

## Agenda Item



## Report Status

For information/note   
For consultation & views   
For decision

### Report to Haringey Schools Forum –15<sup>th</sup> October 2020

**Report Title: Dedicated Schools Budget Strategy (DSG) 2021-22 / Outturn Projections 2020-21**

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#### Purpose:

1. To inform members of the Indicative DSG position 2021-2022 overall and in Early Years Block, Schools Block, High Needs Block and Central School Services Block and latest updates from the DfE.
2. Updates on School Block funding formula for 2021-22
3. To note the DSG 2020-21 forecast.
4. To update members on the DSG recovery plan.

#### Recommendations:

To note the NFF Schools funding information presented which will inform follow up work from Finance and further Schools Forum decisions to be put forward at the December Schools Forum.

To note the intention of Finance to send an e-survey to inform local funding formula aspects of the Authority Performance Tool (APT)

To consider the merits of reviewing the CSSB block funding plans and decide whether a working group would be helpful.

## 1 Introduction.

1.1 In July 2017, the Department for Education (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 This paper sets out a summary of the DSG analysis of the four blocks' (Early Years Block, Schools Block, High Needs Block and Central School Services Block) financial position for the financial year 2020-21 and the strategy for the financial year 2021-22.

1.3 The policy document which sets out the background and principles of the National Funding Formula for schools can be found at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/838394/National\\_funding\\_formula\\_policy\\_document\\_-\\_2020\\_to\\_2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/838394/National_funding_formula_policy_document_-_2020_to_2021.pdf)

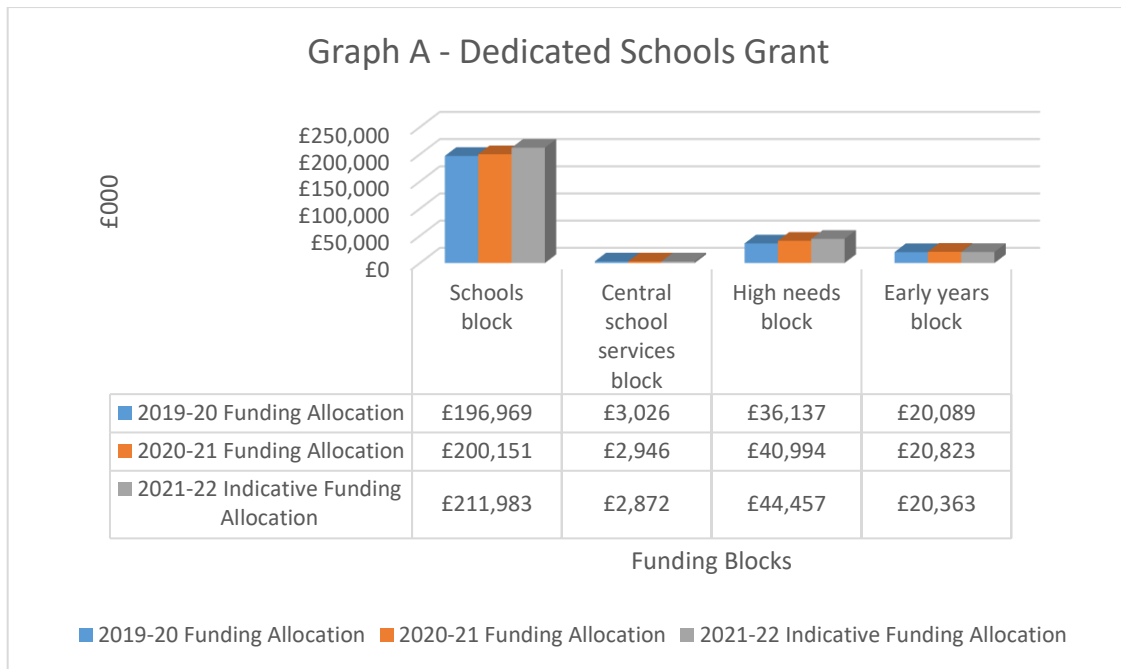
1.4 The DSG is currently divided into four notional blocks:

- Schools,
- High Needs (HNB),
- Central School Services Block (CSSB), and
- Early Years.

1.5 The DfE has confirmed that that there are no changes to local flexibility factors for 2021-22, and so local/soft formula will still apply. Regarding hard funding, the Department expects to have a consultation on this soon. The consultation will include how to transition, the hardening of different factors and arrangements for streams such as CSSB and Growth.

## 2 DSG 3 years Funding Comparison

2.1 Graph A represent a comparison of 3 years of funding of the overall DSG Block. The period for 2021-22 shows indicative allocations as the Early Years Block is yet to be confirmed. The increase in HNB and Schools block are inclusive of rolling in of Teachers Pension and Teachers pay grant.



Section 3-6 of this report (below) provides the DfE updates on each individual DSG block in September 2020. Section 4 provides the next step in the school block funding formula consultation.

### 3 Schools NFF in 2021-22

- 3.1 In September 2020, the DfE released the indicative Authority Performance Tool (APT). The overall structure of the formula is the same as 2020-21. Key factors have increased by 3%. With the exception of the following factors; primary, minimum per pupil level funding (MPPL), Free School Meals, Floor – (the protection factor, will ensure at least 2% increase protection of per pupil led funding items in the formula, per pupil, Sparsity Primary, growth and premises. The attached slides are from the DfE and provide further narrative to the changes.
- 3.2 The Indicative APT model will be made available so all Schools prior to November Schools Forum. Schools Finance are currently modelling what the funding distribution will look like and will present also to SBM's at their November training session.
- 3.3 There are some changes to the formula for 2021-22. The main changes are:
- Rolling in of the Teacher's Pay and Pension grant.
    - By adding per pupil amounts onto the age-weighted pupil (AWPU).
    - Adding the same per pupil amounts to the MPPLs.
    - Adding an amount representing the funding schools receive through the grants *and* supplementary fund onto baselines.
  - Sparsity factor – confirmation that there will be an increase to the factor and the values – but the DfE has not confirmed the size or increase or design of factor. As a London Borough, it is not expected that this will affect Haringey Schools adversely.
  - IDACI is now based on 2019 data set and is based on ranks and not scores. Modelling is to be actioned to see what the implication is.

- The DfE is now applying Lower Layer Super Output Areas (LSOAs) for ranking. The illustrations below demonstrate the change:

▪ **Banding is now based on ranks not scores**

Previous:

NFF IDACI bands	
IDACI score	Band
Between 0.5 and 1	A
Between 0.4 and 0.5	B
Between 0.35 and 0.4	C
Between 0.3 and 0.35	D
Between 0.25 and 0.3	E
Between 0.2 and 0.25	F

Updated:

Factor	Ranks	Band
Pupils in the most deprived 2.5% of LSOAs	1 to 821	A
Pupils in the next 5% most deprived LSOAs	822 to 2463	B
Pupils in the next 5% most deprived LSOAs	2464 to 4105	C
Pupils in the next 5% most deprived LSOAs	4106 to 5747	D
Pupils in the next 10% most deprived LSOAs	5748 to 9032	E
Pupils in the next 10% most deprived LSOAs	9033 to 12316	F

Illustration taken from the DfE slides 16 Sept 2020.

- 3.4 Schools Finance will model the IDACI changes to analyse any affects to schools, applying last year's school numbers to this year's APT information. The results will be shared with the DSG Fund Working Group and presented to Schools Forum at December School Forum.
- 3.5 An indicative APT model will be made available prior to the November Schools Forum.

## 4 School Block Funding Formula Consultation 2021-22

- 4.1 An indicative Authority Performance Tool (APT) is now available for modelling School Block formula: consultation with DSG working group will be carried out shortly.
- 4.2 Following a wider consultation in December 2019 with all maintained and academy schools, Schools Forum agreed the following principles for the local funding formula in 2020-2021:
  - (a) Growth Fund to estimate at £932k.
  - (b) The transfer of 0% out of the Schools Block into the High Needs Block
  - (c) The block transfer of £122K for Education Welfare Services to Central Block
- 4.3 This report ask that the Schools Forum agree for the DSG working group to meet between now and November and agree a model for School Block funding formula for 2021-22 for presentation at November School forum 2020.

- 4.4 A Consultation survey will be sent to all schools after the November 2020 School's forum by the School Finance Team and its findings will be presented at December 2020 Schools Forum for final ratification on our local funding formula.
- 4.5 Table A below details the timetable for providing provisional APT to Haringey maintained schools:

Table A: APT Timeline

Date	Action
September	DfE presentations and updates to LA's re: 2021-22 National Funding Formula.
Mid-September	Authority Planning Tool (APT Received)
15/10/2020	October Schools Forum - Sharing of DfE updates.
19/10/2020	Local Formula funding adjustment options to be consulted with schools. Through e-surveys. Consultation to include options for Growth, HNB Contributions and contributions to Education Welfare Service
Late October	Haringey School's Finance to present comparisons of IDACI changes to DSG Working Group. Report also to be shared with LA maintained schools.
TBC - Early November	DSG Funding Working Group Meeting - Modelling of APT options to be presented.
13/11/2020	Headteacher - Briefing: Indicative Budget Setting Tool 21-22 *Technical
20/11/2020	SBM Training: Indicative Budget Setting Tool 21-22
03/12/2020	<b>December Schools Forum. Presentation of Options and Sign Off of full APT.</b>

## 5 Central Schools Service Block (CSSB) in 2021-22

5.1 The DfE has committed to:

- **Ongoing responsibilities**
  - National 21-22 budget of c.£257m (up 3.8% on the previous year's).
  - LAs will have the same floor as in previous years of -2.5%, and the gains cap set at the maximum affordable rate of 6.45%
  - Additional pension funding claimed for centrally employed teachers will be rolled in as a per-pupil additional amount in the DSG.
- **Historic commitments**
  - 20% cash reduction to each LA's allocation, compared to 20-21.
  - Same protection as in 2020-21 whereby historic commitments funding cannot fall below the total value of ongoing termination of employment and prudential borrowing costs.

5.2 The impact for Haringey Council is a reduction of £74k for the financial year 2021-22 as compared to 2020-21.

5.3 The Chief Executive of HEP; motioned for a review of the CSSB spend and plans in line with previous requests made at Schools Forum. Could a working group be created to review? It was requested that the reduction in funding could only be applied to existing / historic commitments.

## 6 High Needs NFF in 2021-22

6.1 The DfE has committed to:

- **Main changes for 2021-22:**
  - Limit on gains reduced to 12%, but funding floor remaining at 8%
  - Incorporating the new IDACI data as mentioned previously
  - Rolling in the teachers' pay and pensions grants and supplementary fund.
- **Teachers' pay and pensions funding:**
  - £660 per pupil added to the basic entitlement factor – to be updated with October school census numbers in December.
  - New factor for the teachers' pay and pensions grant funding paid to AP and hospital schools, and the pensions supplementary fund – to be updated later in 2021 to annualised level of 2020-21 funding paid through the grants and supplementary fund

6.2 The DfE has provided the following insights to the local distribution of teacher's pay and pension funds:

- **Basic principle is that schools should not see a reduction in this funding unless the place numbers are reduced** (subject to the 40-place minimum)
- **Proposed additional DSG conditions of grant:**
  - a. The local authority must allocate high needs funding to those maintained schools, academies, and free schools to which it allocated Teachers' Pay Grant, Teachers' Pensions Employer Contribution Grant and Pensions Supplementary Fund monies in 2020-21, unless those schools have closed. The amount of funding to be allocated must be both at a level no less than the amount per place those schools and academies received in 2020-21, and subject to the 40-place number minimum.
  - b. This additional high needs funding must not result in a reduction to the number of places for which £10,000 per place is allocated to a school or to the top-up funding in respect of individual pupils, and must be disregarded in applying the protection for special schools.

6.3 The DfE has made assurances that plans to review the High Needs NFF will go ahead. They have promised a review within 4 years. The review will include factors of historic spending and the weighting that was applied. They are aiming to consult on any changes for 2022-23 – but the timings of this consultation have not been determined yet. The Department need to consider any conclusions from the outcome of the SEND review which is still to be published.

## 7 Early Years Update

7.1 On 20 July 20 the DfE announced that they will continue to pay LAs for the childcare places they usually fund. The guidance to LAs sets out that:

- LAs should continue to fund early years providers who are open and offering their usual entitlements places at broadly the levels they would have

expected to see in the 2020 autumn term had there been no coronavirus outbreak.

- In addition, LAs should continue to fund providers who have been advised to close, or left with no option to close, for public health reasons.
- LAs should **not** fund providers who are closed in the autumn term 2020 for non-public health reasons.

Guidance is available at: <https://www.gov.uk/government/publications/use-of-free-early-education-entitlements-funding-during-the-coronavirus-outbreak>

7.2 The DfE has set out how LAs will be funded in 2020-21: the January 2020 census data will be used for funding allocations to LAs for the autumn term 2020. Normally the DfE would have applied the January 2021 census data for funding allocations. The DfE expects local authorities to pass that support onto providers who are open but may not be as full as usual. The DfE intends to return to the normal early years funding process from the start of 2021. With the intention to use the January 2021 census count to drive funding allocations for the 2021 spring term. It is expected that local authorities' funding to childcare providers will return to the normal approach for all providers from 1 January 2021. But the DfE will keep this under review and confirm the approach in further guidance in the autumn.

## 8 DSG 2020-21 Outturn Position at – August 2020.

8.1 The overall DSG position projection in August 2020 (P5) is a £4.6m deficit. The HNB is the main pressure to the DSG grant with a £4.6m deficit in-year projection. The following graph represents the under and overspends projections of the different blocks for 2020-21. The overall overspend equates to 2.42% of Haringey's overall grant allocation after recouplement.

Graph B: DSG Out-turn

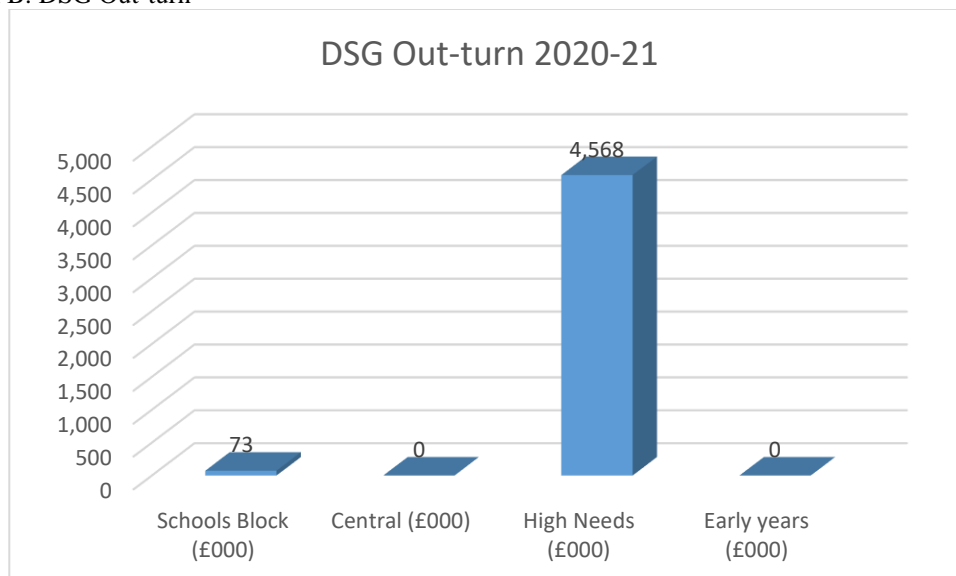


Table B below provides the gross expenditure projections of the DSG and details of the closing DSG reserve balances if the financial year ended now.

Table B: DSG Out-turn Projection @ P5 2020.

2020-21 DSG Budget Forecast @ P5	Schools Block (£000)	Central (£000)	High Needs (£000)	Early years (£000)	Total (£000)
Schools Block DSG funding settlement	130,166.44	2,945.89	38,653.58	20,363.17	192,129.08
Schools Block to High Needs Block (0.25%)	0.00	0.00	0.00	0.00	0.00
Growth Fund	0.00	0.00	0.00	0.00	0.00
Additional SEN funding	0.00	0.00	0.00	0.00	0.00
<b>Total funding Allocation</b>	<b>130,166.44</b>	<b>2,945.89</b>	<b>38,653.58</b>	<b>20,363.17</b>	<b>192,129.08</b>
<b>Projected Expenditure</b>	<b>130,239.61</b>	<b>2,945.92</b>	<b>43,221.16</b>	<b>20,363.18</b>	<b>196,769.88</b>
<b>In year Position</b>	<b>-73.17</b>	<b>-0.03</b>	<b>-4,567.58</b>	<b>-0.01</b>	<b>-4,640.80</b>
<b>B/fwd Balances</b>	<b>0.00</b>	<b>-10.26</b>	<b>-10,066.96</b>	<b>-107.53</b>	<b>-10,184.75</b>
<b>Net Position</b>	<b>-73.17</b>	<b>-10.29</b>	<b>-14,634.54</b>	<b>-107.54</b>	<b>-14,825.55</b>

The in-year overspend needs to be added to the 2019 Carry Forward deficit meaning the DSG will finish with a deficit of £14.8M if the financial year ended today.

### High Needs Block

- 8.2 The High Needs Block (HNB) overspend for the year is £14.634m inclusive of carry forward of £10.06m. The main pressure areas continue within the special schools spend and various top up funding as this is a demand led funding pot.
- 8.3 A comprehensive report from the Head of Service is to be presented to the School forum for HNB strategies over the next 3 years and which forms part of DSG deficit recovery plan.
- 8.4 The SEND review by the DfE is still waiting publication.

### Schools Block

- 8.5 The projections for the Schools Block is reported as breaking even but there has been a rise in License Deficit Applications from our schools in this financial year. The total number of Schools with a Licensed Deficit is nineteen. Of these, one school has asked for a debt restructure. This has been reviewed and the school is re-submitting their application. The total number of Schools with a Licensed Deficit application made in the last nine months is ten and of these applications, five have been approved. Three of these Schools have received a cash advance and are awaiting a Licensed Deficit application to formalise the restructure of the



payment. Two Schools have been rejected and advised to provide reliable cash flow projections and a sustainable repayment plan.

- 8.6 Covid and loss of income generation has been the main driver for this immediate rise. The LA are still committed to providing cash advances to address any cash flow problems that schools face due to Covid.

## 9 Dedicated Schools Grants (DSG) Deficit recovery Plans Update

- 9.1 There is no set Deficit Recovery Plan (DRP) available currently. As SEND spending is the source of the overspends, SEND is ultimately responsible for driving the plan with support from colleagues across the LA and other stake holders.
- 9.2 On the 16th of September, the ESFA sent out a deficit recovery template which is available on their site at the following link - <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-deficit-management-plan>
- 9.3 This template is the reporting format required by the DfE and links to relevant datasets to allow for comparisons to other LAs. The template includes recording of the reporting to Schools Forum and other partnership work within the body of the report.
- 9.4 The DRP for Haringey is closely aligned to Haringey's SEND review and back to budget projects. The LA has been reviewing the use of HNB budgets and linking in with the London Finance Advisory Committee (LFAC) to ensure consistency of HNB spend usage with other London partners.
- 9.5 The LFAC provided some guidance on eligible activities and spend that the High Needs Block can be used for (see attachment "DSG HNB Guide"). Haringey broadly aligns with the guidance in this report: one of the wider strategies is to review spend in HNB that are essential and statutory and which are desirable. Further, analysis usage versus spend outcomes would be expected before decisions to reduce or stop funding are taken. It should be noted that this guidance is not a directive from Government but is guidance as a result of a cross section review of partner London Boroughs.
- 9.6 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 with recovery plan updates throughout the academic year.
- 9.7 Updates from the DfE regarding DRPs will be provided to Schools Forum when they are received.

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