

## **LANCASHIRE SCHOOLS FORUM**

**Date of meeting 17 October 2019**

### **Item No 6**

#### **Title: Recommendations of the Schools Block Working Group**

**Appendices A and B refer**

#### **Executive Summary**

On 24 September 2019, the Schools Block Working Group considered a number of reports, including:

- Update to Bank Account Guidance;
- Schools Block Funding 2020/21;
- 2020/21 De-Delegation Proposals;
- Split Site Policy Update;
- DfE Consultation Financial transparency of local authority maintained schools and academy trusts;
- High Needs Block Provision Task and Finish Group Report.

#### **Recommendations**

The Forum is asked to:

- a) Note the report from the Schools Block Working Group held on 24 September 2019;
- b) Ratify the Working Group's recommendations.

## **Background**

On 24 September 2019, the Schools Block Working Group considered a number of reports. A summary of the key issues and recommendations arising from the Working Group's considerations of the items are provided in this report.

### **1. Update to Bank Account Guidance**

The County Council has been reviewing the Guidance Notes for the Operation of Schools Local Bank Accounts, which includes a proposal to introduce a Cash Flow Advance Loan proforma.

Bank account arrangements include 2 charges first introduced in April 2017, following consultation with the Forum. These were:

- A charge for establishing a new school bank account;
- An annual maintenance charge for operating a school bank account.

The charges were introduced in order to obtain a contribution to the additional costs incurred by the County Council in establishing and maintaining school bank accounts, but did not provide full cost recovery.

At the time of introduction, it was also noted that there was still a cost saving in operating a bank account compared to the relevant charges levied to non-bank account schools for the services they receive from the County Council, for example the Accounts Payable SLA charges non-bank account schools to process invoices and to operate an imprest account. Although it was acknowledged that schools take on additional responsibilities internally when they operate a local bank account.

At April 2017, the charges levied for bank account schools accounted for approximately 50% of the estimated cost to LCC. The charges have subsequently been increased and currently stand at:

- £500 to set up a new school bank account;
- £350 annual maintenance charge for operating a school bank account.

In reviewing the charges for the next financial year, some key factors have been considered:

- Recently, schools establishing a bank account have needed considerable additional support over and above that originally envisaged in setting the charge. This has particularly involved additional work for Schools Financial Service (SFS) staff to visit the schools and rectify problems and ensure that relevant returns are submitted to the County Council, as required by the Scheme for Financing Schools;
- The maintenance charge is still not achieving full cost recovery.

In response to these issues, the following charges are proposed for April 2020:

#### *Set up a new school bank account – Proposed 2020/21 Charge £1,000*

A charge of £1,000 will be made prior to 31 March in the year of application. In addition to the existing training and support, schools will receive extra support from a nominated schools finance officer in operating a new bank account. This support will include:

- Onsite training prior to 31 March;

- First two months reconciliation to Oracle and submission of month end files to the Authority.

This enhanced service, which includes additional on-site support from SFS, should enable schools to transition more smoothly into the operation of their new bank account without placing considerable unscheduled demands on the service.

It was noted that schools buying into the highest level of the SFS SLA automatically receive a monthly visit from their finance officer, so would receive a discounted charge.

*Annual maintenance charge for operating a school bank account. – Proposed 2020/21 Charge £500*

An annual maintenance charge of £500 will be made via invoice in May each year.

This charge is still at a level below the average cost to a school of the Accounts Payable SLA.

Members sought clarification of the services provided, which included reconciling local bank records into the county council's accounts, investigation and correction of errors, reconciling payroll, ensuring completion of statutory VAT returns, offering support and guidance etc.

### **The Working Group**

- a) **Noted the report;**
- b) **Supported the proposed bank account charges from April 2020.**

*Subsequent to the Working Group meeting, the review of the bank account guidance has been completed and a copy of the revised document is attached at Appendix A.*

## **2. Schools Block Funding 2020/21**

On 30 August 2019, announcements from the Prime Minister set out an additional £14b of funding between 2020/21 and 2022/23, 'for 5-16 schools'.

The announcements indicated that £2.6b of the additional funding will be available in 2020/21. Funding will then increase by £4.8b for 2021/22, and £7.1b for 2022/23, compared to 2019/20. The funding includes £700m extra for children with Special Educational Needs and Disabilities (SEND) in 2020/21, although the split of funding in subsequent financial years has not been announced.

The PM's announcement confirmed future minimum pupil funding (MPF) levels for primary and secondary schools:

- For secondary schools, the MPF level will be £5,000 per pupil from 2020/21 (compared to £4,800 per pupil in 2019/20);
- The primary school MPF level will rise to £3,750 per pupil in 2020/21 and to £4,000 per pupil in 2021/22 (compared to £3,500 per pupil in 2019/20).

The Government have indicated that they expect to publish more detailed information in October 2019, which will include:

- Provisional National Funding Formula (NFF) allocations (which will be based on October 2018 pupil data).

- Local Authorities' Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF);
- The precise factor values in the schools NFF for 2020/21.

October announcements are also expected to include information about the level of Central Schools Services Block (CSSB) allocation.

Final Dedicated Schools Grant Allocations for 2020/21 are expected in December 2019.

Ahead of the October 2019 announcements, some initial information about the 2020/21 arrangements has been provided:

- Schools Block funding factors are expected to increase by 4% over 2019/20 levels, with the exception of:
  - The free school meals factor, which will be increased at inflation as it is intended to broadly reflect actual costs;
  - Premises funding will continue to be allocated at local authority level on the basis of actual spend in the 2019/20, with an RPIX increase for the PFI factor only.
- The funding floor will be set at 1.84% per pupil,
- There will be no gains cap in the NFF, unlike the previous two years, so that all schools attract their full core allocations under the formula;
- A technical change to the mobility factor is being introduced, so allocations are on a formulaic approach, rather than on the basis of historic spend;
- Growth funding will be based on the same methodology as this year, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2019/20 schools block allocation;
- LAs will continue to set a Minimum Funding Guarantee in local formulae, which in 2020-21 must be between +0.5% and +1.84%;
- LAs can transfer up to 0.5% of their School Block to other blocks of the DSG, with schools forum approval. To transfer more than this, or any amount without schools forum approval will require DfE approval.

In addition, the DfE have indicated that the teachers' pay grant and teachers' pension employer contributions grant will both continue to be paid separately from the NFF in 2020-21. The rates that determine the 2020-21 allocations will be published in due course.

The Government are also providing:

- an extra £400m for 16-to-19 education, which will include a raise to the base rate of funding, from £4,000 at present to £4,188 next year;
- an additional £66m to increase the hourly rate paid to maintained nursery schools and other childcare providers who deliver on the government's free childcare offers.

The Government announcements have indicated that they still intend to move to a 'hard' NFF and as a first step to hardening the formula, the government will make the use of the national minimum per pupil funding levels, at the values in the school NFF, compulsory for local authorities to use in their own funding formulae. DfE have launched a consultation about the methodology to be used and circumstances in which local authorities can request to disapply the use of the minimum per pupil levels. As Lancashire has already adopted the NFF methodology, including the use of the previous MPF levels, this compulsory change to the

2020/21 formula will not have significant implications and the DfE's proposed methodology seems reasonable.

A further Government consultation connected to school funding that has been issued and this relates to 'Extending the Academies Risk Protection Arrangement (RPA) to Local Authority Maintained Schools (LAMS)'. Academies are able to buy into a government Risk Protection Arrangement that offers insurance style cover. The consultation is seeking views on extending the self-insure arrangement currently operational for academy trusts (ATs) to the local authority sector.

The County Council is currently considering the implications for our school insurance arrangements.

Diocesan authorities and individual schools may also wish to submit responses to the consultation.

### Lancashire Implications of the Government Funding Announcements

As we have definitive information about the revised MPF levels, the County Council has undertaken some initial analysis around the allocations.

Table 1 below shows the number of Lancashire schools in receipt of MPF in 2019/20 and that would qualify at the revised levels, split into primary and secondary and the overall level of funding increase that would be required to meet the revised allocations compared to 2019/20. Table 2 below provides information based on the percentage of schools eligible for MPF.

<b>Table 1: Number of schools in receipt of MPF</b>	No. of primary schools to receive MPF	No. of secondary schools to receive MPF	Total funding	Difference to 2019/20
<b>2019/20</b> MPF rate primary = £3500 Secondary = £4800	38	0	£1,057,496	-
<b>2020/21</b> MPF rate primary = £3750 Secondary = £5000	121	43	£18,385,055	£17,327,559
<b>2021/22</b> MPF rate primary = £4000 Secondary = £5000	227	43	£29,713,035	£28,655,540

<b>Table 2 Percentage of schools in receipt of MPF</b>	% of primary schools to receive MPF	% of secondary schools to receive MPF	Total impact
<b>2019/20</b> MPF rate primary = £3500 Secondary = £4800	8%	0%	7%
<b>2020/21</b> MPF rate primary = £3750 Secondary = £5000	25%	52%	29%
<b>2021/22</b> MPF rate primary = £4000 Secondary = £5000	47%	52%	48%

It was noted that this modelling does not take account of the proposed increases in the other National Funding Formula (NFF) factors, which will reduce the number of schools receiving allocations based on MPF and additional modelling will be undertaken once more details are available.

We would also expect to benefit from the change to the mobility factor being introduced in 2020/21. So far, NFF allocations for this factor have been based on historic spend. As Lancashire did not use the mobility factor prior to NFF introduction we have not received any funding. We would expect to receive some mobility based allocations for 2020/21. In some cases, Lancashire schools that receive an allocation may also receive MPF funding from April 2020 and mobility allocations may not therefore increase formula levels above that already being received.

### **Future Developments**

Some brief information about other funding developments in future years has been suggested, which includes:

- Teachers Pay and Teachers Pensions Grants to be included in the NFF from 2021/22;
- Proposals are being considered to pay school rates centrally in future years.

The Working Group discussed the various DfE announcements and consultations.

The additional funding for schools was welcomed but members noted that the final impact on individual school budgets for Lancashire schools was not yet known.

In connection with the Risk Protection Arrangement, it was highlighted that the Lancashire insurance offer to schools includes a series of lots to allow schools to purchase all or some of their insurance cover from the county council, which enables aided schools to purchase their property insurance from their own diocese, but other cover can be bought from LCC. It was not clear if this facility would be available from the RPA.

There is also limited information about the claims process under the RPA and whether the provision of local integrated support for claims will be available, as is currently available from the county council. One academy representative informed the group of having used the RPA on a number of occasions and reported that the process was straightforward and prompt in dealing with claims. An offer was made to provide additional details in order to inform County Council considerations.

Individual members were encouraged to respond to the Extending the Academies Risk Protection Arrangement consultation if they had any views to express.

### **The Working Group:**

- a) Noted the report;**
- b) Encouraged individual members to respond to the RPA consultation if appropriate;**
- c) Awaited further information and modelling about the 2020/21 funding arrangements.**

Subsequent to the meeting, information was provided about the RPA claims process from an academy that had used the function for different claims types and this feedback had been provided to the LCC insurance team.

### 3. 2020/21 De-Delegation Proposals

Following reports to the Working Group/Forum in the summer term 2019, the 2020/21 de-delegation consultation has been issued to schools and a copy of the consultation document was provided for members. Some of the key issues for 2020/21 were discussed with the working group:

#### *Staff costs – Public Duties/Suspensions*

The proposals again include options around the treatment of the trade union facilities time costs, providing options to:

- Continue the 'Staff Costs - Public Duties/Suspensions' de-delegation using the same policy as 2019/20;
- Continue the 'Staff Costs - Public Duties/Suspensions' de-delegation but with a reduced Trade Union Facilities Time contribution to reflect a smaller workforce;
- Continue the 'Staff Costs - Public Duties/Suspensions' de-delegation but without any Trade Union Facilities Time contribution;
- Completely discontinue the 'Staff Costs - Public Duties/Suspensions' de-delegation.

The consultation documentation included representations on behalf of the teacher unions and from Unison.

A further element within the proposals for this de-delegation is that the costs need to rise in order to take account of a previous year overspend of circa £150k, which was attributable to the suspension element of the budget.

In order to respond to the overspend, it was proposed that the de-delegation costs would need to increase by £0.50 per pupil and £50 on the lump sum, providing the following 2020/21 de-delegation costs, for a continuation of the 2019/20 policy:

	Primary	Secondary
	£	£
Rate per pupil	3.00	5.50
Lump sum	450.00	450.00

The de-delegation costs reduce if other options are agreed from April 2020, and details were provided in the consultation document.

#### *Museum Service*

As usual, this de-delegation is provided for primary schools only and the service offer and costs are in line with those for 2019/20, with an estimate of £1.97 per primary school pupil from April 2020.

### *Support for Schools in Financial Difficulty (SIFD)*

The service offer for 2020/21 included an enhanced proposal relating to the inclusion of financial health checks for schools. Other elements of the SIFD support remain unchanged.

This enhanced proposal had been developed in response to comments from Lancashire schools and the Schools Forum and proposals in a DfE consultation on the Financial Transparency of local authority maintained schools.

In conjunction with other statutory processes, like the Schools Financial Value Standard (SFVS), it is intended that this health check will enhance the existing Lancashire SIFD processes and provide additional early warning for schools heading towards financial difficulty. The overall aim of the health check is to help prevent schools falling into a deficit budget position and/or help target additional support/training.

It is proposed that the supplementary health check service is funded by an addition to the SIFD De-delegation to ensure maximum coverage of maintained primary and secondary schools. If this service were to be offered as a further option on the SFS traded menu there is a concern that schools that would most likely gain from the health check would be the ones least likely to purchase it. The de-delegation option offers a mechanism to ensure systematic coverage of all maintained schools in the county, even those that do not currently purchase any services from SFS.

The final outcome of the DfE Financial Transparency consultation is still awaited, but the Government's documentation indicates that any new requirements would be introduced from April 2020. Costings for the Lancashire health check proposal have therefore been estimated at this point, but could be subject to change depending on the final requirements in any DfE announcements. The current estimate suggests that the addition to the charges would be £0.73 per pupil for both primary and secondary schools. This would provide a revised 2020/21 charging structure, as set out below:

	Primary	Secondary
	£	£
Rate per pupil	5.91	12.05
Lump sum	1,000.00	1,000.00

### *Primary Inclusion Hubs*

This new de-delegation is proposed for the first time for 2020/21, for primary schools only.

The consultation document provided further details of the 2020/21 proposals, which have been developed in consultation with the Forum and primary schools. The de-delegation proposals from April 2020 follow on from the 2019/20 arrangements where pump priming funding was agreed by the Forum, and included the strengthened governance arrangements discussed at previous meetings.

It was proposed that the de-delegation costs for 2020/21 would be calculated at individual school level on the basis of an amount per pupil and allocated to each district on the basis of pupil numbers (rather than a lump sum per district). This approach was favoured by the Forum to reflect the varying number of pupils being supported in different districts.



The proposed cost of this de-delegation in 2020/21 is set out below

	Primary	Secondary
	£	£
Rate per pupil	11.00	0
Total De-delegation	1,000,000	0

### *Consultation Responses*

Consultation responses have been requested by 11 October 2019, so that an analysis can be shared with the Schools Forum on 17 October when formal de-delegation voting will take place.

At the Working Group, an interim analysis of the responses to date were reported. The majority of responses for the 'staff costs' de-delegation currently favoured Continue the 'Staff Costs - Public Duties/Suspensions' de-delegation using the same policy as 2019/20. Responses to date also favoured continued de-delegation of the Museums Service and Schools in Financial Difficulty and the new inclusion Hubs proposals for 2020/21. It was noted however that the number of responses was relatively low.

Members discussed the proposals and responses around the Inclusion Hub proposals and requested that further information be provided about the take up and impact of the 2019/20 Inclusion Hub developments across all districts, to help inform deliberations on 17 October. Some members did comment that the funding for the 2019/20 pump priming allocations were only agreed in July 2019, so there has been limited time for developments to have had significant impact to date.

The Group also asked if it would be possible to provide receive an update about secondary school inclusion developments and timescales.

### **The Working Group**

- a) Noted the report and the interim information provided on the consultation responses to date;**
- b) Noted that primary and secondary school members of the Forum would need to formally vote on each of the relevant de-delegation proposals, by phase, at the Forum meeting on 17 October 2019;**
- c) Requested that further information be provided around the take up and impact of the Inclusion Hub proposals across all district;**
- d) Encouraged individual members to respond to the consultation.**

*In order to assist members' considerations, additional information is provided in Appendix B, which includes:*

- i. A copy of the 2020/21 De-delegation Consultation Document;*
- ii. An updated analysis of consultation responses, as at 9 October 2019 (a final position of consultation analysis will be provided to the Forum on 17 October, as part of the voting process);*
- iii. A copy of anonymised consultation comments received to date (any further written submissions will be reported to the Forum on 17 October 2019);*

- iv. *Additional information about Inclusion Hubs, as requested by the Working Group. Please note that the Inclusion Hub Steering Group is not scheduled to meet until 1 November 2019 and district meetings have been taking place in advance of this date. In order to meet the deadline for circulating Forum papers, it has been necessary for some district representative to collate information prior to their local meetings and information is not yet available for two districts (2 & 13). If further information is received in advance of the Forum, this will be circulated for members.*

*Paul Duckworth, Head of Service – Education, Quality and Performance (Acting) and Lynsey Austen, South Primary Area Team Leader, Education, Quality & Performance will attend the meeting to discuss the Primary Inclusion Hubs information to help inform de-delegation considerations.*

**Primary and Secondary School members of the Forum will be asked to formally vote on the relevant de-delegation proposals.**

#### **4. Split Site Policy Update**

Following the receipt of two split site funding requests in 2018/19, the Forum asked that a review of the Lancashire split site criteria be undertaken. A series of reports have subsequently been presented to Working Groups and the Forum, culminating in a revised criteria for the allocation of split site funding being agreed by the Forum at the January 2019 meeting. A copy of the revised policy was provided for the Working Group.

The Forum also supported transitional arrangements to accompany the introduction of the new policy. Due to the timing of the decision to agree the new policy, transitional arrangements in 2019/20 allowed full protection of the split site allocations made in 2018/19. This included protecting the 2 original requests against the old split site criteria.

For 2020/21, schools in receipt of a split site allocation in 2018/19, will receive the higher of either, their allocation against the revised criteria, or 50% of their 2018/19 allocation.

The revised policy will be fully implemented in 2021/22.

Information about the revised split site arrangements was sent directly to schools in receipt of split site funding and information about the revised policy was issued to all schools.

Correspondence has subsequently been received from four additional schools requesting consideration against the revised split site policy.

This application information, together with data about the 11 schools currently in receipt of a split site allocation has been reviewed against the revised policy and eligibility against the new criteria has been assessed. Agreed transitional arrangements have also been applied to calculate a proposed split site allocation for each school in 2020/21.

A table was provided showing anonymised information about the eligibility of each of the 15 schools against the three split site criteria levels under the revised policy and the application of the 2020/21 transitional protection criteria. Data was also included about the historic allocations in the 2017/18 base year, before the split site review commenced and about the

payments schools received in 2019/20, which were calculated as 100% of the allocation made under the previous eligibility criteria.

Of the four new applications for assessment, three have been judged to qualify in 2020/21 and one has been judged ineligible. All but one of the schools that currently qualify for split site allocations continue to be eligible for split site funding in 2020/21, but the level of allocation changes to reflect the revised policy.

One supplementary issue noted was that the authority is developing a new eform which will in future be available via the Schools Portal for any schools to complete if they believe they become eligible for split site funding.

### **The Working Group**

- a) Noted the report;**
- b) Supported the application of the revised split site arrangements.**

## **5. DfE Consultation Financial transparency of local authority maintained schools and academy trusts**

On 17 July 2019, the DfE issued a consultation on 'Financial transparency of LA maintained schools and academy trusts'.

The Government website provides the following preamble to the consultation:

"The purpose of this consultation is to outline the current financial transparency arrangements for academy trusts and maintained schools, and to consider possible changes. While both types of school are now funded through a specific grant – the DSG for maintained schools and General Annual Grant for academy trusts – current financial transparency arrangements are different and provide different levels of assurance.

The Department has been looking at ways of improving transparency in the financial health of LA maintained schools, and believe that a number of transparency measures currently used in the academy trust sector could be adapted for LA maintained schools."

The County Council intends to submit a response to this consultation and has produced a draft which was shared with the working group.

Members considered the LCC response from a school perspective and were supportive of the draft submission. No edits to the LCC draft were suggested by the group.

### **The Working Group:**

- a) Noted the report;**
- b) Supported the content of the draft LCC consultation response.**

## **6. High Needs Block Provision Task and Finish Group Report**

Members were informed that a report from the LCC High Needs Block Provision Task and Finish Group had been produced and had been agreed by the Cabinet.

It was originally intended to share the document with the Forum at this round of meetings, but the report now requires reevaluation in light of the recent Government funding announcements.

The Working Group will be kept up to date with developments.

**The Working Group:**

- a) Noted the report.**