrangements in the local area, which has been evident throughout the pandemic in supporting all schools on the ground when they most needed it. The DfE confirmed on 11 January 2022 that following consultation it intends to press ahead with these reforms. The Council overall will manage the impact of these grant funding changes.

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. This is reflective of the fact that the provisional Local Government Finance Settlement only covers one year and the continuing financial uncertainties about our future levels of funding.

At its meeting on the 5 January 2022, the Executive approved the proposals for the Council's revenue and capital budgets to be put forward as a basis of consultation.

For 2022/23 the budget is balanced, however in 2023/24 there is a budget shortfall of £9.335m, in 2024/25 there will be a budget shortfall of £6.480m, and in 2025/26 a budget shortfall of £6.909m. The budget includes unavoidable cost pressures which will support the delivery of Council services, and a number of savings and efficiencies which do not impact negatively on services.

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

- Children in Care (CiC): a £3.013m proposed cost pressure reflecting the impact of the pandemic from increased CiC numbers, which has also been seen nationally, and a requirement to secure more specialist external placements.
- Home to Schools Transport: a £6.546m cost pressure for the delivery of home to schools transport to meet the LAs statutory and policy requirements due to challenging market conditions and circumstances.

Transformational activity is taking place in both of these work streams.

Next Steps

The LA has received the final version of the APT that includes October 2021 census information including new sparsity information (based on the new methodology of calculation), and the rise in FSMs through the pandemic 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 ESFA by 21 January 2022 for compliance.

School budget shares must be published by 28 February 2022.

The Government has conducted its initial consultation on how further reforms to the NFF can be implemented with the intention of moving to a 'hard' formula. The proposals suggest that the DfE would set the formula for all schools, removing all LA responsibility in the setting of school budgets. The LA has responded to this initial 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. 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 engage in dialogue with the ESFA regarding the treatment of non-domestic rates for 2022/23.

Officers will continue to review the Government's publications that implicate 2022/23 funding including amendments to the DfE's School and Early Years Finance Regulations, to ensure full compliance is achieved in 2022/23.

Conclusion

The LA plans to continue adopting the NFF in 2022/23 (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 ongoing work to secure the financial sustainability of the DSG. The LA will report to Schools Forum in June 2022 the final budgets for 2022/23.

The funding announcements of increased per pupil funding and additional supplementary 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 2022/23 will be finalised during the completion of the APT that contains the latest census information. The preferred options for addressing affordability have been outlined in the body of the

report and school impact analysis will be carried out to support this.

CSSB historical commitment funding reductions will continue to be reviewed including having dialog with the Department to secure a long-term solution for the PFI contract ending in August 2032.

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 on the HN 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 or progress against our ambitions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Funding comparison of the NFF factors from 2021/22 to 2022/23

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
Schools Broadband Services	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=166&MId=5163&Ver=4
De-Delegation of Maintained Primary School Budgets 2022/23 and 2023/24	(Public Pack)Agenda Document for Lincolnshire Schools' Forum, 07/10/2021 13:00 (moderngov.co.uk)
National Funding Formula for Schools – Update for 2022/23	(Public Pack)Agenda Document for Lincolnshire Schools' Forum, 07/10/2021 13:00 (moderngov.co.uk)
School Funding Arrangements 2021/22	(Public Pack)6.0 School Funding Arrangements 2021/22 Agenda Supplement for Lincolnshire Schools' Forum, 14/01/2021 13:00 (moderngov.co.uk)

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