

The Lancashire Schools Forum met on four occasions in the financial year 2018/19 and has considered a variety of reports and presentations on school funding and finance related matters. This annual report sets out some of the significant issues dealt with by the Forum.

### **Schools Budget 2019/20**

Advising on the Schools Budget is a crucial responsibility of the Forum. The 2019/20 budget setting process was again a challenging one due to the continued financial pressures across the whole of the school sector. The key headlines for 2019/20 included:

#### **2019/20 High Needs Block:**

- A revised methodology for the number of Commissioned Place in 2019/20 was agreed as a basis for the budget;
- Saving proposals for special schools, PRUs and FE colleges were agreed;
- Proposals for the development of inclusion hubs will continue, to be initially funded from existing budgets and school contributions ahead of possible de-delegation proposals in 2020/21;
- Original 2019/20 Schools Budget proposals included an option to devalue the Weighted Pupil Number (WPN) rate from the new academic year 2019/20. However, at the recommendation of the Forum, the further use of Dedicated Schools Grant (DSG) reserves, to the value of circa £1.2m, was agreed to prevent the need to reduce WPN rates in 2019/20 and protect vulnerable pupils across all providers.

#### **2019/20 Schools Block:**

- The National Funding Formula (NFF) Methodology continues to apply in 2019/20 and was implemented in full, including revised Minimum Pupil Funding (MPF) levels;
- The 2019/20 gains cap was set at +1.5% against 2018/19 allocations, and the MFG at -1.5% against 2018/19 allocations;
- Implementation of revised 2019/20 split site proposals and transitional arrangements were agreed;
- A transfer of 0.5% (£3.7m) from the Schools Block to the High Needs Block was confirmed in order to mitigate the forecast overspend in High Needs Block.

#### **2019/20 Early Years Block:**

- The Universal Base Rate for 3 and 4 year olds was set at £4.13 per hour (from £4.09 in 2018/19) and the hourly rate for eligible 2 years olds at £5.00 per hour in 2019/20 (the same rate as 2018/19);
- Central Government continues to provide ring-fenced supplementary funding for maintained nursery schools in 2019/20;
- Discretionary supplementary payments continue for the 2019/20 budget but a review will be undertaken over the coming year.

#### **2019/20 Central School Services Block:**

- Savings totalling circa £0.4m were identified as a contribution to the High Needs Block overspend.

### **Fighting Lancashire's Corner**

Difficult budget decisions were taken to ensure that 2019/20 Schools Budget in Lancashire was allocated from the funding envelope provided by the Dedicated Schools Grant (DSG) allocations. However it was recognised that schools are facing considerable cost pressures. The Schools Forum and the County Council have therefore made a number of representations to central government during the course of year, and participated in national research projects and contributed to Government evidence gathering. This has included:

- Corresponding with Government Ministers to make a case for additional Early Years Block funding for Lancashire, as we currently receive the lowest level of funding allocation nationally;
- Participated in a Local Government Association (LGA) national research project about High Needs Block funding, to better understand the reasons for the pressure in this block and to lobby for additional resources. This project perhaps contributed to Government decisions to make additional funding available for high needs in both 2018/19 and 2019/20. Lancashire was allocated an extra £2.6m in both years;
- Evidence about the impact of funding reductions on combined budget resources in Lancashire have been channelled to the DfE to feed into considerations about the Government's comprehensive spending review.

### **Service De-delegations 2019/20**

Regulations require that the Forum is responsible for deciding which services should be de-delegated each year. In October 2018, the Forum considered a number of de-delegation proposals. Primary and secondary members agreed by phase that a number of services would be de-delegated for the 2019/20 financial year. This means that for primary and secondary schools (but not academies) services will be provided centrally. These services are:

- **Staff costs – Public Duties/Suspensions.** This de-delegation incorporates reimbursement to schools for staff costs associated with public duties and suspensions;
- **Museum Service - Primary Schools Only.** Provides funding for the work the museum service undertakes for primary schools to help meet the national curriculum and to support wider cultural learning;
- **Support for Schools in Financial Difficulty.** This funding allows support to be offered to schools in financial difficulty, which is managed by the School Improvement Challenge Board (SICB) against published eligibility criteria.

### **Consultation Responses**

A number of consultations and discussions were held with schools and academies and with representative groups to help shape the budget and savings proposals and de-delegation decisions for 2019/20. The Forum were very grateful for the responses and comments that helped to steer their decisions and recommendations.

## Support for Schools in Financial Difficulty

Pressure on school budgets across all phases remained a key issue throughout the year. Outturn data relating to 31 March 2018 was reported to Forum in July 2018 and revealed that 47 Lancashire schools (8%) were in a deficit budget situation, which is the highest ever number. Almost 50% of schools used their reserves to set a balanced budget, and aggregate balances held by schools have reduced by £9m over the last 2 years.

In response to the challenging financial environment, the Forum have supported the continued development of the procedures and policies for supporting Schools in Financial Difficulty (SIFD), including:

### *School Categorisation Approach*

The School Categorisation Approach is used to monitor the financial health of Lancashire schools, and to target resources, support and alerts. This approach continues to assess financial data on each school and catalogued them into one of four SIFD categories, which are set out below:

Category	Description
<b>Category 1 Structural Deficit</b>	Structural deficit beyond recovery, school is financially non-viable, strategic solutions required
<b>Category 2 Significant Deficit</b>	Schools have significant deficits requiring intensive intervention and focussed support to recover, or have no agreed recovery plan – pushing boundaries of 3 year timescale
<b>Category 3 Vulnerable Position</b>	Incorporates schools burning through reserves, losing significant pupil numbers, moving into or on the brink of deficit, or schools that are recovering from more significant financial problems, but where the recovery plan is agreed and is on track - require intervention and monitoring in order to prevent failure in the next 3 years – education, challenge and forecasting support
<b>Category 4 No financial issues</b>	No budget issues but continued monitoring of financial indicators to confirm ongoing financial health.

Various early warning processes, training support and toolkits have been developed to help support schools in avoiding a deficit budget position or to recover from deficit.

A policy has also been agreed to introduce Notices of Concern (NOC) in Respect of Financial Delegation, for high risk schools. The NOC introduces certain financial restrictions on Governing Bodies.

## School Balances and Clawback

The Forum reviews the Lancashire school balances and clawback arrangements each year.

In connection with School Balances and Clawback at 31 March 2018, clawback totalling circa £232k was applied to 13 schools.

The Forum agreed that continuation of the existing school balances and clawback arrangements for application at 31 March 2019.

**Full details of all Schools Forum business are available from the [Schools Forum website](#). For any queries please email [schoolsforum@lancashire.gov.uk](mailto:schoolsforum@lancashire.gov.uk)**