

**LANCASHIRE SCHOOLS FORUM**  
**Date of meeting 17 March 2022**

**Item No 6**

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

**Executive Summary**

On 1 March 2022, the Schools Block Working Group considered a number of reports, including:

- Schools Block Budget 2022/23;
- Request for Clawback Exemption for a Lancashire Primary School in 2022/23;
- Inclusion Hub Funding 2022/23;
- School Business Rates;
- Reforming how local authorities' school improvement functions are funded.

A summary of the information presented, and the Working Group's recommendations are provided in this report.

**Recommendations**

**The Forum is asked to:**

- a) Note the report from the Schools Block Working Group held on 1 March 2022;**
- b) Ratify the Working Group's recommendations.**

## **Background**

On 1 March 2022, the Schools Block Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

### **1. Schools Block Budget 2022/23**

At the Schools Forum on 13 January 2022, decisions and recommendations about the 2022/23 Schools Budget were agreed.

In connection with the Schools Block, the Forum unanimously supported the 2022/23 Schools Block proposals, including:

- The DfE's National Funding Formula (NFF) methodology should continue to be used as the Lancashire formula for 2022/23;
- The Minimum Funding Guarantee (MFG) be set at +2.0% for 2022/23, mirroring the National Funding Formula;
- The use of the circa £2.2m of the Growth Fund allocation to ensure that the National Funding Formula (NFF) methodology can be applied in full in 2022/23;
- The use of the Minimum Pupil Funding (MPF) rates contained in the NFF for any new Growth Fund allocations from April 2022:
  - Primary £4,265 per pupil
  - Secondary £5,525 per pupil
- the transfer of circa £1.7m (0.19%) of Schools Block funding to the High Needs Block for the revised payment arrangements needed for the contractual school PFI contribution in relation to the former Hameldon site, as it is being taken over by a Lancashire special school;
- the disapplication submission to DfE relating to a Lancashire secondary school, as the MFG protection for the school, associated with the loss of the 2021/22 PFI allocation, is not required as the pupils have returned to the main site and the school no longer has a PFI funding commitment.

On 20 January 2022, the County Council's Cabinet formally approved the Schools Budget for 2021/22.

The Authority Proforma Tool (APT), setting out the agreed Schools Block proposals for 2022/23, was then submitted to the ESFA for compliance checking ahead of the 21 January 2022 deadline.

The ESFA subsequently contacted the LA seeking a small number of clarifications and explanations and once satisfied with the responses provided approval, which was received on 15 February 2022.

In addition, the DfE approved the disapplication submission relating to the MFG protection for the secondary school associated with the loss of the 2021/22 PFI allocation.

School Budgets were prepared and issued on 21 February 2022, together with forecast High Needs Block allocations.

Indicative Pupil Premium Grant (PPG) statements have historically been issued alongside School Budgets each February. Final PPG allocations are then notified to schools later in the financial year, once data has been confirmed by the DfE.

For 2022/23, the DfE are calculating the PPG allocations on the basis of October school census data, rather than the January school census. This means that actual PPG information will be available much sooner. The LA did not therefore include an indicative PPG statement with the budget notifications.

It is anticipated that DfE will publish PPG allocations shortly

### **Schools Supplementary Grant 2022/23**

As reported to the last meeting of the Schools Forum, the Chancellor announced an additional £1.6bn funding for schools and high needs, for the 2022/23 financial year, above the previous Dedicated Schools Grant settlement. The extra funding is in recognition of the additional costs that local authorities and schools will face in the coming year, which were not foreseen when the original Dedicated Schools Grant (DSG) allocations were calculated. This includes the Health and Social Care Levy, which will be applied initially through increased national insurance contributions from employers, and wider cost pressures.

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

DfE announcements indicate that school-level allocations of the schools supplementary grant for 2022/23 will be published in spring 2022, but the stipulated funding rates are 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.

On 28 February 2022, DfE published a Schools Supplementary Grant calculator tool, which enable mainstream schools to estimate the grant allocation they are likely to receive in 2022/23. The calculator is available [here](#)

Lancashire has also been allocated supplementary grant funding for the High Needs Block. In accordance with Government guidance, we have discussed the Lancashire supplementary high needs grant allocation with the Schools Forum and are proposing a distribution methodology that includes a payment to be made to high needs pupils in mainstream schools. For 2022/23 this will be calculated on basis of WPNs in 2022/23 School Budget data, estimated at circa £600 per WPN.

High needs supplementary allocations will be finalised in 2022/23 and will match the payment terms for mainstream schools determined by the DfE, for example being paid as a one off payment or by instalments.

It is anticipated that the schools supplementary grant will be incorporated into the Dedicated Schools Grant from 2023/24, although schools need to be aware that there may be Minimum Funding Guarantee (MFG) or Minimum Pupil Funding (MPF) implications from this change.

Further announcements on this grant are expected later in March 2022.

### **DSG Funding Adjustment 2023/24**

The County Council has also made further representations to the DfE requesting that the DSG allocations for Lancashire for 2023/24 are adjusted to reflect the permanent change of use of the former Hameldon PFI site, which is now being utilised by a special school. We have therefore requested a £1.9m transfer from Schools Block to High Needs Block, so that the contractual school PFI contribution can be met from the correct funding block. There has been an ongoing dialogue with DfE colleagues seeking various clarification around this issue, but no formal decision about the DSG adjustment request has yet been received.

Subsequent to the papers being distributed, the LA is now preparing a formal submission to the ESFA/DfE requesting the permanent transfer of the £1.9m transfer from Schools Block to High Needs Block in response to the change of the use of the former Hameldon site to a special school and the requirement for future PFI contributions to be made from the High Needs Block.

The Forum will be asked to formally support the submission for a permanent transfer from Schools Block to High Needs Block of £1.9m from 2023/24.

### **The Working Group:**

- a) Noted the report.**

## **2. Request for Clawback Exemption for a Lancashire Primary School in 2022/23**

In July 2021, the Forum considered the School Balances and Clawback Policy for 2021/22.

It was agreed that the clawback of excess balances would be suspended in 2021/22 and no clawback would be applied to school balances at 31 March 2022. This clawback suspension was in recognition of the continued funding and expenditure uncertainties caused by COVID-19.

Furthermore, the Forum indicated that it was likely that clawback would be reintroduced on school balances above the guideline at 31 March 2023 but agreed that this policy would be

reviewed in July 2022, in light of the 2021/22 outturn data, any ongoing COVID-19 issues or any other implications, before it was confirmed.

At this point, the financial planning assumptions for Lancashire maintained schools will include the reintroduction of clawback in FY 2022/23. This has raised a particular issue for one Lancashire primary school and the views of the working group were sought on a request to exempt the school from clawback at 31 March 2023, if Forum ultimately agree to confirm clawback reintroduction.

The school in question is based on an army barracks in the county. This presents some peculiar challenges for the school, especially as and when the army changes the troops posted at the barracks, as this can mean that a significant proportion of the school's pupils leave en masse and then later a similar number of pupils are enrolled as a new regiment moves in.

Information about the planned troop movements at the barracks are causing some concern from the school.

The current regiment at the base is due to leave by 1 October 2022 but is not being replaced until August or possibly later in 2024, which will have a significant impact on the school finances and funding over these years. Historically, there has not been such a large gap between one regiment leaving the barracks and the next regiment being deployed.

Forecasts predict that the NOR at the school will drop from the current 181 to 85 children after 1 October 2022 but will return to circa 180 in September 2024 when the next posting begins at the barracks. It is anticipated that the circa 85 NOR level will be recorded on the October 2022 and October 2023 school censuses.

The drop in NOR will have significant impact on the funding of the school and the staffing requirements and the Headteacher is considering a number of options to manage the situation, including:

- Reduced staffing through natural loss,
- Attempting to secure secondment opportunities for staff in other local schools;
- Reducing the hours of teaching and support staff.

However, these proposed reductions are unlikely to be sufficient to fully account for the impact of a 50%+ reduction in NOR and associated loss of income and voluntary and then forced redundancies may be required.

The challenge from September 2024 then switches to a different situation, with the arrival of the new regiment at the barracks, it is anticipated that the school NOR will revert to circa 180 but it is possible that the number generated by the new regiment may be significantly higher, potentially encompassing growth funding. The staffing establishment at the school will need to be around the current levels but will have been reduced in the interim period. Additionally, funding to cover the costs of new appointments will not immediately be available, due to the lagged school funding system, with the 2024/25 budget being calculated on October 2023 census data, based around the 85 NOR level for the school.

The school's outturn position at 31 March 2021 was a balance of over £220k, against a guideline balance of circa £125k. As with many schools, this year end position may be artificially high as it incorporates covid catch up funding allocations that could not be fully utilised by March 2021 but that need to be spent during the academic year.

School forecasts, submitted as part of the 2021/22 budget setting process, predict that the year end balance will reduce slightly over the next two years, being just under £200k at 31 March 2023. If clawback were reintroduced at the end of FY 2022/23, the school's year end balance could be around £75k over guideline, meaning a potential clawback liability of circa £37.5k for the school.

Clearly, there is considerable time before any clawback would be applied on March 2023 balances, and the school could reduce their balance by increasing spending.

However, the school's key financial challenge over the coming years is to manage the reduced income for the interim time when the NOR is lower due to the period without a regiment being stationed at the barracks.

If Forum were willing to confirm a 2022/23 exemption to clawback for the school at this early stage, it would assist the school's planning with the aim of utilising reserves to operate a more stable staffing structure for the interim period when the NOR is reduced, ahead of the September 2024 pupil number increase. This would increase stability for the school and decrease the risk of compulsory redundancies providing a more established staffing base to assist the arrival of circa 100 new pupils. Early notification of the clawback exemption would also allow the school to commit any savings to their reserves that accrue in the 2022/23 budget year, which is calculated on the 181 NOR, that will be generated by reduced costs when the pupil numbers fall from October 2022.

Other options to support the school with the challenges caused by the significant increase in the pupil population from September 2024 may be considered nearer the time, if necessary, for example a growth fund allocation. However, any future options of this kind relate to the 2024/25 financial year and would need to take account of appropriate DSG allocations and DfE funding regulations applicable at that time Further information may be presented in due course, as we approach FY 2024/25 depending on the circumstances.

Members considered the information provided and expressed support for the clawback exception, to assist the school in managing the pupil number volatility in a more stable and practical way.

#### **The Working Group:**

- a) **Noted the report;**
- b) **Recommended that the Forum agree to exempt the Lancashire primary school from clawback at 31 March 2023 due to the circumstances set out in the report.**

### **3. Inclusion Hub Funding 2022/23**

Following a consultation with schools in the autumn term 2021, the Forum again voted to de-delegate funding for primary inclusion hubs in 2022/23. The de-delegation cost was held at the 2021/22 rate of £11.00 per pupil for maintained primary schools and generates circa £1m for inclusion hub activities in Lancashire.

Following an initial year of Inclusion Hub funding allocated on a 'pump priming' basis of £80k per district in 2019/20, the distribution methodology has used pupil numbers and a deprivation factor to calculate the allocations for each district. For 2022/23, it is proposed to continue this methodology and the table below provides information on the allocations calculated for each district from April 2022:

District	NOR (90%) £	Deprivation (10%) £	Total £
01	96,948	11,564	108,512
02	68,872	7,280	76,152
04	44,518	3,900	48,418
06	123,836	15,261	139,097
07	78,037	6,969	85,006
08	79,078	8,277	87,355
09	91,329	7,866	99,195
11	104,520	11,507	116,027
12	75,053	10,731	85,784
13	80,773	10,876	91,649
14	57,036	5,769	62,805
	<b>900,000</b>	<b>100,000</b>	<b>1,000,000</b>

District allocations are very similar to those for 2021/22, with 5 districts receiving marginally higher allocations and 6 slightly lower allocations. The largest change for a single district is a circa £1.6k increase in funding.

Further updates will be presented to the Forum in due course about the operation of the hubs, and the Forum will need to make formal decisions in October 2022 about de-delegation options for 2023/24.

#### **The Working Group:**

- a) **Noted the report;**
- b) **Supported the continued use of the NOR plus deprivation methodology for distributing de-delegated funding to inclusion hubs in 2022/23.**

## **4. School Business Rates**

### **Schools Block School Business Rates Arrangements 2022/23**

Information has been provided previously for members about revised arrangements for school business rates from April 2022.

These changes are being introduced by the Government following national consultations held in 2021. The DfE had indicated that from 2022/23, schools business rates will be paid nationally by the ESFA to billing authorities directly on behalf of 'all state funded schools'.

For the purposes of 2022/23 maintained school budget statements, rates still appeared as a line on funding statements, but was then deducted from net budgets, similar to how delegations appear. This approach was adopted to comply with DfE guidance and mirrors how the DfE indicated that they are treating the rates allocations nationally, with funding allocated to LAs but then returned to central government to allow the actual rates bills to be paid nationally.

There are still a number of details about how the new rates system will work yet to be finalised by the government. However, a key issue has recently arisen where it appears that the government will not enforce the new system on billing authorities in 2022/23, leaving the decision with each relevant authority about whether to opt into the system or opt out.

In Lancashire, the district councils are the billing authorities and we do not yet have any confirmation about the intentions of these councils.

Recent feedback from the Estates Team indicates that initial responses from some Lancashire billing authorities is that they will not be opting in to the DfE's revised billing arrangements from April 2022, meaning that the rates system is likely to remain as it operated in 2021/22 for many schools. This would involve schools and academies paying the relevant business rates bills from their local billing authority.

This is because the latest information suggests that all the billing authorities in our county would need to opt into the revised billing system for the new arrangements to go live, but we are awaiting final confirmation of this.

DfE say they will write out to schools and academies once they have confirmation of the arrangements, which should be by the end of March 2022.

The LA will need to await final decisions and information before assessing the impact, but apart from actually having to pay the rates bill from the district council, this late change to the arrangements should have a limited impact on school budgets, especially if the Rate Reimbursement Policy continues, which would provide protection for schools receiving larger rates bills than they received funding. Forum could consider the threshold levels in the policy, if applicable, when final details are received, and an assessment has been undertaken.

### **Bid to the Rate Reimbursement Policy**

The Schools Forum has agreed a rate reimbursement policy. The future of the policy will need to be clarified in light of the final school business rate arrangements applicable in Lancashire from April 2022, but the existing policy will remain active until 31 March 2022, at least.

The current Lancashire school block funding framework provides rates funding in school budgets based on the authority's estimate. These estimates of actual costs are provided by Estates Team and in known instances include a provision for increased costs because of expansions and revaluations.

The rates reimbursement policy requires schools to submit a business case in year to the authority, where the actual in year costs incurred by a school is greater than budgeted and



the difference is greater 1% of the Total Schools Block Budget Share for the same funding period or £5,000.

To date, this policy has only reimbursed school block funded schools, as this is the only local funding formulae with a rates factor included.

However, the LA has recently received a request to consider a reimbursement to a maintained nursery school.

The school has recently received an additional rates bill for £19,548. The bill followed a revaluation carried out by the Valuation Office Agency (VOA) in October 2021 and relates to an extra modular building on the school site, with the charge backdated to June 2018 when the additional building was completed.

This building was signed over to the nursery while the school still housed children's centre activities, and the school is currently in the process of disposing of the modular building, so increased rates charges should not be an issue going forward. However, the school is liable for the bill arrears.

Whilst the Rate Reimbursement Policy was predominately written for school block establishments, the principle of the policy was to protect schools from the financial burden of meeting larger, unexpected costs relating to school business rate bills which are usually as a result of arrears due to backdated revaluations. The size of the bill in this case exceeds the financial thresholds contained in the Forum policy. Members will also be aware that the early years sector is perhaps the phase facing the most significant financial challenges at the current time, and that the LA is carrying out a comprehensive review of maintained nursery schools.

It should be noted that cost of any rates redeterminations are met initially from the surplus in the rates rebates budget that is held centrally, which also includes provision for an annual charge to facilitate rateable value challenges on school premises by the LCC Estates Team. The arrangement is underwritten by the DSG reserve.

The outturn position on the rates rebates budget for 2021/22 is not yet known, but the budget overspent by circa £86k in 2020/21 and generated a circa £500k surplus in 2019/20.

As the Rate Reimbursement Policy was agreed via the Schools Block Working Group, the views of the group were sought on the business case for an allocation from the rate reimbursement budget submitted by the maintained nursery school.

**The Working Group:**

- a) **Noted the report;**
- b) **Supported an allocation of £19,548 being made from the Rate Reimbursement Policy to a Lancashire nursery school due to the circumstances described in the report.**

**5. Reforming how local authorities' school improvement functions are funded**

A verbal update was provided to confirm information shared with the Schools Forum at the January 2022 meeting.

Previous reports to the Forum set out information on DfE proposals around 'Reforming how local authorities' school improvement functions are funded', which included a Forum response to the Government's consultation exercise.

The Lancashire grant allocation for 2021/22 equated to just under £2m and DfE proposals indicated that this would be reduced by 50% in 2022/23, potentially leaving a £1m shortfall in school improvement funding from April 2022.

The Grant is proposed to cease totally from 2023/24.

The Forum consultation response raised a number of concerns about :

- The negative impact the proposals may have on school improvement activity for maintained schools;
- The risk that schools will not choose to de-delegate;
- The loss of the grant funding to the school improvement system;
- The unrealistic timescale for implementation.

On 11 January 2022, DfE issued their response to the consultation and indicated that they are proceeding with their proposals, despite a majority of responses opposing the proposals.

The announcements were shared with the Forum on 19 January 2022, and it was noted that DfE consultation conclusions contained information in response to some of the concerns raised by the Forum, including:

- *"There are concerns that these proposals will place a burden on maintained schools, and as a result schools forums may not de-delegate councils sufficient funds to deliver their core school improvement activities. We will reserve the right to permit de-delegation against the wishes of a schools forum in order to ensure councils are in sufficient funds to deliver their core school improvement activities, if satisfied that the local authority had demonstrated such de-delegation was necessary to ensure they were adequately funded to exercise their core school improvement activities as set out in the Schools Causing Concern guidance.*
- *There are concerns that there may be insufficient time for councils to arrange de-delegation in advance of financial year 2022-23. We have clarified that while councils need to submit their APT by 21 January, they only need to confirm schools' budget shares before de-delegation by 28 February and confirm budget shares after de-delegation by 31 March. ESFA are therefore happy to talk to councils on a case-by-case basis if flexibility is required on timings for confirming de-delegation amounts and rates following the APT submission"*

The LA is still considering the implications of this grant cut and further information will be provided in due course.

#### **The Working Group:**

- a) Noted the information.**