

Agenda Item



Report Status

For information/note
For consultation & views
For decision

Report to Haringey Schools Forum –24th June 2021

Report Title: DSG 2020/21 Provisional Outturn and Finance Update

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Purpose:

1. To inform members of the provisional DSG position 2020/21 for the Early Years Block, Schools Block, High Needs Block and Central School Services Block.
2. To note the schools closing balance as at 31 March 2021.
3. To inform members of an update for the DSG recovery plan.

Recommendations:

1. To note the DSG 2020/21 provisional outturn and schools' balances plus the implications for 2021/22 DSG and the DSG recovery plan.

1 Introduction.

- 1.1 This report sets out the provisional outturn for the Dedicated Schools Grant (DSG) for 2020/21. The outturn shows that the overall deficit of the DSG grant stands at £17.0m having increased from £10.2m the previous year. The increase is driven by the cost pressures faced by the High Needs Block which are outlined in this report along with some mitigating actions already being taken.
- 1.2 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 first two year enabled the Council to maintain per-pupil spending for our schools and the high needs blocks. However, the demand for services in the High Needs Block has outstripped the budget and now the DSG has a deficit balance up from £10.2m at the end of 2019/20 to £17.0m at the end of 2020/21.
- 1.3 This paper sets out a summary of the DSG analysis of the four blocks' financial position for the financial year 2020/21 and the allocations for the financial year 2021/22.
- 1.4 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
- 1.5 The DSG is currently divided into four notional blocks: Schools, High Needs, Early Years and Central.
- 1.6 The 'soft' formula was originally planned for 2018/19 was extended to 2019/20, with a 'hard' formula, without local input was to be implemented in 2020/21. However, the implementation of a 'hard' NFF will not now be introduced – i.e. without a local formula applied - until 2022/23, subject to DfE confirmation.

2 Analysis of Dedicated Schools Grant Allocations

- 2.1 Table A below sets out Haringey's DSG allocations for 2019/20, 2020/21, and the indicative DSG allocation for 2021/22.

Table A: Dedicated Schools Grant Year on Year Allocations

DSG Block	2019/20 £	2020/21 £	2021/22 £
Schools	130,242,511	130,166,444	136,263,382
Central School Services	3,026,035	2,945,886	2,911,639
High Needs	33,774,194	38,819,495	42,864,552
Early years	20,353,798	20,823,132	21,036,306
Total	187,396,538	192,754,957	203,075,879

- 2.2 The overall total DSG for 2021/22 includes Teachers Pay and Pension Grant of £8.5m which was previously paid as a separate grant. The funding formulae are largely based on pupil census numbers and the funding is passported to the

schools and nurseries. There has been a year on year decrease in the Central School Services Block in absolute terms as well as no inflationary increment. The High Needs Block has seen an increase in the funding rate as well as an increase in the number of pupils funded. However, there is a lag in funding the increased demand and the actual cost of per pupil expenditure currently exceeds the available budget.

3 Overview of Schools balances as at 31 March 2021

- 3.1 The analysis provides an update on the schools' year end balances as at 31 March 2021. Table B of Schools Reserve Balances is a financial year overview of movement in schools reserve balances from 2019/20 to 2020/21.

Table B: Schools Reserve Balances

Financial Year Overview	2019/20 £	In-year Change £	2020/21 £
Primary	6,020,765	1,456,868	7,477,633
Secondary	1,311,857	938,510	2,250,367
Special	660,610	586,511	1,247,121
Nursery	137,127	219,817	356,944
Total	8,130,359	3,201,706	11,332,065

Licensed Deficits

- 3.2 At the beginning of 2020/21 12 schools had a licenced deficit with the total amount outstanding of £1.3m. Due to Covid, several schools faced exceptional financial difficulty particularly with the loss of income. During the year 13 schools applied for, and the council agreed, licenced deficits totalling £1.9m. At the end of 2020/21, 17 schools had a licenced deficit, and the total amount outstanding was £2.5m.

Schools in Financial Difficulty

- 3.3 The council has supported schools in financial difficulty with dedicated central finance support, providing cashflow advances and assisting with redundancy costs of restructures relating to permanent staff savings via the Restructure and Scrutiny Panel.

Growth Fund

- 3.4 Due to the funding lag on school places, a growth fund of £932k was earmarked in 2020/21 to fund agreed bulge classes and oversized classes for both maintained schools and academies. The following table C shows how the funding was allocated and the remaining £9,800 of unused budget will be carried forward for the growth fund in 2021/22.

Table C: Growth Funding for 2020/21 allocations

Growth Fund 2020/21	£(000)
Budget Allocation	932
<u>Payments allocated</u>	
Bulge classes	812
Oversized classes	153
Less overpayments recovered	-43
Net allocation	922
Unused budget *	10
* Unused budget carried forward to 2021/22	

The growth fund allocation for 2021/21 was agreed at £1.1m. With the £10 brought forward from 2020/21 the total earmarked for growth is £1.11m. Indicative growth allocations have been based on agreed growth classes plus indicative numbers for bulge classes and oversized classes. This includes an allowance for two additional classes to meet any potential demand for additional pupils in September. Total earmarked budget for 2021/22 is £992k. Table E below shows the initial funding allocations, the available budget and a balance unallocated of £118k.

Table D: Growth Funding showing indicative 2021/22 allocations

Indictive Growth Funding Allocation	
Financial Year 2021-22	£(000)
Growth Funding	82
Bulge Funding	820
Estimated Infant Class over size	90
Total Growth Fund Allocation 2021/22	992
Growth Fund Allocation 2021-22	1,100
Growth Fund brought forward from 2020/21	10
Balance unallocated as at June 2021	118

DSG closing position – 31 March 2021.

3.5 Summary

The overall DSG position as at 31 March 2021 is a £17.0m deficit. The HNB (High Needs Block) is the main pressure to the DSG grant and closed with a £16.8m deficit.

Table E below provides the gross 2020/21 allocation and expenditure of the DSG and details of the closing DSG reserve balances.

Table E: 2020/21 DSG Provisional Outturn Table.

2020-21 DSG Provisional Outturn	Schools Block (£m)	Central (£m)	High Needs (£m)	Early Years (£m)	Total (£m)
Total DSG funding Allocation	130.2	2.9	38.9	20.8	192.9
Provisional Outturn Expenditure	130.2	3.0	45.7	20.8	199.7
In year Position	-	-	(6.8)	-	(6.8)
B/fwd Balances	-	-	(10.1)	(0.1)	(10.2)
Net Position (minus is a deficit)	-	-	(16.9)	(0.1)	(17.0)

3.6 Schools Block

The total £130.2m of the schools block was passported to schools using the Authority Planning Tool (APT) and variations agreed by the Schools Forum. This is fully allocated to schools in the year. However, as noted in paragraphs 3.1 and 3.2 the schools will have their individual surplus or deficit at the year end.

3.7 Central School Services Block

The total £2.9m of the Central Schools Services block is retained by the council as a contribution towards the council's statutory duties.

3.8 High Needs Block

The High Needs Block (HNB) DSG budget allocation was £38.9m and the overspend for the year is £6.8m. This is due to 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.

A comprehensive report from the Head of Service was presented to Schools Forum in January 2021. Officers are working with the ESFA on the DSG recovery plan and will keep Schools Forum updated.

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.

The DfE have consulted with schools and local authorities on the future funding arrangements for the HNB. LA responses were 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.

3.9 Early Years Block

The Early Years block 2020/21 allocation was notionally set at £20.8m by the ESFA. Full funding was passported to providers on the agreed basis. However, on this allocation we were notionally underspent against pending the ESFA final confirmation of funding for 2020/21 due in November 2021.

Where normally the January census would be applied, in recognition of this extraordinary year, there is need to alter funding arrangements. The final allocation repayment will be based on Private, Voluntary and Independent (PVI's) providers achieving attendance of 85% when compared to their 2019/20 January census. The ESFA will confirm the final 2020/21 allocation in November 2021.

4 Dedicated Schools Grant (DSG) Management Plan

- 4.1 The DSG reserve is ringfenced and outside the council's general fund reserves. The cumulative DSG deficit is significant, continuing to increase and unsustainable. This deficit cannot be funded from general fund but dealt with from future DSG income. Holding a deficit balance outside of the General Fund is not good practice.
- 4.2 The ESFA and the Council have started informal discussions around the Council's actions to date, future plans and specific pressures. It is expected that assistance from the ESFA will be forthcoming with respect to DSG grant and practical central resources.
- 4.3 Whilst there continues to be a year-on-year increase in children with EHCP's, there has been a specific increase in EHC plans for children aged under 5 (23% and young people aged between 20 – 25 (34%) which has resulted in additional financial costs for services to support those age groups in particular.
- 4.4 Approximately 25% of our children who are looked after have an EHCP. Where we have children, who are looked after with an EHCP and who require an out of borough placements e.g. specialist residential, the social cost is higher than in borough. This equated to 86 children in 2020/21
- 4.5 Haringey has identified increased demand for services for children and young people with ASD and SEMH as primary need. Whilst the authority has increased its provision for children with ASD there is no specific education provision for children and young people with SEMH as a primary need, resulting in the use of expensive out of borough independent provision, creating pressure on the high needs block.

- 4.6 Haringey services and schools are increasingly good at identifying SEN needs as evidenced by the increasing demand for statutory assessments and EHC plans. For the authority to continue to meet need at the earliest opportunity Early Help and Prevention services, Speech and Language services, Inclusion and Education Psychology services are well positioned to respond to demand and are key to providing earlier support and whole family support where there are complex needs to prevent demand for high cost and statutory intervention. However, with increasing levels of support required, these services do not have sufficient capacity and require financial growth.
- 4.7 We are fortunate that mainstream schools in Haringey disproportionately support higher numbers of children with EHCPs. However, schools that have proportionally more children with EHCP's are disadvantaged financially. We have a local arrangement and provide a SEN contingency payment of £800 - £1,000 per pupil for the schools that have a disproportionately high number of EHCP pupils. However, this does not address the wider financial pressures for schools in ensuring appropriate support. As this continues to increase, this does pose a risk that schools may reduce their intake of children with EHCP's which would create further increased financial pressure on special schools, prevention services and with higher costs for out of borough provision.
- 4.8 Updates from the DfE regarding the DSG Management Plan will be provided to School's Forum when they are received.

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