

## **LANCASHIRE SCHOOLS FORUM**

**Date of meeting 16 March 2023**

### **Item No 11**

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

**Appendix A refers**

### **Executive Summary**

On 9 March 2023, the Schools Block Working Group considered a number of reports/topics, including:

- Schools Block Funding 2023/24
- School Improvement Function
- Inclusion Hub Funding 2023/24
- Clawback (Appendix A Attached)
- National Non-Domestic Rates (NNDR)

**The Forum is asked to:**

- a) Note the report from the Schools Block Working Group held on 9 March 2023;**
- b) Ratify the Working Group's recommendations.**

## **Background**

On 9 March 2023, 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 Funding 2023/24**

This report provided updates around the finalisation and publication of the 2023/24 Schools Block Budget, and other brief information about future funding arrangements.

At the Schools Forum on 12 January 2023, decisions and recommendations about the 2023/24 Schools Budget were agreed.

In connection with the Schools Block, the Forum unanimously supported the 2023/24 Schools Block proposals, including:

- The DfE's National Funding Formula (NFF) methodology should continue to be used as the Lancashire formula for 2023/24;
- The Minimum Funding Guarantee (MFG) be set at +0.5% for 2023/24, mirroring the National Funding Formula;
- Growth Fund allocation not being utilised with National Funding Formula Budgets.
- The use of the Minimum Pupil Funding (MPF) rates contained in the NFF for any new Growth Fund allocations from April 2023:
- Primary £4,405 per pupil o Secondary £5,715 per pupil
- the transfer of circa £2.08m 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;

On 19 January 2023, the County Council's Cabinet formally approved the Schools Budget for 2023/24.

The Authority Proforma Tool (APT), setting out the agreed Schools Block proposals for 2023/24, was then submitted to the ESFA for compliance checking ahead of the 20 January 2023 deadline.

Some elements of the Schools Budget require compliance checking by the ESFA and approval was received on 20 February 2023.

Budget statements for 2023/24 were prepared and issued on 22 February 2023.

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 2023/24, 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, and the DfE have indicated that 2023/24 allocations should be notified to the LA in March 2023.

The LA did not therefore include an indicative PPG statement with the budget notifications. Once we receive the confirmed 2023/24 PPG allocations from DfE, we will inform schools.

## Mainstream Schools Annual Grant 2023/24

The 2022 Autumn Statement announced that the core schools' budget will increase by over £2bn in 2023 to 2024 financial year, over and above totals announced at the Spending Review 2021.

In the 2023 to 2024 financial year, mainstream schools will be allocated additional funding through the mainstream school's additional grant (MSAG). This is in addition to schools' allocations through the schools national funding formula.

The MSAG will allocate funding to state-funded mainstream schools only. In addition to the MSAG, local authorities have been allocated £400 million in additional highneeds funding for 2023/24, which will be included in the high-needs national funding formula allocations.

The MSAG will fund the following providers, for the 5 to 16-year-old age range:

- primary and secondary maintained schools
- primary and secondary academies and free schools
- all-through maintained schools
- all-through academies
- city technology colleges

School-level allocations of the MSAG for the full 2023 to 2024 financial year will be published in May 2023.

The funding rates for the MSAG 2023/24 consist of the following 3 elements, which are based on factors already in the schools national funding formula:

- a basic per-pupil rate (with different rates for primary, key stage 3 and key stage 4);
- a lump sum paid to all schools, regardless of pupil numbers;
- a per-pupil rate for pupils who are recorded as having been eligible for free school meals at any point in the last six years (FSM6), with different rates for primary and secondary pupils.

The additional High Needs Allocation for 2023/24 has been applied as a 4.6% increase to the funding floor and proxy factor in the High Needs NFF Allocations

|   |             |
|---|-------------|
| Lancashire Additional funding allocations for 2023/24 are: Mainstream Schools Additional Grant Allocation | £31m        |
| High Needs Additional Funding allocation  | £8m         |
| <b>Total Additional Funding 23/24</b>   | <b>£39m</b> |

## Additional High Needs Funding 2023/24

Lancashire has also been allocated supplementary grant funding for the High Needs Block. Following discussions with Forum, it was agreed that the High Needs Supplementary Grant would be calculated in two parts:

A payment to all Special Schools and PRU's as per the DfE guidance and conditions of grant. Details of the allocations for Special's and PRU's have been shared in your budget letter which was published via the portal week commencing 20 February.

A further allocation of a WPN element of additional high needs funding for Primary and Secondary schools, as well as the FE Colleges, will follow a similar process as last year but

with additional consideration for Early Years settings for pupils with EHCP plans. This is currently estimated at £493 and will be multiplied by the total WPN on the May 2022 SEN data. Based on 2022/23 figures this would be circa £2.2 million.

This still leaves potentially circa £2.5 million yet to be allocated and views are required on how most effectively this funding can be utilised through the financial year.

High needs supplementary allocations will be finalised in 2023/24 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.

Kirsty Lister (Principal Account) informed members that a certain aspect of the Schools Budget were subject to ESFA compliance checks. There is a small overspend in the school budget of £380k, which amounts to approximately 0.02% of the budget. Future meetings with the forum will examine and consult on how to avoid being in this position for the next year; at this time, it will be covered by the DSG reserves.

Additionally, the group noted a recommendation of the High Needs Block to form a Task and Finish Group to decide what happens to the remaining funding of £2.5 million. Members were advised to send an email to the school forum or contact their chairs if they have any proposals that they would like to present at the meeting to be held on 23 March 2023. As recommended by the HN group, the School Forum will be asked if they support the decision to be made by the chairs on the 16 March.

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

- a) Noted the report;**
- b) Expressed views relating to the information provided.**

## **2. School Improvement Function**

Aby Hardy (Head of Education Improvement) attended the meeting to provide a verbal update.

In previous years, the service had a school improvement monitoring and brokering grant, but the government removed the funds and School Forum was provided with the option to delegate the service for 2023/24.

For School Improvement Function de-delegation 2023/24, the members were reminded that Primary, PRU's, and Nurseries had opted in, while Specials and Secondary did not. Currently, Aby is working on a handbook about the School Improvement Function which will be available to schools to ensure that schools are clear about what is available and the differences between sectors that choose to participate and those that do not.

Nurseries might be asked to contribute a little for certain services since they were offered different amounts for contributions and selected lowest range. The Monitoring Intervention Team (MIT) will be provided free of charge to other sectors that chose to delegate it. The sectors that did not opt in will still receive statutory visits and guidance but will be offered the MIT services at an additional cost. In addition, the handbook will define what is meant by a school being vulnerable as it may vary from school to school. However, things such as the need for improvement, the challenges, or assistance with the leadership will be considered.

The handbook will provide clarity for members who will vote again for the delegations in October.

**The working group:**

- a) **Noted the information.**
- b) **Supported the development of a Handbook to be available for clarity.**

### 3. Inclusion Hub Funding 2023/24

Following a consultation with schools in the autumn term 2022, the Forum again voted to de-delegate funding for primary inclusion hubs in 2023/24. The de-delegation cost was held at the 2022/23 rate of £11.00 per pupil for maintained primary schools and generates circa £1m for inclusion hub activities in Lancashire.

The distribution methodology has used pupil numbers and a deprivation factor to calculate the allocations for each district. For 2023/24, it is proposed to continue this methodology and the table below provides information on the allocations calculated for each district from April 2023:

| District | NOR<br>(90%)<br>£ | Deprivation<br>(10%)<br>£ | Total<br>£     |
|----------|-------------------|---------------------------|----------------|
| 01       | 96,400            | 11,451                    | 107,851        |
| 02       | 69,807            | 7,505                     | 77,312         |
| 04       | 43,845            | 3,796                     | 47,641         |
| 06       | 126,624           | 15,320                    | 141,944        |
| 07       | 77,774            | 7,104                     | 84,878         |
| 08       | 78,257            | 8,289                     | 86,546         |
| 09       | 90,421            | 7,802                     | 98,223         |
| 11       | 104,571           | 11,347                    | 115,918        |
| 12       | 75,295            | 10,857                    | 86,152         |
| 13       | 80,086            | 10,785                    | 90,871         |
| 14       | 56,919            | 5,743                     | 62,662         |
|          | <b>899,999</b>    | <b>99,999</b>             | <b>999,998</b> |

District allocations are very similar to those for 2022/23, with 3 districts receiving marginally higher allocations and 8 slightly lower allocations. The largest change for a single district is a circa £2.8k 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 2023 about de-delegation options for 2024/25.

Matthew Dexter (Senior Accountant) provided a brief overview of the report and reminded members that the Inclusion Hub applies only to primary only and is funded from the School Block Budget. As well, members were asked whether they supported the current methodology of carrying forward the surplus, as the Inclusion Hubs were underspent in recent years.

All members agreed to continue the methodology, and one member has asked if Finance Officers are aware of the balances that hubs currently hold. The data is not available at this time but could be shared at the next meeting when it is available.

**The Working Group;**

**a) Noted the report;**

**b) Supported to continue the methodology used for Inclusion Hubs.**

#### **4. Clawback**

In July 2022, the Forum considered the School Balances and Clawback Policy for 2022/23 and agreed that clawback should be reintroduced on excessive revenue balances at March 2023. A copy of the agreed policy is provided at Appendix A.

#### **Clawback Exemption Requests 2022/23**

Following notification of the Forum's decision, the request has been received from a Lancashire primary school requesting an exception to the policy at March 2023.

#### **Request (1)**

The primary in question is in an area of higher than average economic deprivation. The most recent OFSTED inspection report rated the school as 'Good' but this was in 2018 and they are expecting to be inspected again in the year ahead. It is important to note that the school is in a 'falling-roll' situation.

It is evident that the classroom infrastructure needed significant uplift as the existing infrastructure was dated and more importantly, negatively impacting on the quality of teaching and learning. School has planned to refurbish all 12 classrooms.

The school is very conscious of the falling role and building uplift issues, and they have been actively seeking to keep funding in Reserves to enable them to mitigate the risk (falling roll) and develop the project strategy (building uplift).

#### **Proposed Build Activity**

For some considerable time, school have been working with their representative in the LCC/Property team District Building Surveyor who has identified a serious surveying risk which has resulted in the work being suspended, but school did refurbish 4 classrooms, last year after summer term. The surveyor has identified that the reliability of the ground floor structure requires further investigation –'humps and hollows forming within the ground floor construction', which has suspended work being completed on further 8 classrooms.

At the time of writing, school is still waiting for clarification of what the problem is, how it will be resolved and whether we will be required to contribute to any remedial works.

As time continues to pass, it is clear that supplier prices continue to incrementally increase and they have taken the opportunity to source an updated quote for the work they plan from Glendale - this comes to £71.4k (excluding VAT for 8 classrooms). The school is concerned about the financial implications of the flooring structural problems and whether the resolution will result in the school being expected to contribute to the cost of works. Conscious that their project will be delayed for an unknown timeframe, prices continuing to increase, and potential costs required for flooring work, we are working on the assumption that £100k needs to be set-aside. The investigation of floor as seen on the picture of the classroom will costs £2856, but they are waiting for a contractor to assess it, to identify further costs and if other classrooms would need the investigation carried out.



### Request to Schools Forum

The primary hereby requests that an exemption is allowed to carry-forward an additional £100k above the allowable Revenue Reserves threshold. The school will be grateful if members would confirm their decision on this matter as soon as is practically possible. The school has provided further information for their 3 years forecasting as if they would not receive the exemption, they could not be able to finish the project in upcoming years, as 2024/25 they expect to be in deficit.

NOR forecast;

| Updated Forecast | Longer Term Impact |         |
|------------------|--------------------|---------|
| 2022/23          | 2023/24            | 2024/25 |
| 347              | 330                | 311     |

Budget Forecast;

|   | 2021/22   | 2022/23  | 2023/24   | 2024/25   |
|---|-----------|----------|-----------|-----------|
| In Year Surplus/Deficit                         | -£116,343 | -£87,691 | -£138,851 | -£251,776 |
| Surplus/ (Deficit) Brought Fwd                  | £383,621  | £383,621 | £295,930  | £157,079  |
| Estimated Balance Carried Forward at 31st March | £267,278  | £295,930 | £157,079  | -£94,697  |

The school is in communication with HR about commencing a staffing restructure to reduce overall staffing costs in future years.

## **Request (2)**

The primary school in question is requesting £40,748 to be exempt for 2022/23, which is the quote evidenced from Versa.

The planned project is to improve the current outdoor learning area for our EYFS children in line with the revised framework by installing a new bespoke canopy that will fall in line with the existing school building to enhance the children's outdoor learning experience.

After obtaining quotations from 3 different companies the school have decided to go with Versa who are able to meet the school needs. Unfortunately, on awarding the contract to Versa, they are unable to complete the project before the financial year end. Whilst the work that will be carried out is outdoors there is an old (20years+) steel canopy that needs to be disposed of and Versa will require 3 weeks for completion to include dismantle and disposal. However, to minimise disruption to the children school have asked if most of this work can be done during a school holidays period such as Easter or May half term. Versa already have jobs booked in for Easter and therefore it leaves the next nearest holiday of May to complete the works. The proposed start date of the works will be Monday 15th May with completion during the half term holiday ending on Friday 2nd June. Currently, final measurements have taken place and drawings are being produced and agreed with structural engineers.

The existing canopy no longer meets the requirements of the school and does not fit in with the school plan to develop the EYFS area (internal and external). The current canopy is too small for use (they are a double form entry primary with 60 children in the early years classes alone). The current steel framework blocks internal windows to the EYFS toilets that cannot be opened and as the canopy itself is dark colour in colour, the EYFS classrooms internally are dark, dismal and unattractive. Over the years the flashing that attached the canopy to the external wall has come away and 'weathered' creating a gap above the door, this means that when it is raining or particularly bad weather the outdoor learning area cannot be used.

In support of this request, the Headteacher and School Business Manager are both newly appointed (both starting their employment on 1st January 2023). At the time of their appointments, all staff had been awarded pay rises that due to unforeseen circumstances were not able to be budgeted for and then coupled with the rise in energy costs, the decision was made not to go ahead with a project the funds were saved for (Large Kitchen Project), as it was felt there was too much financial risk involved, of putting the school in a deficit position with current expenses increases. This planned project was due to cost in excess of £200k and was to move the commercial kitchen from the current KS2 building into the KS1 building. As a result of this when SBM started in January was asked to obtain quotes for a new canopy as it was known at this point that school needs use their save-up funds to improve schools environment.

Whilst school informs that they are doing their very best to ensure 'ongoing' orders are invoiced and any outstanding works are completed and invoiced before the deadline next week, their current estimated reserves are between £320k - £330k. The primary school have initiated an IT order to reduce this figure but as the reserves are only estimated (they are still waiting for their energy costs to be processed – which is linked to a fusion problem rather than anything else, as they are struggling to upload invoices) school is asking that School Forum would consider the cost of the new bespoke canopy to be exempt from clawback for this financial year.



Moving forward, primary school has stated that they are very much looking forward to working with a new budget that will be completely in our control and plans are already in place to ensure we will not be in this position next year.

### **Chairmans meeting**

This report further provided the group with decision made by latest meeting held by Chairs on 10 February 2023. The group was presented with the minutes of the meeting. The meeting was held to consider a clawback suspension due to request received. However, clawback was not suspended because it will apply for the entire year and some schools have accumulated balances over the past few years as clawback was suspended due to COVID.

It is important to note that the final outturn position against schools delegated budgets at 31 March 2022 was an underspend of £5.173m. This meant that school balances had increased by £5.173m in 2021/22, to a total of £95.325m.

As a result of recent meetings surrounding clawback, it was noted that there was no deadline or a clear indication of the steps that need to be taken in order to review the request. During this meeting, it was discussed how schools and the authority would benefit from a deadline and guidance on what is expected to be submitted as part of the request. School Forum will be asked to review additional information below to be added to clawback policy 2023/24;

### **"Applying for Clawback Exemption**

To apply for clawback, please email [schoolsforum@lancashire.gov.uk](mailto:schoolsforum@lancashire.gov.uk)

The deadline for requests to be reviewed is 31 October.

The schools should provide details following details;

- School Number and Name
- What is the planned project including dates for start and completion of the project
- Details of the quote (Evidence provided)
- Amount you are requesting to be exempt from clawback for one year
- Clarity and justification for the project
- Estimated reserves at 31 March

Depending on the school type the request will be reviewed by appropriate working groups.

The team will be working on a template that will be available electronically, to improve this process."

### **Request (1)**

During the meeting, members discussed the school's forecasted financial decision and were pleased to learn that the school is implementing a plan for future deficits. As a result of the working group's recommendation, the primary has been exempt from clawback 2022/23.

### **Request (2)**

The members fully supported the request 2, to be exempt from clawback in 2022/23

### **Applying for Clawback Exemption**

The additional proposed guidance has opened a discussion among members about how schools should provide the amount of clawback they are subjected to, their NOR, whether they receive Capital Funding and whether they receive any assistance from Pooled Services. At the next School forum meeting on 16 March, members will be asked to consider this proposal.

**The Working Group :**

- a) **Noted the information;**
- b) **Approved clawback exemptions for 2022/23 for primary schools;**
- c) **Supported Chairs decision about clawback request suspension;**
- d) **Supported changes to a clawback policy in 2023/24, with additional amendments.**

**5. National Non-Domestic Rates (NNDR)**

Kirsty Lister provided a verbal update on NNDR and informed the group that she had been contacting ESFA regarding the transition to the new NNDR process. Consequently, the rates would not be included in the NFF, and the La would provide the DfE with the latest bill and receive funding accordingly. The DfE currently provides funding for rates, but because they are not based on the most recent data and with current inflation there is a delay in receiving the correct funding. However, the county requires all council districts to agree to and follow this new process, as it costs LCC £1 million to not be part of this new process at this time.

**The working group:**

- a) **Noted the information.**
- b) **Supported for LCC to move to the new NNDR process.**

The Forum is asked to ratify working group recommendations.

### School Balances and Clawback Guidance 2022/23

**This guidance applies to school balances at 31 March 2023**

#### Guideline Balances

The Authority's current maximum guideline balance is:

- 12% of Consistent Financial reporting (CFR) income for all phases of maintained school *(It is suggested that the 12% guideline figure is not seen as a target);*
- A £75,000 minimum balance threshold will be applied. *(This has been increased from £60,000 for 2022/23 taking into account inflation over the years since the last time that the minimum value was raised. This will provide smaller schools with a larger level of allowable balance as a protection against future costs pressures).*

#### Clawback of "excess balances"

The Authority's clawback arrangements are:

- A clawback rate of 50% is to be applied to any balance above the guideline in the first year a school exceeds the guideline (after adjusting for exemptions). ;
- A clawback rate of 100% is to be applied to any balance in excess of guideline where the guideline has been breached for two or more consecutive years (after adjusting for exemptions). *(No 100% clawback rate will be applied at March 2023, as clawback was suspended at March 2022).*

#### Exemptions from clawback

The Authority shall make the following deductions from the school's actual balance before applying clawback:

- Funds accumulated by schools where there is a contractual agreement, as part of a grant allocation or dual use agreement, for facilities to be replaced on a fixed basis (i.e. an all weather pitch) will continue to be exempt from clawback. Conditions of this exclusion are:
  - The amount excluded cannot exceed the total cost of replacing the facility committed in the contract/agreement;
  - The exclusion will only be allowed for a period equivalent to the stated replacement timetable for the facility and will be subject to retrospective clawback if no replacement is funded or if the replacement is at a lower value than estimated;

- Schools will be required to submit relevant supporting documentation relating to the terms of the contract or grant, including evidence of replacement conditions and also estimated costs.
- Any funding received in advance that is funded on an academic year basis to schools by the DfE or other Government department will have 5/12 this exempt from clawback. Schools will be required to submit relevant supporting documentation relating to the government allocation, including appropriate evidence of distribution timescales;
- Funding allocations that are notified to schools late in the financial year, where schools could not reasonably have considered the allocation in their financial planning for the year. Late allocations are defined as allocations notified to schools after 1 January each financial year. Allocations that are notified to schools before the 1<sup>st</sup> January of the financial year, but where the funding is received at a later date, would not qualify under this exemption;
- Devolved Formula Capital (DFC) allocations are specifically excluded from the clawback calculation. Schools are asked to ensure that the relevant capital accounting codes are used for DFC income and expenditure, to guarantee that this funding is identifiable and able to be excluded from year end revenue balances and the clawback calculation;
- No further clawback exemptions will be allowed.

## What is Consistent Financial Reporting (CFR) Income?

CFR Income is defined by the Department for Education in the consistent financial reporting (CFR) framework

<https://www.gov.uk/guidance/consistent-financial-reporting-framework-cfr>

You will have seen your CFR income on several documents but you may not have known it by this description.

You will have seen it on:

- Your financial outturn statement - it is the total line labelled "Revenue Income". This will be the sum of lines I01 to I18D on the outturn statement:
  - This is the figure that will be used to calculate the guideline but as funding and income will change during the year this figure will not be known until the outturn statements have been produced following the end of the financial year.
  - It does not include "Capital Income" codes CI01-CI04
- On your submitted income and expenditure form – it is the total line labelled "Total Income Revenue". It does not include any balances brought forward.
  - This is not used to calculate the guideline but it is your estimate of your CFR income and may be used as your estimate of the guideline. Please note if you revise your estimates of income in the year then you would need to revise your estimate of the guideline figure.