

**Agenda Item
8**



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum – 17th October 2019

Report Title: Dedicated Schools Budget Strategy 2019-20 & 2020-21

Author:

Paul Durrant
Head of Finance & Business Partnering
Email: Paul.durrant@haringey.gov.uk

Kristian Bugnosen
Principal Accountant (DSG)
Telephone: 020 8489 4491
Email: Kristian.bugnosen@haringey.gov.uk

Muhammad Ali
Interim DSG Accountant
Telephone: 020 8489 4491
Email: Muhammad.Ali@haringey.gov.uk

Purpose:

1. To inform members of the latest changes in the Dedicated Schools Grant (DSG) for 2020-21.
2. For Decision using the same DSG formula as for 2019-20
3. To note the financial review of DSG 2019-20 forecast.
4. To inform members of the need for DSG recovery plan.

Recommendations:

1. Same DSG formula for Schools Budget Shares allocation 2020-21
2. Business Rates refund reallocation to schools 2019-20
3. Contingency Budgets for Schools in Financial Difficulty 2020-21

1 Introduction.

- 1.1 In July 2017, DfE announced the introduction of the national funding formula (NFF) which was supported by additional investment in 2018-19 and 2019-20. The additional funding over the last two years, has enabled the council to maintain per-pupil spending on the schools and high needs blocks.
- 1.2 The paper sets out a summary analysis of DSG's four blocks' financial position for the financial year 2019-20 and the strategy for DSG formula for Schools Budget Share allocations for the financial year 2020-21.
- 1.3 The report also provides information for changes in the minimum funding level for schools and additional funding for High Needs Block for 2020-21.
- 1.4 The policy document which sets out the background and principles of the new National Funding Formula for schools can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648532/national_funding_formula_for_schools_and_high_needs-Policy_document.pdf
- 1.5 The DSG is currently divided into four notional blocks:
 - Schools,
 - High Needs,
 - Early Years, and
 - Central School Services Block.
- 1.6 The 'soft' formula was originally planned for 2018-19 and 2019-20 only, with a 'hard' formula, without local input, to be implemented in 2020-21. However, the DfE has announced that there will be no changes for 2020-21.
- 1.7 The DfE has not committed to the future arrangements, but the expectation is that a 'hard' NFF will be introduced – i.e. without a local formula applied - from 2021-22. (although "soft" formula may continue for another year, subject to DfE confirmation).

2 Changes in funding level for 2020-21.

- 2.1 Planned changes to minimum school funding for 2020-21
- 2.2 There has been a significant commitment for 2020-21. The per pupil funding a school received has gone up with the rise in inflation rate of 1.8%.
- 2.3 The Chancellor announced: “the government will ensure that per pupil funding for all schools can rise in line with inflation (1.8%)” and “for schools already on their National Funding Formula allocation, the per pupil values in the formula will increase by at least 4%” in cash terms.
- 2.4 An increase in the minimum funding that primary and secondary schools receive per pupil.

- 2.5 The government announced an increase in 2020-21 from the current minimum per pupil amount of £3,500 to £3,750 in primary schools, and from £4,800 to £5,000 in secondary schools, with a further increase in the primary school's minimum to £4,000 in 2021-22.
- 2.6 It is not clear if this is the AWPU of Minimum Funding Guarantee amounts. The table below illustrates any indicative financial impacts on Haringey Schools funding:

2020-21	Government Increase Per Pupil.	LBH Current Per Pupil (19-20)	Difference	Impact
AWPU - Primary	3,750	3,643	107	Increase.
AWPU - Secondary	5,000	5,423	(423)	No change.
MFG - Primary	3,750	5,342	(1,592)	No change.
MFG - Secondary	5,000	6,877	(1,877)	No change.

2021-22	Government Increase Per Pupil.	LBH Current Per Pupil (19-20)	Difference	Impact
AWPU - Primary	4,000	3,643	357	Increase.
AWPU - Secondary	5,000	5,423	(423)	No change.
MFG - Primary	4,000	5,342	(1,342)	No change.
MFG - Secondary	5,000	6,877	(1,877)	No change.

- 2.7 To re-iterate these figures are indicative but in MFG terms Haringey Schools are already funded at a higher rate. An update will be provided at next School's Forum once further ESFA guidance has been provided.
- 2.8 The government has also announced additional £700 million extra for children with Special Educational Needs and Disabilities (SEND) in 2020-21.
- 2.9 For 2020-21, the DfE will publish provisional national funding formula allocations at local authority and school level in early October 2019.
- 2.10 Currently, it is not possible to forecast our schools' budgets on the above changes given the current lack of policy detail.

3 Schools DGS formula 2020-21

- 3.1 The consultation in November 2018 with all maintained and academy schools, Schools Forum agreed the following principles for the local funding formula in 2019-2020
- (a) Growth Fund to estimated at £922k
 - (b) The transfer 0.25% out of the Schools Block into the High Needs Block
 - (c) Set the MFG at +0.2% per pupil

An agreement from School's forum is sought to keep this in methodology – * but with the Growth Fund recalculated based on current needs. This will be presented at next School's Forum once Admission data has been provided.

- 3.2 Where schools have split sites and are eligible for split site funding of £60k in the DSG formula. Nurseries with split sites do not receive this funding. It is proposed to ensure

fairness across all mainstream settings a similar split site funding is provided to nurseries. (In Haringey there is only a single Nursery with a split site).

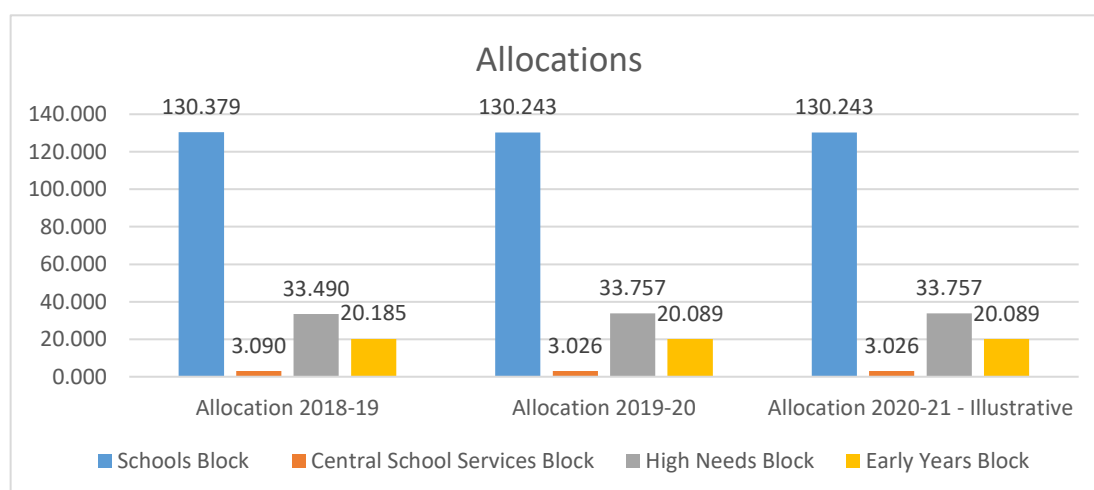
- 3.3 Refer to Appendix A for Falling roll funding consideration.
- 3.4 Keeping in view the funding level increase for 2020-21 we also recommend the council should setup a contingency budget for 2020-21 for in year rate adjustments. The following amounts are presented for the school forum agreement which can be used to setup a rates contingency budget:

- 1. Proposal 1: £250,000
- 2. Proposal 2: £500,000
- 3. Proposal 3: £750,000

- 3.5 In December, each local authority received an email which provided details of how to access their Authority Proforma Tool (APT). The December APT will be populated with schools block data for 2020 to 2021, primarily drawn from the October 2019 schools census.
- 3.6 Authority Proforma tool is the mechanism by which ESFA provide the schools block dataset to local authorities but local authorities will submit APT in January 2020 following schools forum approval.

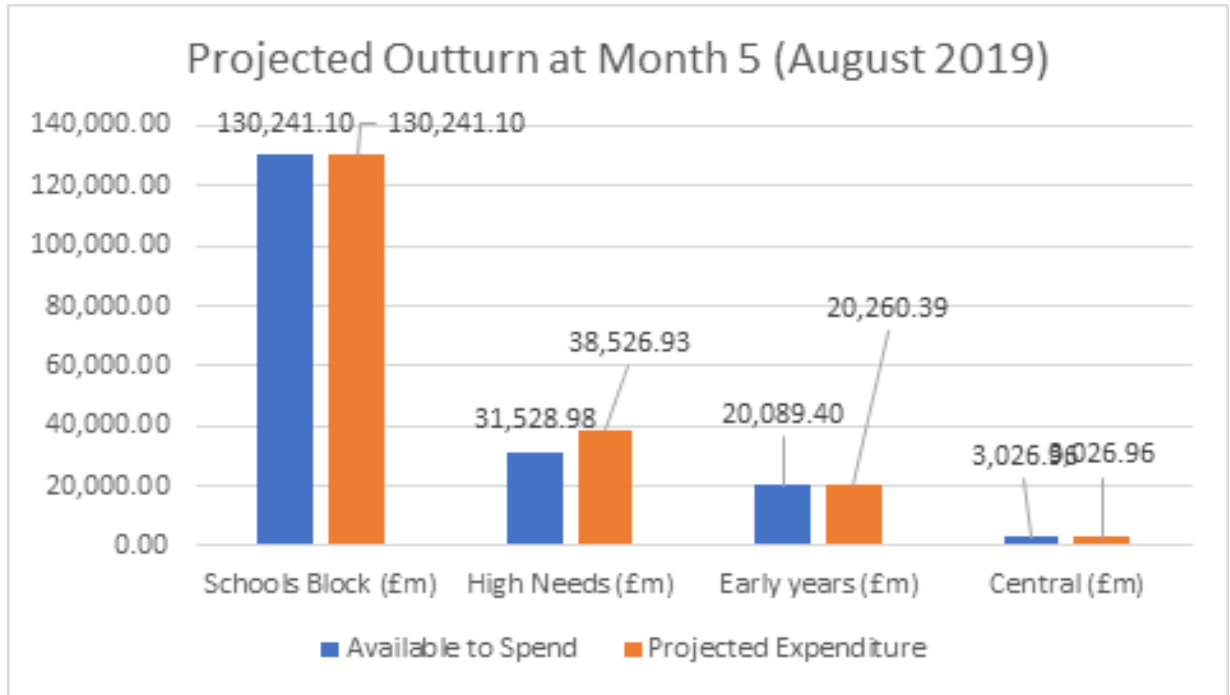
4 Analysis of Dedicated Schools Grant Allocations

- 4.1 The following graph show the allocation over the last 3 years with illustrative allocation for 2010-21. Please note that allocation for 2020-21 has been kept the same as we are still due to receive information from the department of Education for indicative allocation.



5 Analysis of Dedicated Schools Grant 2019-20

- 5.1 The predicted DSG forecast financial position for the financial year 2019-20 is a £7.168m deficit. In the last financial year, the HNB was the main material pressure to the DSG.



2019-20 DSG Budget Forecast	Schools Block (£m)	High Needs (£m)	Early years (£m)	Central (£m)	Total (£m)
Schools Block DSG funding settlement	130,242.51	33,668.54	20,282.00	3,026.04	187,219.09
Increase/(Clawback)	Nil	88.16	(192.60)	Nil	(104.44)
Schools Block to High Needs Block (0.25%)	(0.49)	0.49	0.00	0.00	0.00
Growth Fund	(0.92)	0.00	0.00	0.92	0.00
Additional SEN funding	0.00	0.63	0.00	0.00	0.63
Total funding Allocation	130,241.10	33,757.82	20,089.40	3,026.96	187,115.28
B/fwd Balances	0.00	(2,228.84)	0.00	0.00	(2,228.84)
Available to Spend	130,241.10	31,528.98	20,089.40	3,026.96	184,886.44
Projected Expenditure	130,241.10	38,526.93	20,260.39	3,026.96	192,055.38
Net Position	0.00	(6,997.95)	(170.98)	0.00	(7,168.94)
Medium Term Financial Strategy – HNB*	0.00	0.00	0.00	0.00	0.00
Outturn 2019-2020	0.00	(6,997.95)	(170.98)	0.00	(7,168.94)

5.2 High Needs Block

At month 5 of 2019-20 financial year the High Needs Block (HNB) out-turn projection is an in year overspend of £6.99m. This is inclusive of any savings achieved against the HNB MTFs savings plan.

This projection in itself according to ESFA rules will require a formal deficit recovery plan to be provided to ESFA.

The main pressure areas continue to be the children in post 16 settings, where there is insufficient funding for the extended responsibilities for the age range up to 25years. Robust details of pressures will be provided in the next school's forum as this is tied in with the substantiating savings work.

It is now apparent that the initial savings targets for 2019-20 will not be met.

Comments from Head of SEND

A strategy is currently being formulated by the Head of SEND, Alternative Provision and Early Years Commissioner with sound-boarding from the High Needs Committee that requires Borough wide acknowledgement and support from schools to reduce expenditure during the next three years.

Although there have been a number of success stories in reducing expenditure by reducing contract, reducing staffing and also placing young people in more cost-effective setting. Work is still ongoing to produce an agreed method statement to identify and track where further savings can be made. The expectation is an agreed method will be available to present to the next Schools Forum.

Initial findings indicate further pressures in the need for support for children at risk of school placement breakdown, and resulting use of specialist services and special school places

A number of savings proposals included ceasing of plans and placing children appropriately at reception and secondary transfer with the new special school places available was successful for the reception and secondary transfer deadlines, however the demand continues for specialist support in year, and over the amount. With the majority of Children and Young People already placed for the current academic year, and therefore the school place capacity use, there is little scope to achieve the substantial cost reductions until the next tranche of admissions. There is a need for analysis of why there is an increased number of special school place requests.

Identifying appropriate transitions to alternative settings – with the emphasis on in borough placement will begin again soon to allow SEND to offer appropriate local school places as requested by schools and families, which will go some way to reduce costs in 2020/21 based on original plans. Other savings initiatives are being explored as the above will in no way reduce the expenditure at the required rate.

The Commissioning Schools services and Head of the SEND service will then demonstrate progress against key milestones agreed with the forum at all subsequent Schools Forum's.

Future Developments.

It should be acknowledged that HNB deficits are a national issue and the ESFA have confirmed to support this with an extra £700m being made available in 2020/21.

Whilst authority level information has not formally been published, London Councils estimates that Haringey is likely to receive approximately £4m additional funding.

It is not clear whether this is a recurring sum.

The EFSA have been critical a number of the recovery plans presented by councils for this financial year, stating that they lacked the following:

- Clear plans on how they plan to pursue a change to the trajectory of current core cost driver's in order to reduce costs.

- That simply tracking increasing overspend was not acceptable.

They have made it clear that this additional funding should not be considered bail out money – but hope it can be used effectively to help support efficiency building practices.

A guide will be issued in October.

5.3 Early Years Block

Haringey Early Years budget allocations have been revised to reflect the January 2019 census. The budget has reduced from £20.25m to £20.09m, hence the reduced by £192k from the budget reported to the July 2019 Schools Forum.

There has been an increase of 5% in allocation on the universal 15 hours funding from £11.5m to £11.9m. There has also been an increase of 4% in the funding for full time children from £3.6 to £3.7m.

There has been a reduction from £2.4m to £2.2m for 2-year-old funding. Pupil Premium has been reduction is from £158k to £107k.

The current Period 5 is forecasting an overspend of £170.98k based on revised ESFA allocation. The head of service is identifying new approaches to strategize a more efficient tracking of pupil numbers within the current financial year. To pre-empt any over or under claiming of funds needed.

A comprehensive forecasting technique has been put in place by finance to adhere to the request of Director of Children service as per last school forum report.

5.4 Business rates refund re-allocation

At the July Schools Forum, it was reported that following a review of schools rateable values, a surplus of £914k was generated. Schools Forum requested that we brought a proposal for a redistribution of these funds.

The table below shows suggested options for distribution of the additional funding.

2019-20	Rates Refund	High Needs	Schools	Central	Total (£)
Rates Refund	914.00	0.00	0.00	0.00	914.00
Schools Block to High Needs Block (0.25%)	(490.00)	490.00	0.00	0.00	0.00
Business Rates Contingency	(250.00)	0.00	0.00	250.00	0.00
Financial Management Support	(100.00)	0.00	100.00	0.00	0.00
Un-allocated funds	(74.00)	0.00	74.00	0.00	0.00
Total funding available	0.00	490.00	174.00	250.00	914.00

6 Dedicated schools grant (DSG) deficit recovery plans

- 6.1 The authority is not required to produce a Deficit Recovery Plan for 2018-19 due to the fact collective reserve of all blocks at 31 March 2019 were below the threshold of £2.6m. Despite underspends in the Early Years and Schools Block, the pressures expected by

the HNB to fulfil statutory requirements is highly likely to push the deficit over the threshold in 2019-20 and will require a deficit recovery plan, for presentation to the ESFA.

- 6.2 All local authorities that have a cumulative DSG deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit position back into balance within in a three-year time frame by 30th June in the following financial year.

In this instance 30th June 2020.

- 6.3 Recovery plans should be discussed with Schools' Forums and be signed off by the local authority's chief financial officer (CFO) before the plans are submitted to the DfE. Therefore, we plan to provide Schools Forum of the recovery plan updates throughout the year.

- 6.4 Key deadlines for the recovery plan is given below which is subject to change by the DfE:

ACTION	DEADLINE
DEADLINE FOR SUBMISSION OF DSG DEFICIT RECOVERY PLAN	June
REVIEW OF DSG DEFICIT RECOVERY PLANS	July – Sep
DEADLINE FOR SUBMISSION OF CFO ASSURANCE STATEMENT	Mid-September

7 Financial Management Support for Schools in Financial Difficulties

- 7.1 Schools with deficits are recorded on the Council's risk register and discussed as part SIMG meeting to ensure that there is an appropriate level of support being given to school by the council.
- 7.2 Schools often buy into external consultancy support from various providers where they may not have the right level of skills or the full understanding of schools funding regimes.
- 7.3 Often, they lack the strategic perspective which also creates further problems for schools.
- 7.4 Schools with financial difficulties will be supported by the council's school consultant at no extra costs to ensure that schools have been given right level of support to take them through the difficult times.
- 7.5 A full-time permanent opportunity has been advertised by the council for the recruitment of a schools consultant.
- 7.6 Strategy for supporting schools
- Re-design of quarterly financial reports templates
 - School with deficit required to submit a deficit recovery plan
 - Submission of quarterly budget monitoring reports along with full set of accounts
 - Cash flow forecasts
 - Indicative Budget templates and training for schools and governors
 - Supporting schools with financial difficulty
 - Development of a school's finance traded service to support schools in need of financial management support
- 7.7 Where schools are unable to manage their finances by way of a deficit reduction plan with the support and guidance provided, Haringey may be required to exercise its

responsibility to intervene and remove financial delegation. This would be considered as a last resort.

However, it is Haringey's intention to provide more proactive approach to schools in providing support and guidance to financial management.

It should be noted that this will require funding to facilitate this support.

7.8 A recent communication from the DfE states that they intend to review the financial reporting for maintained schools, with the key issues below at the forefront of their concerns.

- Issue 1: Making public where local authorities are failing to comply with deadlines for completing assurance returns and financial collections
- Issue 2: Strengthening DSG annual assurance returns
- Issue 3: Maintained schools are not required to provide local authorities with 3-year budget forecasts
- Issue 4: Strengthening Related Party Transaction arrangements in maintained schools
- Issue 5: Maintained Schools internal audit is too infrequent
- Issue 6: Strengthening arrangements to help schools that are in financial difficulty
- Issue 7: There is not enough transparency when it comes to reporting teachers' pay scales

Information on consultation was sent to all schools for their response. A response to the consultation was submitted by the council.

8 School Financial Procedure Manual

8.1 We have now revised phase 1 of Schools Financial Procedure Manual. We have divided the manual into three broad categories given below:

Phase 1: Financial Management

Phase 2: Reporting and Taxation

Phase 3: Governance and record keeping

8.2 Financial Management in Schools

The scope of Financial Management covers budget planning, organising, directing and controlling the financial activities of your school. The following chapters are covered in this part of the Manual.

1. FM 1 - Budget Planning and Forecast
2. FM2 - Purchasing and Procurement
3. FM3 - Payroll Management
4. FM4 - Petty Cash Management
5. FM5 - Risk Management
6. FM6 - Schools in Financial Difficulty

8.3 Phase 2 & 3 will be reviewed by the end of December and March 2020 respectively:

1. Phase 2: Financial Reporting and taxation
2. Phase 3: Governance and record keeping

These financial guidelines form part of your schools financial procedure manual. They are designed to ensure that schools' financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.

We continue to work with our schools to ensure our schools are supported by the Council in managing their delegated budgets and financial reporting is in line with the new reporting development initiated by the ESFA for schools.

9 Restructure and Security Panel

- 9.1 A separate report on Schools Structure and Scrutiny Panel will be presented to the next school forum by the relevant team.

-----END-----