

**Agenda Item
8 & 10**



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum –25th June 2020

Report Title: Dedicated Schools Budget Strategy 2019-20

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Purpose:

1. To inform members of the final DSG position 2019-20 overall and in Early Years Block, Schools Block, High Needs Block and Central School Services Black.
2. To note the schools closing balance as at 31 March 2020.
3. To note the financial review of DSG for 2019-20 and 2020-21 forecast.
4. To update on the proposed use of the Business Rates refund allocation.
5. To inform members of the need for DSG recovery plan.

Recommendations:

1. Consider using the Business Rates refund reallocation balance to support a Covid-19 fund to support the School's in Haringey that have been adversely affected financially by Covid-19. (Appendix a – provides additional info).

1 Introduction.

1.1 In July 2017, the 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 for our schools and the high needs blocks.

1.2 This paper sets out a summary of the DSG (dedicated schools grant) analysis of the four blocks' financial position for the financial year 2019-20 and the strategy for the financial year 2020-21

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

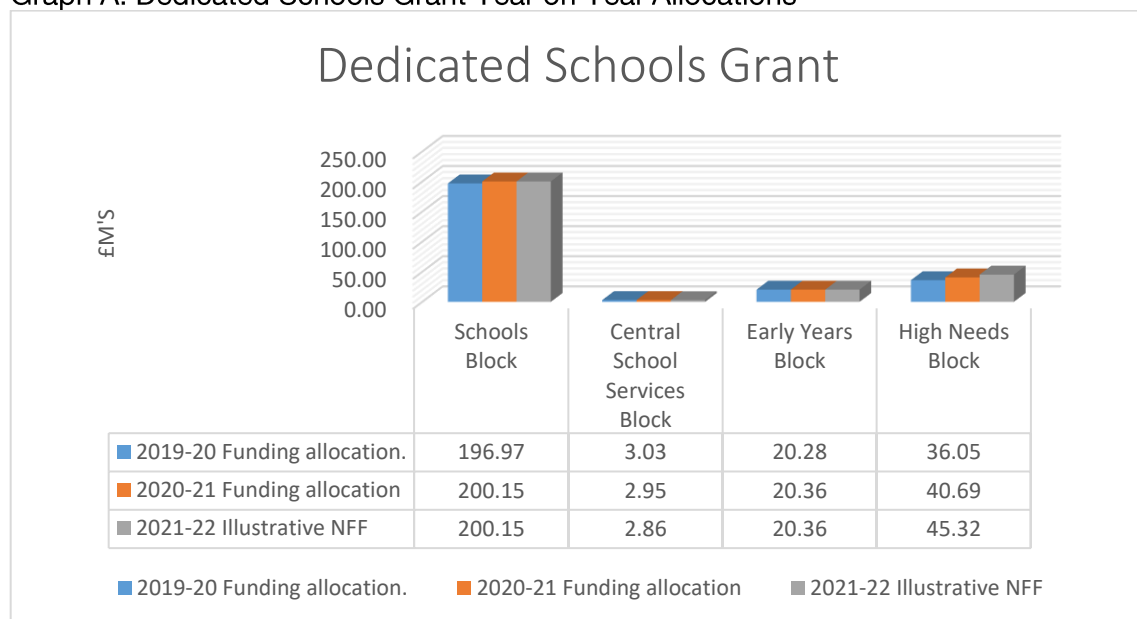
1.4 The DSG is currently divided into four notional blocks: Schools, High Needs, Early Years and Central.

The 'soft' formula that was originally planned for 2018-19 was extended to 2019-20, with a 'hard' formula, without local input, to be implemented in 2020-21. However, we now know that the implementation of a 'hard' NFF will be introduced – i.e. without a local formula applied - from 2021-22, subject to DfE confirmation.

2 Analysis of Dedicated Schools Grant Allocations

2.1 Graph A below sets out Haringey's DSG allocations for 2019-20, the indicative DSG allocation for 2020-21, and the illustrative National Funding Formula for 2021-22. The illustrative 2021-22 NFF is simply the same level of growth/reduction from 2019-20 to 2020-21, applied to 2020-21 for Central and High Needs Block. With Schools and Early retained at 2020-21 Allocations.

Graph A: Dedicated Schools Grant Year on Year Allocations



3 Analysis of Schools balances as at 31 March 2020

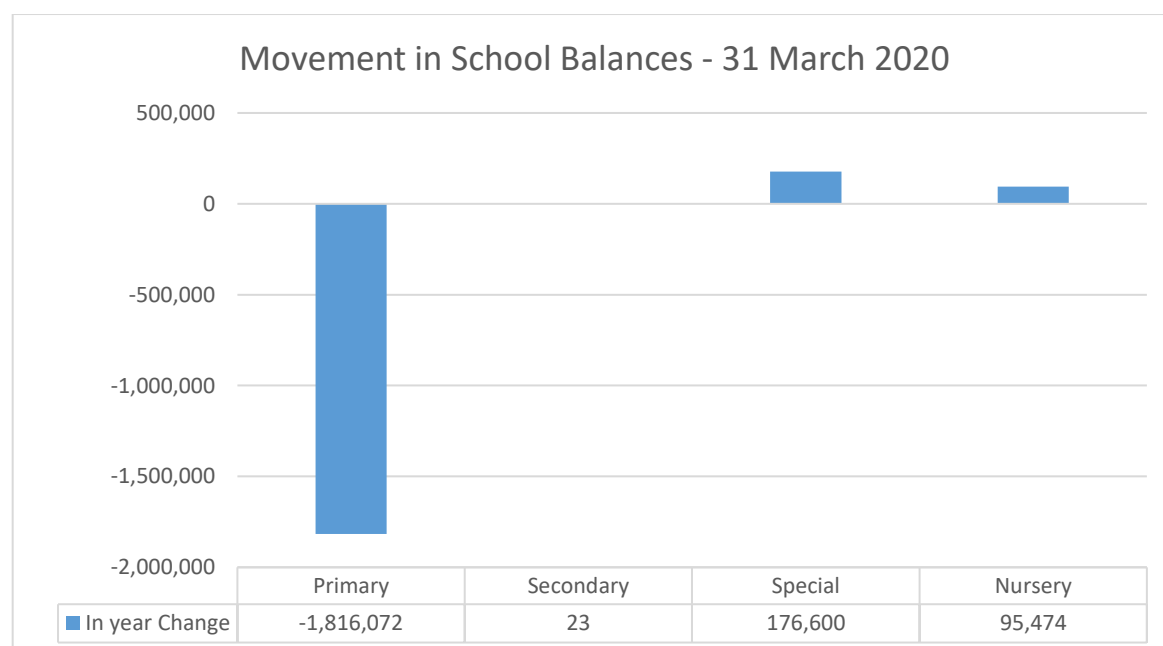
3.1 The analysis provides an update on the schools' year end balances as at 31 March 2020. Table A of Schools Reserve Balances is a financial year overview of movement in schools reserve balances from 2018-19 to 2019-20.

Table A: Schools Reserve Balances

Financial Year Overview	FY 18/19	In year Change	FY 19/20
Primary	7,836,837	-1,816,072	6,020,765
Secondary	1,311,834	23	1,311,857
Special	484,010	176,600	660,610
Nursery	41,653	95,474	137,127
Total	9,674,335	-1,543,976	8,130,359

3.2 The details of school's balances will be discussed further in the School's in Financial Difficulty update paper which is also on this agenda. But Graph B demonstrates the overall movement in School Balance reserves per setting type.

Graph B: Movements in School Balances



DSG closing position – 31 March 2020.

3.3 Summary

The overall DSG position as at 31 March 2020 is a £7.96m deficit. The HNB (High Needs Block) is the main pressure to the DSG grant and closed with a £7.84m deficit.

The following graph represents the under and overspends of the different blocks during the year. The overall overspend equates to 4.2% of the Haringey's overall grant allocation after recoupment.

Graph C: DSG Out-turn Variance 2019-20

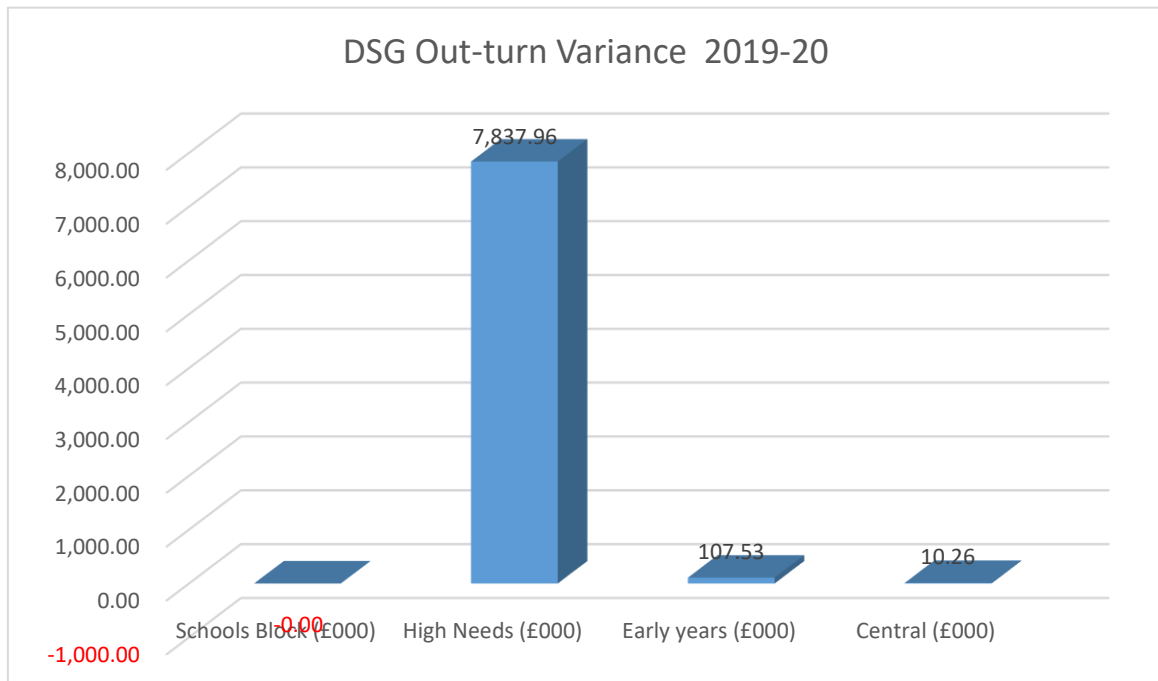


Table B below provides the gross allocation and expenditure of the DSG and details of the closing DSG reserve balances.

Table B: 2019-20 DSG Out-turn Table.

DSG Out-turn 2019-20	Schools Block (£000)	High Needs (£000)	Early years (£000)	Central (£000)	Total (£000)
Schools Block DSG Final 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
Growth Fund	-0.92	0	0	0.92	0
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
2019-20 Out-turn	130,241.10	41,612.64	20,196.92	3,037.22	195,087.88
In year Position	0.00	-7,837.96	-107.53	-10.26	-7,955.75
B/fwd. Balances	0.00	-2,229.00	0.00	0.00	-2,229.00
Net Position	0.00	-10,066.96	-107.53	-10.26	-10,184.75

3.3 High Needs Block

The High Needs Block (HNB) overspend for the year is £7.84m – this is directly related to the increases in spend last year, including the way the DSG was funded by the ESFA and significant growth in pupil numbers within SEND. The main pressure areas continue within special schools and the children in post 16

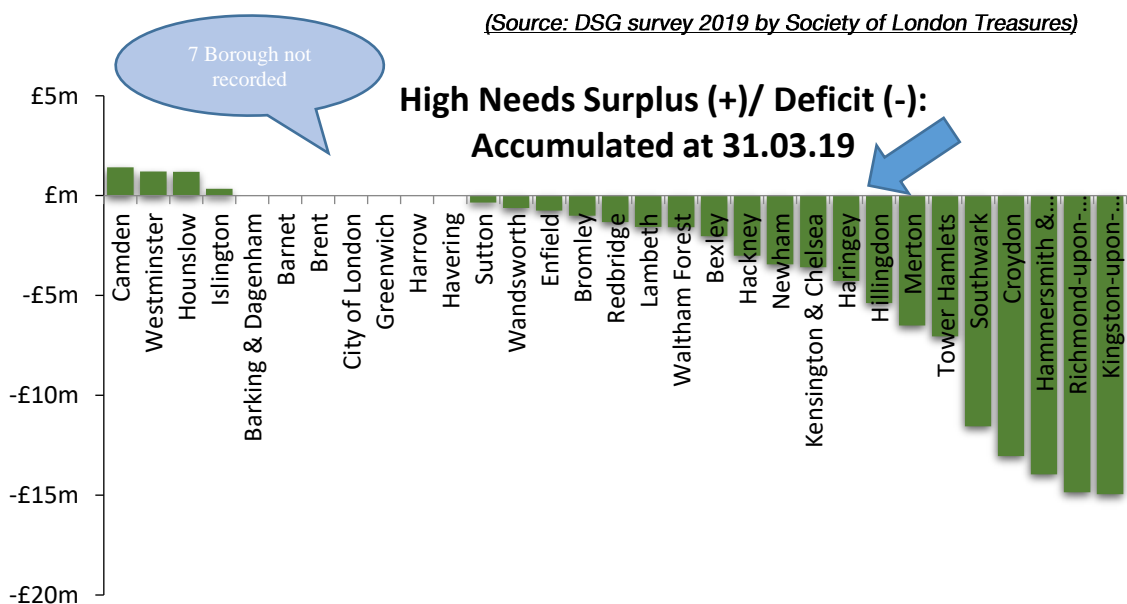
settings, where there was inadequate funding for the extended age range up to 25years.

As reported via the High Needs reporting there is still pressure due to multiple factors, the growing number of EHCP's requiring additional resources to be secured from an already pressured high needs budget, year on year growth in the use of independent educational provision and the ongoing budgetary demand within the FE sector.

The savings plans for 2019-20 were not achieved as reported in Schools Forum in by the SEND Head of Service in February 2020.

A comprehensive report from the Head of Service is to be presented to the School forum for HNB strategies over the next 3 years. This will be presented to schools forum in January 2021.

It should be acknowledged that HNB deficits are a national issue and shown below is a graphical representation of the size of the problem across London from last year. (Haringey will chase up an updated position.)



The DfE are currently consulting with schools and local authorities on the future funding arrangements for the HNB. LA responses are being co-ordinated into a single response through London Councils. The SEND review as promised by the DfE has been impacted by Covid and the anticipated paper has been delayed. We are awaiting the DfE's official release.

3.4 Schools Block

This represents the Central School Block allocation. School balances are reported under section 3.1 to 3.3 of this report.

The Schools block broke even with distribution of budget to schools in line with the Authority Performance Tool (APT). The School's in Financial Difficulty (SFID) allocation was not fully utilised with an underspend of £112k to be carried forward. The underspend was a result of requests did not meet the criteria for access. Part of this underspend is to be used to support School's Finance arrangements in supporting School's in Financial Difficulty.

3.5 Early Years Block

The Early Years block is fully spent but finished with a £100k overspend. However, this is inclusive of a provision for clawback estimated at £150k.

Haringey's DSG allocation for Early Years is based on the annual January census. The actual amounts of DSG funding allocated to Early Years provision in schools and PVI (Private, Voluntary and Independent) settings are based on participation numbers, captured via 3 termly headcounts per school year. Schools and PVIs record their early years pupil hours on the Synergy Provider portal maintained by the Council.

DSG closing position Forecast – 31 March 2021.

3.6 As it is June there is no Quarter 1 forecast report available and this will be provided at next Schools Forum. However, if the current trajectory remains the same as 2019-20 expenditure the predicted DSG forecast financial position for the financial year 2020-21 is estimated to be a £13m deficit.

Table C: 2020-21 Projected DSG Out-turn.

2020-21 DSG Budget Forecast	Schools Block (£000)	High Needs (£000)	Early years (£000)	Central (£000)	Total (£000)
2019-20 Opening Balances	0.00	-2,228.84	0.00	0.00	-2,228.84
C/Fwd 2019-20	0.50	-7,783.56	-107.52	-10.27	-7,900.85
Revised C/Fwd into 2020/21	0.50	-10,012.40	-107.52	-10.27	-10,129.69
Schools Block DSG funding settlement	130,166.44	38,653.58	20,263.17	2,945.87	192,029.06
Schools Block to High Needs Block (0.25%)	0.00	0.00	0.00	0.00	0.00
Other transfers	0.00	0.00	0.00	0.00	0.00
Total funding available	130,166.44	38,653.58	20,263.17	2,945.87	192,029.06
Available to Spend	130,166.94	28,641.18	20,155.65	2,935.60	202,158.75
Projected Expenditure	130,242.02	41,557.75	20,196.92	3,036.30	195,032.99
Net Position	-75.08	-12,916.58	-41.27	-100.70	-13,133.62
Medium Term Financial Strategy – HNB	0.00	0.00	0.00	0.00	0.00
Outturn 2020-21	-75.08	-12,916.58	-41.27	-100.70	-13,133.62

*After Recoupment and deductions.

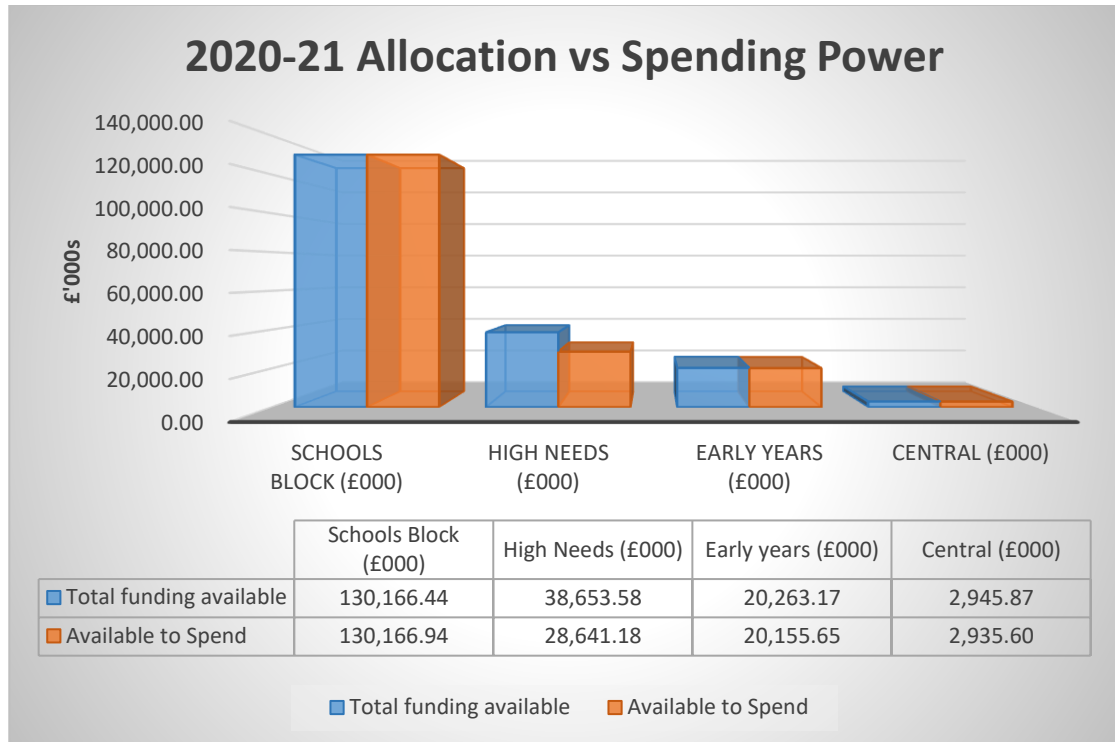
** This is Carry Forward surplus or deficit added to Initial Allocations

*** Based on 2019-20 Out-turn

**** SEND / LA to provide plan to "bring back to budget".

The chart below is a visual representation of the individual blocks spending power. It is based on deficit carry forwards being met with initial funding allocations.

Graph C: Haringey Spending Power 2020/21



The Schools Block has a marginal increase in spending due to carry forward surplus. As the Early Years and Central Blocks both have deficit carry forwards their spending power is impacted marginally. The High Needs Block is clearly impacted by their ongoing deficit. By the time HNB spends £28.6M it will already be in deficit. £28.6M represents 74% of their 2020/21 Allocation. In the last two financial years, HNB activity is the main material pressure to the DSG. The strategy to address this is being formulated by the Head of SEND to reduce expenditure during the next three years. This will be a key in informing the DSG Deficit Recovery Plan.

3.8 Business rates refund re-allocation to schools – Proposed Covid-19 Fund.

In the February Schools Forum, the agreement to utilise the School’s Funding Working Group to look at how to distribute the remaining balance has been actioned. The group met in May 2020 and with the onset of Covid-19, a proposal to create a fund was tabled.

The fund is made up of the residual Business Rates Relief and the SiFD Allocation balances after adjusting for agreed commitments and spend from 2019-20 and 2020-21. It is calculated to total £784K.

The Covid Emergency Support Fund table details the total amount available:

Table D: Covid Emergency Support Fund.

Covid Emergency Support Fund 2020 -21	Rates Refund	Schools in Financial Difficulty (DSG) 2019-20	Schools in Financial Difficulty (DSG) 2020-21
	"£'000"	"£'000"	"£'000"
Opening Balance	914	179	179
Business Rates Contingency for Coleridge in 2019-20	-48	0	0
Financial Management Support 2019-20	0	-67	0
Financial Management Support 2019-20 Carried Forward	-100	-53	0
Financial Management Support 2020-21	-100		-120
Closing Balance to be used for CESF	666	59	59

Total Fund for 2020-21	£784K
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Appendix 1 provides a power point presentation that describes the timeline of creating this Covid fund as well as the sources of the decision-making process along the way.

There is a set of criteria to access this funding and will be based on the principles of eligibility and time:

Eligibility will be based on:

- The net effect Covid has had on finances, with evidencing of net losses and savings.
- Funding available to those schools pushed into deficit by Covid.
- Based on needs – with cap setting.
- As the Business Rates Refund was based on APT – it is only open to schools funded by the APT.

In terms of timeliness, the requests for the fund will be open after Quarter 3:

- To ensure the financial impact is real and not estimated:
- After school budgets are set to ensure parity across all schools and ensure no incentivising of loss.
- DfE reimbursements should be known by this time.

Schools Forum are asked to consider and agree the Working Group's proposal to create this Covid-19 fund.

Schools Forum are asked to agree which settings can access this fund. This includes LEA maintained, Primary and Secondary, Academies, Free Schools Nurseries and Special Schools.

Choosing the Covid-Fund option will mean sharing £784k amongst schools. If this option is not chosen, it will mean that the SFiD funds are retained for their original purpose and the Business Rates Refund pot is back to £666k with no agreed plan for how it will be distributed among schools.

Next Steps after any decision to proceed with the Covid model would be to model the distribution of this funding, based on the following scenarios:

- a) As a Covid Fund and/or:
- b) another School Funded Working Group reviewed sharing mechanism.

If the creation of a Covid Fund is chosen and there is any residual balance after disbursements for Covid, the method to apportion out the residual balance will still need to be agreed.

Whatever decisions are made Schools Finance will work with the working group to cost up models and set bidding processes and procedures and then present any workings at a future Schools Forum.

4 Dedicated schools grant (DSG) deficit recovery plans

- 4.1 The DfE has updated their guidance on Deficit Recovery Plans (DRP) and verbally committed to removing the 1% threshold and the need to produce a recovery plan for the 30th of June. This is understood to be for 2019-20 only.

SWGECs (Service Working Group on Education and Children Services) minutes of the 12th of February stated:

6.6 On the subject of deficits, there has been a change to the conditions of grant. The 1% threshold has now been removed, and the department will now only ask for a recovery plan if it is felt that one is needed.

- 4.2 The LA should still be working to produce a DRP not just in case the DfE request this, but also as a matter of good practice to ensure funds are being used effectively.
- 4.3 As stated previously, the DRP for Haringey is closely aligned to Haringey's SEND review and back to budget projects.
- 4.4 Recovery plans should be discussed at 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 the recovery plan updates throughout the year.
- 4.5 Updates from the DfE regarding DRPs will be provided to School's Forum when they are received.

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