

LANCASHIRE SCHOOLS FORUM
Date of meeting 13 January 2022

Item No 6a

Title: Schools Budget 2022/23

Appendix A refers

Executive Summary

This report has been prepared following receipt of pupil data and Dedicated Schools Grant (DSG) allocation information from the Education and Skills Funding Agency (ESFA). The report sets out the budget proposals for 2022/23 across the four funding blocks.

A meeting of the Forum Chairs' Group will take place on 11 January 2022. Recommendations arising from this meeting around finalising the Schools Budget 2022/23 will be presented to the Forum on 13 January 2022.

Following consideration of the final Schools Budget proposals by the Forum and the Lancashire County Council, the Authority is required to submit a final Schools Block budget proforma for 2022/23 to the ESFA by 21 January 2022. This report also provides information on the High Needs, Early Years and Central School Services Blocks for 2020/21, and seeks the formal approval for the budget lines requiring Forum agreement.

Recommendations

The Forum is asked to:

- a) Note the report, including the 2022/23 Dedicated Schools Grant (DSG) allocations and the budget proposals for each of the 4 funding block;
- b) Note the recommendations from the Forum Chairs' Group meeting on 11 January 2022 (to be presented at the Forum meeting on 13 January);
- c) Support the Schools Budget proposals for 2022/23 for the Schools Block, High Needs Block, Early Years and Central School Services Blocks;
- d) Support the proposals for the high needs funding supplementary grant for 2022/23;
- e) Support the Dedicated Schools Grant Reserve underwriting the uncertainties around the Schools Budget 2022/23;
- f) Formally approve the budget lines requiring Forum agreement (as set out at item 6d).
- g) Express any views to be brought to the attention of the Cabinet when setting the 2022/23 Schools Budget.

Recent reports to the Forum and Working Groups have set out the Government's announcements about school funding for 2022/23.

The Dedicated Schools Grant is a ring-fenced specific grant and it must be used in support of the Schools Budget as defined in the Dedicated Schools Grant Conditions of Grant and the School and Early Years Finance (England) Regulations. The Dedicated Schools Grant is allocated to every Local Authority in four funding blocks, each calculated using national funding formulae. The four blocks are:

- Schools Block;
- High Needs Block;
- Early Years Block;
- Central School Services Block.

In July 2021, the Government made initial announcements about the 2022/23 school funding arrangements.

2022/23 is the final year of the Department for Education's three year funding settlement that has increased funding by over £7bn compared to the 2019/20 baseline. This is a £2.3bn increase nationally in 2022/23 from 2021/22. These increases relate to the Schools Block and High Needs Block allocations.

Further updates about school funding were provided on 27 October 2021, when the Chancellor delivered his Autumn Budget and 2021 Spending Review. This included a further £1.6bn in additional funding for 2022/23 school budgets, on top of the year-on-year increases already confirmed. The Chancellor indicated that this was to help the sector respond to the cost pressures faced by schools including, for example, increases in national insurance on high needs, in managing Covid and in supporting children and young people to recover from the pandemic.

In addition, the Chancellor's announcement indicated that an additional £170m would be made available by 2024/2025 to increase the hourly rate to be paid to early years providers for the government's free hours offers.

Further information on each of the funding blocks is provided below and details of the final 2022/23 Dedicated Schools Grant allocations, notified in December 2021, and the proposed Schools Budget expenditure are contained in Appendix 'A'.

Schools Block

The Schools Block funds mainstream primary and secondary schools and academies.

The Schools Block funding framework for 2022/23 will continue to operate under the 'soft' National Funding Formula arrangements first introduced in 2018/19. This is where the allocations for each local authority are calculated on the aggregated individual school National Funding Formula amounts calculated by the Government, but the local authority's local formula still applies in making actual allocations to schools.

Following a previous consultation with schools and academies in the County, and discussions with the Schools Forum, the Cabinet ratified the use of the National Funding Formula as the Lancashire formula methodology from April 2018. This will continue to apply in 2022/23.

Department for Education announcements indicate that the basic structure of the National Funding Formula remains unchanged for 2022/23, but the higher funding allocations have been used to increase factor values from April 2022.

National Funding Formula factor values for 2022/23 have increased, as follows:

- 3% to basic entitlement, free school meals at any time in the last 6 years (Free School Meals Ever 6), income deprivation affecting children index, lower prior attainment, English as an additional language and the lump sum;
- 2% to the funding floor, the minimum per pupil levels and free school meals,
- 0% on the premises factors, except for Private Finance Initiative which has increased by the Retail Price Index.

The announcements also included the relevant minimum pupil funding levels for primary and secondary schools, which incorporate the 2% uplift for 2022/23:

- For primary schools, the minimum pupil funding level will be £4,265 per pupil in 2022/23 compared to £4,180 per pupil in 2021/22.
- For secondary schools, the minimum pupil funding level will be £5,525 per pupil from 2022/23 compared to £5,415 per pupil in 2021/22;

Following a Government consultation on the Sparsity factor held in 2021, the Department for Education has amended the factor from April 2022, including:

- Increasing the maximum sparsity values for the both the primary and secondary phases by £10,000. Maximum sparsity values will be £55,000 for primary schools and £80,000 for secondary, middle, and all-through schools.
- Updating the schools sparsity distances calculations so that they are now based on road distances, instead of straight-line distances,
- Introducing a sparsity distance taper, in addition to the existing year group size taper.

Another Government consultation in 2021 has also led to changes to the payment process of schools business rates. From 2022/23, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools.

The additional £1.6bn funding arising from the Chancellor's announcements will be paid as a grant outside the Dedicated Schools Grant for 2022/23, due to the National Funding Formula and Minimum Pupil Funding levels already being announced.

Minimum Funding Guarantee

Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2022/23 must be between +0.5% and +2.0%.

The level to be applied in Lancashire is the subject of a consultation with schools and the Schools Forum will be asked to make a final recommendation on the level of Minimum Funding Guarantee to be applied from April 2022.

Schools Block Transfer

The Regulatory framework continues to allow local authorities to be able to transfer up to 0.5% of their schools block allocation to other blocks of the Dedicated Schools Grant, with schools forum approval.

In 2020/21 and 2021/22, following consultation with schools and academies, the Schools Forum agreed to transfer Schools Block headroom to support pressures in the Early Years Block. This transfer equated to £2m in each year.

However, modelling indicates that all allocated funding will be required for the Schools Block formula in 2022/23, meaning that there will be no headroom available to support pressures in the early years sector.

Once approved, the Schools Block proposals for 2022/23 must be submitted to the Education and Skills Funding Agency, for compliance checking against the Department for Education regulations and guidance. A proforma is provided by the Education and Skills Funding Agency to facilitate submissions and the deadline for the 2022/23 return is 21 January 2022.

High Needs Block

The High Needs Block funds:

- Special Schools budgets;
- Alternative Provision budgets (mainly Pupil Referral Units);
- Special Education Resource Facility and Special Educational Needs in mainstream schools;
- Individually Assigned Resources for High Needs pupils across all educational establishments;
- Certain Special Education Needs Central Schools Services.

The allocation to Lancashire is calculated using a national High Needs Block formula, but the Local Authority's local funding formulae still apply to distribute High Needs funding to Lancashire providers.

Department for Education announcements confirm that the basic structure of the High Needs National Funding Formula for 2022/23 is not changing. The High Needs National Funding Formula floor and gains cap have been set as follows for 2022/23:

- the funding floor is set at 8% so each local authority will see an increase of at least 8% per head of their 2 to 18 population (as estimated by the Office of National Statistics);
- the gains cap is set at 11%, allowing local authorities to see gains up to this percentage increase under the formula, again calculated on a per head basis of their 2 to 18 population;
- The hospital education factor will also be uplifted by 8%.

In terms of the increased core school funding for 2022/23, the Government have stated that £780m is targeted at the High Needs Block. The Department for Education indicate that this represents a 9.6% increase for High Needs Block nationally in 2022/23, and say that the extra resource will continue to help local authorities manage their cost pressures in this area, while the government remains focused on completing the cross-departmental review of the Special Educational Needs and Disabilities system, to ensure that it supports those children and young people as efficiently and effectively as possible.

Early Years Block

Early Years Block funding is utilised for:

- Funding for the universal 15 hours entitlement for three and four year olds;
- Funding for the additional 15 hours entitlement for three and four year old children of eligible working parents;
- Funding for the 15 hours entitlement for disadvantaged two year olds;
- Funding for the Early Years Pupil Premium;
- Funding for the Disability Access Fund;
- Supplementary funding for Maintained Nursery Schools.

The Government introduced an Early Years National Funding Formula from April 2017. This arrangement introduced a formulaic mechanism for distributing early years funding from national Government to each local authority and set a framework that must be used to distribute funding to all types of early education provider, including nursery schools; nursery classes in maintained primary schools; Private, Voluntary and Independent providers and Childminders. The Early Years National Funding Formula introduced a requirement to have a Universal Base Rate for all providers and set out the type and level of supplements that are available.

The Government have indicated that an additional £170m would be made available by 2024/2025 to increase the hourly rate to be paid to early years providers for the government's free hours offers.

Central School Services Block

This Block is to fund central functions that local authorities carry out on behalf of pupils in state-funded maintained schools and academies in England. The Central School Services Block was first introduced in 2018/19, and effectively replaced the previous Education Services Grant allocations, but the levels of funding had reduced considerably compared to previous years.

The Central School Services Block allocation for local authorities is split into funding for historic commitments and funding for ongoing responsibilities.

The ongoing responsibilities element of funding is calculated by the Department for Education on a formulaic methodology based on pupil numbers and deprivation, plus an area cost adjustment. The historic commitments element of the Block funds certain ongoing obligations funded from the Dedicated Schools Grant.

The Department for Education funding announcements for 2022/23 indicate that the per pupil rate used in the formulaic ongoing responsibilities calculation will receive an uplift similar to the Schools Block, but the historic commitments funding will continue to decrease, by a further 20% from April 2022.

The Department for Education have stated that they will continue to unwind the historic commitments funding to zero in future years.

Final Dedicated Schools Grant Allocation 2022/23

Details of Lancashire's final Dedicated Schools Grant allocations for 2022/23 for each funding block, and the expenditure proposals for each block are provided at Appendix 'A'.

Financial Implications

The report forecasts a balanced Dedicated Schools Grant funding position in 2022/23, subject to the planned use of £1m in Schools Budget reserves to mitigate transitional pressures in the Early Years Block budget.

Any uncertainties contained in the Schools Budget proposals will be underwritten by the Dedicated Schools Grant reserves.

It should also be noted that the Department for Education have tightened the ring-fencing around the Dedicated Schools Grant from 2020/21 onwards, to ensure that local authorities do not make provisions in their general reserves to cover possible Dedicated Schools Grant deficits, and any deficits would be carried forward into future years and then repaid overtime. A number of other local authorities are already working with the Department for Education to agree recovery plans to repay deficits.

To date, Lancashire has always contained any school funding pressures within the Dedicated Schools Grant. The Dedicated Schools Grant reserve as at 31 March 2021 was £16.096m.

However, there is concern that there could be increased strain on the High Needs Block budget from 2023/24 onwards, when initial announcements from the Government indicate approximately 3% rises in funding per annum, but forecast cost and demand led pressures in the High Needs Block are estimated to remain at a level well above this. This could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term.

Appendix A

Final Dedicated Schools Grant allocations for 2022/23 were published by the Department for Education on 16 December 2021 and pupil data was received on 20 December 2021.

Lancashire's Gross 2022/23 Dedicated Schools Grant allocation is £1,132.679m.

The equivalent Gross Dedicated Schools Grant income figure for 2021/22 was £1,090.214m. The 2022/23 figure is over £42m higher than the previous year.

This increase in funding is due to:

- Lancashire's share of the increased £2.3bn funding nationally made available by Government, including £780m for the High Needs Block;
- Lancashire's share of the increased £170m nationally for the Early Years Block;
- An increase in the overall numbers of pupils in Lancashire compared to 2021/22, although figures in the early years sector are now declining.

Whilst there is additional funding in the education system, there are considerable inflationary pressures on the sector, and continued uncertainty around unpredictable covid-19 related costs and many schools and providers may continue to face financial challenges.

In addition, the Chancellor announced a £1.6bn increase for schools in his Autumn Budget and 2021 Spending Review, on top of the year-on-year increases already confirmed above.

These Department for Education announcements indicate that this funding is to provide support for the costs of the Health and Social Care Levy and wider costs in schools. This funding will be allocated through a schools supplementary grant in 2022 to 2023 and final details of schools allocations will be made available in spring 2022. Of the additional funding, £325m nationally has been allocated for high needs funding.

The sections below provide further details of the Lancashire Dedicated Schools Grant allocations and presents the estimated Schools Budget for 2022/23.

DEDICATED SCHOOLS GRANT ALLOCATIONS 2022/23

The Department for Education sub-divide the Dedicated Schools Grant allocations into 4 funding blocks: Schools Block, High Needs Block, Early Years Block and the Central Schools Services Block. These Blocks are all calculated on a formulaic basis.

Information on the allocations for each of the funding blocks is provided below:

Schools Block allocation (£878.278m)

The Schools Block allocations for 2022/23 are derived on the basis of illustrative individual Schools National Funding Formula allocations calculated by the Government. These calculations translate into primary and secondary units of funding for 2022/23. These units of funding are multiplied by the number of primary and secondary pupils from the October 2021 census. A Local Authority level allocation for

premises factors and growth funding are added to provide a final Schools Block allocation.

This provides a total Lancashire Schools Block allocation for 2022/23 of £878.278m.

The 2022/23 Schools Block allocation is over £28m higher than the equivalent figure in 2021/22. The increased allocation is in part due to Lancashire's share of the additional funding made available nationally by the Government, and an overall increase of over 1,000 in the number of pupils across Lancashire primary and secondary schools in the October 2021 school census.

These extra pupils generate additional Schools Block income but will also produce extra costs in the budget. The funding being allocated on deprivation factors has also increased and will place additional pressures in the Schools Block budget.

It should also be noted that the Department for Education has introduced changes to the payment process of schools business rates. From 2022/23, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. For 2022/23, a rates allocation will continue to be included in the Department for Education's schools National Funding Formula but a deduction of £8.338m will be made from the Lancashire Schools Block cash allocation in 2022/23, to enable this central government payment to be made.

High Needs Block allocation (£166.908m)

The 2022/23 High Needs Block allocation is calculated under the Government's national High Needs funding formula. Key features of the formula include:

- A high needs funding floor and gains calculation;
- Basic entitlement factor (with area cost adjusted) for the number of pupils in special schools and academies;
- Import/export adjustment;
- Additional Funding for Special Free Schools;
- Hospital education, Alternative Provision teachers pay/pension and supplementary funding factor.

The formula provides a 2022/23 High Needs Block allocation for Lancashire of £166,907,915.

This figure is over £15m higher than the equivalent 2021/22 allocation, due to increased funding for the High Needs Block made available by the Government.

It should be noted that the High Needs Block allocation is a provisional allocation and the gross total includes allocations attributable to funded places that will be deducted and made directly by the Education & Skills Funding Agency. These are estimated by Education & Skills Funding Agency to total circa £8.604m.

Early Years Block allocation (£80.655m)

Allocations for the Early Years Block include:

- funding for the universal 15 hours entitlement for three and four year olds;
- funding for the additional 15 hours entitlement for three and four year old children of eligible working parents;
- funding for the 15 hours entitlement for disadvantaged two year olds;
- funding for the Early Years Pupil Premium;
- funding for the Disability Access Fund;
- supplementary funding for Maintained Nursery Schools.

The allocations are calculated on a formulaic basis and include Lancashire's share of an additional £170m nationally for early years education in 2022/23.

This additional funding translates into increased allocations to Lancashire as follows :

- 3 and 4-year-old entitlements - £0.17 per hour uplift;
- 2-year-old entitlement - £0.21 per hour uplift;
- Supplementary funding for maintained nursery schools - £0.17 per hour uplift;
- Early Years Pupil Premium - £0.07 per hour uplift;
- Disability Access Fund - £185 per eligible child per year uplift.

These factors provide a total Early Years Block allocation for Lancashire for 2022/23 of £80,654,601.

Lancashire's Early Years funding is circa £1.8m lower than the equivalent 2021/22 allocation, even though the allocation includes increased funding rates. This is due to an approximate 5% reduction in the numbers of funded pupils, as decreased birth rates feed through into the early years sector.

It should be noted that the 2022/23 early years block allocations are initial, and based on Schools, Early Years and Alternative Provision censuses data from January 2021. These allocations will be updated based on January 2022 and January 2023 census data.

Central Schools Services Block (£6.838m)

The Central Schools Services Block is to fund central functions that Local Authority's carry out on behalf of pupils in state-funded maintained schools and academies in England.

The Central Schools Services Block is split into funding for historic commitments and funding for ongoing responsibilities. The ongoing responsibilities element is based on a formula, with unit values being increased by circa 4% for 2022/23.

The Historic Commitments element of the allocation has been reduced by 20% compared to 2021/22, as the Department for Education indicate that they will continue to 'unwind' historic commitments over time.

The total Lancashire's Central Schools Services Block allocation for 2022/23 is £6,838,441. This is marginally higher than 2021/22, mainly relating to the higher increased ongoing responsibility funding rate, and higher pupil numbers.

In Year Adjustments

The Dedicated Schools Grant allocation notified is prior to in year adjustments for:

- Academies recouplement from the schools block;
- Deductions for high needs places in academies and non-maintained special schools;
- Post 16 places;
- Deduction for national copyright licences;
- Deduction for schools business rates
- Updates to the funding for three and four year olds;
- Updates to the funding two year olds;
- Updates to the early years supplementary funding for maintained nursery school;
- Updates to the early years pupil premium;
- Updates to early years Disability Access Fund.

Forecast total Dedicated Schools Grant income for 2022/23

The Lancashire Dedicated Schools Grant allocations for 2022/23 across the 4 funding blocks are shown below:

Forecast Dedicated Schools Grant Income	£m's
Schools Block	878.278
High Needs Block	166.908
Early Years Block	80.655
Central Schools Services Block	6.838
Gross Total forecast Dedicated Schools Grant Income	1,132.679
Total deduction for national schools non-domestic rates	-8.338
Total deductions for direct high needs payments made by the Education & Skills Funding Agency	-8.604
Net Total forecast Dedicated Schools Grant Income	1,115.737

Schools Supplementary Grant 2022/23

The Chancellor's autumn 2021 spending review confirmed £1.6bn funding for schools and high needs, for the 2022/23 financial year, above the previous Dedicated Schools Grant settlement.

The December 2021 Dedicated Schools Grant announcements provided further information about this Supplementary Grant. The Grant is provided to support costs of the Health and Social Care Levy and wider pressures.

For mainstream schools, this funding will be allocated through a schools supplementary grant 2022/23.

£325m of the total will be allocated via local authorities for high needs funding in 2022/23.

The schools supplementary grant will fund the following providers:

- maintained nursery schools
- primary and secondary maintained schools
- primary and secondary academies and free schools
- all through maintained schools
- all through academies
- 16 to 19 maintained schools
- 16 to 19 academies
- city technology colleges

The Government specify that 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.

The Department for Education indicate that school-level allocations of the schools supplementary grant for 2022/23 will be published in spring 2022. Local Authorities will be expected to passport the allocations to schools and the Government will pay the allocations directly to academies.

Funding for early years and post-16 provision in schools is provided in respect of the Health and Social Care Levy. The additional funding for mainstream school provision for pupils aged 5 to 16 is provided in respect of both the Health and Social Care Levy and wider cost pressures. This means that the funding rates in the schools supplementary grant are higher for 5 to 16 provision than early years or post-16, as set out below:

Rate for early years

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

Rates for 5 to 16 schools:

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
- Free School Meals Ever 6 per-pupil rate of £85 per eligible primary pupil
- Free School Meals Ever 6 per-pupil rate of £124 per eligible secondary pupil

Rates for post-16

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

Lancashire Schools Supplementary Grant allocations for 2022/23 are:

Mainstream Schools Supplementary Grant allocation	£25m
High Needs Supplementary Grant allocation	£6m
Total Supplementary Grant allocation	£31m

The Department for Education have indicated that funding will be incorporated into core budget allocations for 2023/24 where possible. So, for 5 to 16 schools, this will mean the funding being rolled into the schools national funding formula.

SCHOOLS BUDGET PROPOSALS 2022/23

The latest Individual School Budgets across all phases has been constructed using the final datasets made available from the Department for Education and our latest local Early Years and High Needs data.

This Schools Budget estimate has been calculated following discussions with the Schools Forum and where necessary, consultation with Lancashire schools.

Budget Summary

The table below summarises the budgets to be allocated from each of the Dedicated Schools Grant funding blocks

<u>Forecast Dedicated Schools Grant Expenditure</u>	£m's
Schools Block	876.598
High Needs Block	168.588
Early Years Block	81.655
Central Schools Services Block	6.838
Total deduction for national schools non-domestic rates	-8.338
Total deductions for direct high needs payments made by the Education & Skills Funding Agency	-8.604
Total forecast Dedicated Schools Grant Expenditure	1,116.737

Further details about each block are provided below.

Schools Block (876.598m)

Following a consultation with schools and the Schools Forum as part of the 2018/19 Schools Budget setting cycle, it was agreed to use the Government's National Funding Formula methodology as the local Lancashire funding model.

The National Funding Formula methodology will continue to apply in 2022/23 for calculating allocations to Lancashire schools, and will incorporate the changes to the formula introduced nationally that are set out in the main report. This provides for a guaranteed 2% per pupil increase for all schools and academies in 2022/23. However, most factors in the National Funding Formula have been uplifted by 3% from 2021/22.

As supported by responses from schools in a consultation held in the autumn term 2021, the Minimum Funding Guarantee has been included in the formula at +2% and there is no cap on funding gains.

A 2022/23 growth fund requirement, which is used to support Local Authority initiated school expansions, of £2m has been included for 2022/23. The balance of funding from the Growth Fund allocation received by Lancashire, equating to circa £2.2m, has been used as a contribution to increased deprivation related payments that are required by Lancashire schools and academies in 2022/23.

It should also be noted that a transfer of Schools Block headroom has been agreed in recent years to support pressures in other funding blocks. For 2022/23, no headroom is available, largely due to this increased deprivation pressure on the Schools Block.

The Schools Block funding is sufficient for all the National Funding Formula factors and rates to be applied in full, including updated Minimum Pupil Funding rates, and the agreed Minimum Funding Guarantee.

However, an urgent consultation is taking place with schools about the transfer of circa £1.7m from the Schools Block to the High Needs Block. This transfer is technical in nature and relates to the impact of decisions taken by the county council regarding the closure of the former Hameldon School in Burnley. Following the closure of Hameldon, the school site was used temporarily to house pupils from another Lancashire secondary school whilst remedial work took place on their own premises. From 2022/23, the site will become the permanent base for Lancashire special school. Hameldon school was built under the 'Building Schools for the Future' programme financed by a Private Finance Initiative contract that is not yet complete. The Government's Dedicated Schools Grant regulations and guidance have different arrangements for a school's contributions depending whether they are funded through the Schools Block (secondary school provision) or the High Needs Block (when a special school utilises the site).

The Lancashire Schools Block allocation for 2022/23 includes an element for premises funding, which is calculated on the basis of premises expenditure in 2021/22. This calculation incorporates circa £1.7m of funding as the Schools Block Private Finance Initiative payment for the former Hameldon school site. However, in 2022/23, this contribution will actually be attributable to the High Needs Block, as the site will be taken over by a special school.

The county council is therefore consulting schools and the Schools Forum about the transfer of circa £1.7m from the Schools Block to the High Needs Block, to enable the required special school contribution towards the Private Finance Initiative contract to be met from the relevant funding block in 2022/23, in accordance with Department for Education guidance.

The Schools Block expenditure for 2022/23 is therefore estimated in the table below:

Forecast Schools Block Expenditure	£m's
Primary	464.609
Secondary	408.776
All-Through	1.214
Budgeted Growth	2.000
Total	876.598

Dedicated Schools Grant Schools Block Income	-878.278
Hameldon site PFI - proposed transfer to High Needs Block	-1.680

The overall calculation reveals a 2022/23 Schools Block expenditure requirement of £876.598m and a proposed transfer of £1.68m to the High Needs Block.

As mentioned earlier in the appendix, the Department for Education has introduced changes to the payment process of schools business rates. From 2022/23, schools business rates will be paid by the Education and Skills Funding Agency to billing authorities directly on behalf of all state funded schools. For 2022/23, a rates allocation will continue to be included in the Department for Education's schools National Funding Formula but a deduction of £8.338m will be made from the Lancashire Schools Block cash allocation in 2022/23, to enable this central government payment to be made.

High Needs Block (£168.588m)

The High Needs Block expenditure for 2022/23 is estimated in the table below:

	Place funding £m	Top-up funding £m
Delegated to Schools	36.773	75.220
FE Colleges		11.000
High Needs Block costs on a commissioned basis		36.423
Total deductions based on 21/22 for direct high needs payments made by the Education and Skills Funding Agency		8.604
Additional 22/23 High Needs places to be paid direct by Education and Skills Funding Agency		0.568
Total	36.773	131.815

Total Expenditure £m	168.588
Total Income £m	166.908
Overspend £m	1.680
Transfer of Hameldon PFI £m	1.680

The total forecast High Needs Block expenditure in 2022/23 is some £168.588m, including the proposed transfer of £1.68m from the Schools Block in relation to the Hameldon PFI contribution.

This forecast expenditure includes an estimate of the considerable cost and demand led pressures facing the block in 2022/23.

Proposals also build in a 2% increase to the level for the school specific factor rates in special schools and pupil referral units, which matches the level of the Minimum Funding Guarantee agreed for the Schools Block formula.

In addition, the Weighted Pupil Number values supporting all high needs pupils are proposed to increase by 4% in 2022/23. This level of increase, which is slightly higher than the general 3% uplifts for the pupil-led factors in the Schools Block national funding formula, is affordable from April 2022.

The circa £8.6m of deductions in the Dedicated Schools Grant notifications have been budgeted here, as this relates to direct high needs payments made by the Education and Skills Funding Agency.

An extra £0.568m of deductions for 2022/23 has also been included, for additional high needs places that have now been commissioned by the county council at establishments that are directly paid by the Education and Skills Funding Agency.

Despite considerable pressure on the high need block funding envelope, a balanced budget position has been forecast for 2022/23, subject to the agreement of the proposed transfer of £1.68m from the Schools Block in relation to the Hameldon PFI contribution. The county council will continue to work on initiatives that ensure that the best use is being made of the High Needs resources available and to minimise as far as possible the future years forecasted overspends.

However, there is concern that there could be increased strain on the High Needs Block budget from 2023/24 onwards, when initial announcements from the Government indicate circa 3% rises in funding per annum, but forecast cost and demand led pressures in the High Needs Block are estimated to remain at a level well above this. This could create significant pressure on the High Needs Block Budget and the overall Dedicated Schools Grant in the longer term.

Early Years Block (£81.655m)

Government announcements of additional Early Years funding translates into increased allocations to Lancashire as follows:

- 3 and 4-year-old entitlements - £0.17 per hour uplift;
- 2-year-old entitlement - £0.21 per hour uplift;
- Supplementary funding for maintained nursery schools - £0.17 per hour uplift;
- Early Years Pupil Premium - £0.07 per hour uplift;
- Disability Access Fund - £185 per eligible child per year uplift.

3 and 4-year-old entitlements

For the last two financial years, the Schools Forum has agreed that the Early Years Block allocation be supplemented by a transfer of £2m per year from the Schools Block to assist with the cost pressures in the early years sector. This transfer has allowed the hourly rate for the 3 and 4-year-old entitlements to be increased by £0.08 per hour.

For 2022/23, pressures within the Schools Block mean that this transfer is not possible, which means that the £0.08 per hour will need to be removed from the base rate for 2022/23. The Schools Forum is aware that the early years sector is already

facing considerable cost pressures, so has recommended that £1m of Schools Budget reserves be used in 2022/23 to help reduce the turbulence in the system caused by this reduction. The £1m contribution would allow £0.04 per hour and be available for 2022/23 only.

The total Early Years Block expenditure in 2022/23 includes the £1m contribution for Schools Budget reserves.

This £0.04 per hour can be added to the government's increase, which for 3 and 4 year old entitlements in Lancashire equates to an additional £0.17 per hour in 2022/23.

The 2022/23 funding rate may therefore be calculated as follows:

2021/22 base rate, which included £0.08 contribution from Lancashire Schools Block	£4.35 per hour
2022/23 adjusted base rate without £0.08 contribution	£4.27 per hour
2022/23 base rate with Department for Education £0.17 uplift	£4.44 per hour
2022/23 base rate with £0.04 one off contribution from Schools Forum reserves	£4.48 per hour

A Lancashire base rate for 3 and 4-year-old entitlements of £4.48 per hour in 2022/23, would be an increase of 13p per hour from 2021/22.

2-year-old entitlement

Lancashire is to receive an additional £0.21 per hour for the 2-year-old entitlement for 2022/23, which will be passed to providers in full. This would give a forecast Lancashire funding rate for 2 year olds of £5.37 per hour from April 2022.

Supplementary funding hourly rate for maintained nursery schools

Lancashire will receive a £0.17 increase in the supplementary funding hourly rate for maintained nursery schools in 2022/23, which will be passed to the maintained nursery schools, providing a revised hourly supplement rate of £3.67 per hour.

Early Years Pupil Premium

Lancashire will increase our early years pupil premium rate by 7p to 60p per hour, equivalent to up to £342 per eligible child per year, for 2022/23, in line with national announcements

Disability Access Fund

Lancashire will increase the disability access fund by £185 to £800 per eligible child per year for 2022/23, in line with national announcements.

Special Educational Needs Inclusion Fund

Local authorities are required to have a Special Educational Needs Inclusion Fund for all eligible 3 and 4-year-olds who are taking up the free entitlements, regardless of the number of hours taken. For 2022/23 it is proposed to keep the Lancashire fund at the 2021/22 level of £500k in total.

The Early Years Block expenditure for 2022/23 is therefore estimated in the table below:

Forecast EYB Expenditure	£m's
Early Years Block 2 year olds	8.543
Early Years Block 3/4 year olds	67.866
Early Years Pupil Premium expenditure	0.938
Early Years Disability Access Fund expenditure	0.363
Nursery School Maintained Nursery School	3.445
Special Educational Needs Inclusion	0.500
Total	81.655

The total forecast Early Years Block expenditure in 2022/23 is some £81.655m. including a £1m contribution from Schools Budget reserves.

Central Schools Services Block (CSSB) (£6.838m)

The estimated Central Schools Services Block expenditure in 2022/23 is £6.838m.

The budget takes account of the Department for Education's decision to reduce the Historic Commitments element of the budget by a further 20% from April 2022, as part of their intention to cease all 'historic' funding over time.

In consultation with the Schools Forum, Lancashire has already significantly reduced the historic commitments expenditure. However, in order to protect some combined budget contributions that help support valued services to schools, circa £0.350m from the historic commitments element has been transferred to the High Needs Block in 2022/23, in consultation with the Schools Forum.

Careful consideration will be needed around the Central Schools Services Block in future years, as Department for Education implement further reductions in the Historic Commitments budget.

Calculation of the final 2022/23 funding position

	£m's
Total forecast Dedicated Schools Grant Income 2022/23	1,115.737
Total Forecast Dedicated Schools Grant Allocations 2022/23	1,116.737

These Schools Budget proposals forecast a balanced Dedicated Schools Grant funding position in 2022/23, subject to the planned use of £1m in Schools Budget reserves to mitigate transitional pressures in the Early Years Block budget.

Schools Supplementary Grant 2022/23

Lancashire Schools Supplementary Grant allocations for 2022/23, arising from the Chancellor's announcements of an additional £1.6bn nationally, will total circa £31m.

Further details of the mainstream school supplementary grant allocations will be provided by the Department for Education in spring 2022.

The county council will receive the individual school allocations for maintained schools and be expected to passport the funding to the relevant schools in full. The Education and Skills Funding Agency will pay Lancashire academies directly. Total allocations to Lancashire mainstream establishments will total circa £25m for 2022/23.

In addition, the county council will receive an extra £6m additional high needs funding allocations of the Dedicated Schools Grant for 2022/23. The supplementary allocations are on top of the Dedicated Schools Grant high needs block allocations but are subject to the same Dedicated Schools Grant conditions of grant.

This extra funding recognises the additional costs that local authorities and schools will face in the coming year, which were not foreseen when the original high needs block allocations were calculated, including the Health and Social Care Levy, that will be applied initially through increased national insurance contributions from employers.

The additional funding also takes into account that colleges and other providers offering extra hours of study to students with high needs may require extra high needs top-up funding to support those students.

Guidance indicates that the supplementary high needs allocation should be discussed with special schools and alternative provision establishments. These discussions will take place via the Schools Forum on 13 January 2022.