

Agenda Item



Report Status

For information/note ☒
For consultation & views ☒
For decision ☒

Report to Haringey Schools Forum – 27th February 2020

Report Title: Dedicated Schools Budget Out-turn Projection for 2019-20

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Purpose:

1. Update on 2019-20 Financial position at period 9 (Qtr. 3).
2. Update on the DfE/ESFA recovery plan.
3. Revisit Business Rates Surplus Proposal made in July 2019.

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 '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.
- 1.3 In light of the above, each local authority will continue to set a local school's formula, in consultation with local schools.
- 1.4 The Secretary of State announced that the funding for schools and high needs, compared to 2019-20, will rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23.
- 1.5 This is on top of £1.5 billion provided to fund additional pension costs for teachers.
- 1.6 This paper sets out a summary analysis of the DSG's four blocks' financial position for the financial year 2019-20.
- 1.7 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
- 1.8 The DSG is currently divided into four notional blocks:
 - Schools,
 - High Needs,
 - Early Years, and
 - Central School Services Block.
- 1.9 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 Central Government Updates.

- 2.1 Haringey Council has representation on the DfE led Service Working Group on Education and Children's Services (SWGECS). This is a group/forum that facilitates exchanges between local authority finance representatives and the DfE on matters concerned with revenue and capital expenditure on education and children's services.
- 2.2 SWGECS meets approximately every two months to share and discuss a range of issues concerning education, including SVFS (schools financial value standard), the National Funding formula and High Needs funding etc. Via this working group, the DfE often make requests for calls on support for consultations and evidence gathering which is often used to help inform policy and decision making on a national level.

- 2.3 The benefit to officers and to Forum of inclusion in this group is the access to soft intelligence prior to official release and disclosure to the public. The table below details some key points from the February SWGECS:

Topics of discussion (Feb 2020)	Key Points
Financial transparency of LA schools	<p>Feedback by the DfE on the Government Consultation on “Financial transparency of local authority-maintained schools and academy trusts”. launched in July 2019.</p> <p>There are provisional outcomes – under consideration by ministers. But the final proposals have not yet been published.</p> <p>Some of the issues will be highlighted in the School’s in Financial Difficulty report to be discussed in this forum.</p>
PAN / Business Rates	<p>Business Rates: DfE considering centralising Business Rates payments. DfE will pay business rates directly from 2021-22 (proposed).</p>
Schools NFF and CSSB Update	<p>Further reviews of the formula expected. Especially around the High Needs Block Element – which will be influenced by the outcome of the SEND Review that began circa Sept 2019.</p> <p>Haringey asked the group about AWPU as this was previously raised at school forum. None of authorities presented on the day have gone through this change as this a historic figure. The advice from the DfE that ratio between Primary and Secondary AWPU is recommended at 1.29 with lump sum applied across both primary and secondary sector.</p> <p>Haringey current AWPU ratio is 1.48 and lump Sum is only applied to primary at a rate of £170,000.</p>
2020-21 disapplication and DSG Deficits	<p>The group discussed their collective experience with disapplication in their formulas and experience with the ESFA. Haringey did not make any disapplication for 2020-21. Other LA’s did make disapplication based on their unique experiences.</p> <p>The need for automatic deficit recovery plan based on 1% deficit, is no longer required. The DfE will review the need of a recovery plan on a LA by LA basis. But further guidance to follow.</p>
Good Practice Exchange (High Needs).	<p>Some work has been conducted by the DfE to litmus test what networks are out there and how they are interacting with each other. With the intention of gauging the appetite for a good practice exchange. See appendix a)</p>

High needs funding and SEND Review	<p>The intention was to have an update from DfE on the SEND review. However due to the General Election and changes in personnel within the DfE. There were no updates provided.</p> <p>There was confirmation that the HNB element of the formula is being reviewed with changes being considered. But the expectation is further discussion will take place and it is anticipated that implementation will be in 2022-23 formula.</p>
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3 Analysis of Dedicated Schools Grant 2019-20

- 3.1 The predicted DSG forecast financial position for the financial year 2019-20 at period 9 is a £5.39m in-year deficit which includes the deficit brought forward from 2018-19. The overall projected deficit for 2019-20 is £7.62m. The HNB is the main material pressure to the DSG.
- 3.2 A detailed report on HNB and EYB is being presented by the relevant services to Forum tonight.
- 3.3 The table below provides Headline Figures per Funding Block

2019-20 DSG Budget Forecast @ Qtr. 3	Schools Block (£000)	High Needs (£000)	Early years (£000)	Central (£000)	Total (£000)
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Schools Block DSG funding settlement	130,242.51	33,773.56	20,089.39	3,026.04	187,131.50
Schools Block to High Needs Block (0.25%)	-0.49	0.49	0	0	0.00
Growth Fund	-0.92	0	0	0.92	0.00
Additional SEN funding	0	0.63	0	0	0.63
Total funding Allocation	130,241.10	33,774.68	20,089.39	3,026.96	187,132.13

Projected Expenditure	130,241.10	39,400.78	19,857.10	3,026.96	192,106.84
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In year Position	0.00	-5,626.10	232.29	0.00	-5,393.81
B/fwd. Balances	0	-2,229	0	0	-2,229
Net Position	0.00	-7,855	232	0	-7,623

4 Dedicated Schools Grant 2020-21

- 4.1 The extract from ESFA website represents Haringey's funding allocation for the financial year 2020-21.

Haringey

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Dedicated schools grant (DSG) allocation for financial year 2020 to 2021

£261,935,787
after high needs deductions

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Published: 19 December 2019

Funding breakdown

Schools block	£200,151,485
Central school services block	£2,945,886
High needs block	£38,475,244
Early years block	£20,363,172

5 Dedicated Schools Grant (DSG) deficit recovery plans

- 5.1 The ESFA has confirmed that there is a change to the requirements for a deficit recovery plan. The previous process deemed 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.
- 5.2 The current process details the 1% calculation will be based on the latest published total DSG allocations for 2019 to 2020, gross of recoupment, as at the end of the 2019 to 2020 financial year and excludes maintained school balance.
- 5.3 Guidance is still required from the ESFA. But it is likely that they will be reviewing the need for a recovery plan on a per authority basis. The ESFA will be contacted to see if Haringey requires a recovery plan.
- 5.4 Recovery plans will 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. The current deadlines are:

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

- 5.5 Until further instruction from DfE has been provided it is still best practice for all stakeholders to formulate a plan to recover the deficit and bring expenditure back to budget, whilst ensuring value for money.

6 Business rates refund re-allocation to schools

6.1 In July 2019 Schools Forum, the Council made the Forum aware of the receipt of £914k Business Rate refund in relation to schools for the year 2018-19. The money is still available for redistribution.

6.2 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%)	0.00	0.00	0.00	0.00	0.00
Business Rates Contingency*	(48.00)	0.00	48.00	0.00	0.00
Financial Management Support	(200.00)	0.00	200.00	0.00	0.00
Un-allocated funds	(666.00)	0.00	666.00	0.00	0.00
Total funding available	Nil	0.00	914.00	0.00	914.00

6.3 On 17th October Schools forum the following proposal was presented for the decision on allocation of the business rates refund:

1. Block transfer of £490K to High Needs Block, which was not permitted by the school forum.
2. Business Rates Contingency of £250K which was also not agreed.
3. School forum agreed to use £100K to fund post for school finance adviser for the two years.
4. The mechanism to allocate remaining funds of £74K was also not agreed.

* Under payment of business rates correction to Coleridge School has been applied in 2019/20 from the above funds.

6.4 We recommend to School Forum that they nominate a panel from Forum members to agree a mechanism to distribute the remaining funds to schools by way of formula taking into the consideration the following factors.

1. Current level of Deficit
2. Current cash flow forecast
3. Key Performance Indications (such contact ration, school budget efficiency and benchmarking operation structure against best case seniors of similar schools)

6.5 An alternative proposal would be to allocate the refunded sum to all schools, using the gross revenue budget DSG budget allocation for 2019/20.