SCHOOLS FORUM AGENDA ITEM

For Action ☐ For Information ■

Brief Description of Item *(including the purpose / reason for presenting this for consideration by the Forum)*

This report provides an update on a number of matters relating to the 2020/21 Dedicated Schools Grant including initial confirmation of the DSG balances brought forward from 2019/20.

Date (s) of any Previous Discussion at the Forum

The Schools Forum made its recommendations on the 2020/21 DSG on 8 January 2020. An update, which included areas of review, was presented to the Schools Forum on 11 March.

Background / Context

See the details for consideration below.

Details of the Item for Consideration

DSG – Initial Confirmation of Balances Brought Forward from 2019/20

Appendix 1 presents:

- **The balances by DSG block that were estimated to be held at the end of the 2019/20 financial year – a total of £21.060m.** This estimate was calculated in December 2019 and reported to the Schools Forum within Document LH presented in January 2020.

- **The actual balances by DSG block that have now been initially confirmed following the closure of the financial year at 31 March 2020 – a total of £21.173m, representing an additional £0.113m on the estimated figure.** Please note that this is an initial confirmation not yet inclusive of the final Early Years Block allocation adjustment for 2019/20, which will be confirmed by the DfE later in July 2020.

Members are asked to note:

- £1.275m of the confirmed £6.067m Schools Block balance is attached to maintained school de-delegated funds and is ring-fenced. We estimated in December 2019 that the net balance held in de-delegated funds at the end of 2019/20 would be £1.252m, so there is only a small difference between actual and forecast. Members are reminded that the Schools Forum, in its recommendations for the 2020/21 planned budget, released an estimated £0.250m of the forecasted de-delegated funds balance to reduce the cost of the maternity / paternity scheme for maintained primary schools.
- £1.636m of the confirmed £6.067m Schools Block balance is attached to the Growth Fund and is ring-fenced. This balance is as forecasted. The £1.636m includes £1.209m held for the agreed support model for Beckfoot Upper Heaton Academy (BUHA). Members are reminded that the Schools Forum, in its recommendations for the planned budget, committed an estimated £0.427m of this £1.209m to BUHA in 2020/21.
- £0.250m of the confirmed £6.067m Schools Block balance is attached to the Falling Rolls Fund and is ring-fenced. Within the forecast calculated in December 2019, we assumed that the full value of this fund would be spent. However, we confirmed with the Schools Forum in March that there are no Falling Rolls Fund allocations in 2019/20 and so the full value of the fund is carried forward into 2020/21.
- There is a small surplus of £0.151m held at 31 March 2020 in the Central Schools Services Block. It is proposed that this surplus continues to be transferred for allocation within the Schools Block going forward.
- Within the Early Years Block, the £0.218m difference between the forecast and the initial confirmed balance is primarily reflective of the differences between the estimates of spring term 2020 delivery numbers (which was calculated using October 2019 Census data) and actuals recorded in the January 2020 Census.
- £0.353m of the £4.546m Early Years Block balance is attached to the Disability Access Fund (DAF) and is ring-fenced following the DfE's expectations. £0.072m is attached to de-delegated funds and is also ring-fenced.
- There are a number of moving parts within the High Needs Block. The difference of - £0.538m in carry forward balance against the forecast is the net result of differences between the forecasted and actual cost of high needs model allocations between December 2019 and March 2020 across funded providers. This difference is inclusive of adjustments to allocations that were made in February and March to resolve data queries from earlier in the financial year.

Details of the Item for Consideration

Members are reminded more generally:

- It is usual for underspends to be created within the DSG allocation process. This is because certain expenditure within the planned budget is estimated at the start of the year and the Forum has always taken a prudent approach to budget planning. A normal part of the DSG management process is reconciliation, following financial year end, of planned vs. actual spending. Any balances that come from over or under spending within the planned budget are added to the DSG headroom. This headroom is available to allocate on a one off basis only. When previously considering the headroom, the Forum has sought to avoid allocating a significant value of this in support of on-going expenditure.
- In practical terms, under National Funding Formula, it is now useful for the DSG's 'reserves and underspends' to be presented on a block-specific basis. The starting assumption is that the reserve attributed to each block is spent on pressures within that block unless a specific decision is taken to transfer reserves between blocks. To stress, the DSG Regulations permit reserves to be used across all the blocks. What we have established is a locally determined informal block ring-fencing policy for reserves.
- The Schools Forum will receive, as normal in the autumn term usually in December, an analysis of the forecasted position of DSG balances at the end of the 2020/21 financial year.

Confirmation of the Implementation of the new EHCP Banded Model

We reported to the Forum in March that the new Banded Model, for the allocation of 'top up' funding (element 3) for EHCPs, was agreed by Council. This note is just to confirm that this new model has been implemented from April 2020, with all existing EHCPs being transferred onto the new system using the process we set out in the consultation document. The Authority is continuing to discuss with the District Achievement Partnership the development of criteria within the Matrix of Need to ensure that consistent decisions continue to be taken in placing children and young people with EHCPs within the new Banded Model and in using the 'stacking' facility (where more than one band value can be allocated to a single EHCP).

Adjustments for Permanent Exclusions – Maintained Schools and Academies

Adjustments are made to formula funding during the year following the permanent exclusion of a pupil and the subsequent inclusion of that pupil by another mainstream primary or secondary school or academy. These adjustments are required by the Finance Regulations and their methodology is also prescribed by these Regulations. The adjustments are calculated on an Authority financial year basis, running between 1 April and 31 March. The Regulations do permit authorities to adjust their definition of a 'financial year' for academies, where there is local agreement to do so.

As we reported to the Schools Forum on 11 March, we have had some discussion with an academy trust on, and a request to look at, how the calculation of funding adjustments following permanent exclusion, on a 1 April to 31 March timeline, affects academies differently from maintained schools. This is because academies are funded on an academic year basis, running 1 September to 31 August, rather than on a Local Authority financial year basis, running 1 April to 31 March.

Following our further analysis of this issue, we have concluded that the 'difference' begins with the calculation of the adjustments that are made for pupils excluded or included in the summer term, between 1 April and 31 August. Using the Authority financial year, an academy that excludes a pupil e.g. on 1 April, would see a 12 month (full year) deduction to 31 March. However, this would mean that the academy has funded the pupil's provision between September and March (7 months), prior to exclusion, as well as then having 12 months of funding deducted; so a total effective cost to academy of 19 months. However, the total 'provision and deduction' cost for a maintained mainstream school would never exceed 12 months.

The solution to this difference is to adjust the methodology for the calculation of the adjustment in the summer term so that the number of remaining weeks in the financial year for all pupils is calculated to 31 August not the 31 March. However, we cannot just make this adjustment to academies in isolation; we would need to adjust the full timeline for the full academic year switch, as summarised in the tables over the page.

Please note that these tables use the simple example of a pupil permanently excluded on the first day of each term (1 April; 1 September; 1 January). Actual adjustments are calculated using weeks from the 'relevant date' of exclusion or inclusion within each term.

The calculation of funding to be added for including pupils in academies would also be calculated on this new timeline, with an end date of 31 August rather than 31 March.

Details of the Item for Consideration

The current (and continuing) timeline for maintained mainstream schools, where the financial year begins on 1 April, is:

	Adjustment Calculation Period	No. of months of provision funded by the school prior to exclusion (since 1 April)	No. of months of funding deducted following permanent exclusion (end date of 31 March)	Total provision and deduction cost to the school
Summer term *	1 April – 31 March	0	12	12
Autumn term	1 September – 31 March	5	7	12
Spring term	1 January – 31 March	9	3	12

* Please note that the summer term adjustment is different from pupils in years 6 or 11; the end date for deduction is always set at 31 August not 31 March.

The adjusted timeline for academies, where the financial year begins on 1 September, would be:

	Adjustment Calculation Period	No. of months of provision funded by the academy prior to exclusion (since 1 September)	No. of months of funding deducted following permanent exclusion (end date of 31 August)	Total provision and deduction cost to the academy
Summer term	1 April – 31 March	7	5	12
Autumn term	1 September – 31 March	0	12	12
Spring term	1 January – 31 March	4	8	12

If this change for academies is supported by the Schools Forum, academies will be consulted directly before the Schools Forum is asked to take a final decision.

Place Planning & Falling Rolls Fund

At the last Forum meeting on 11 March, following consideration of the Falling Rolls Fund for 2019/20 (and that no allocations are made from the Fund), the Forum asked for its 'places-planning' subgroup to meet again to consider this outcome, and the calculations in more detail, and also to move towards making final recommendations back to the Forum on the possible use of the de-delegated fund exceptional circumstances route for providing financial support to maintained primary schools only that are under-subscribed and that are not eligible for Falling Rolls funding.

Due to Covid-19, this sub-group meeting has not yet taken place. It is now anticipated that this will take place early in the new academic year and all Members will be contacted by email to be invited to attend this meeting.

Impact of Covid-19 on the DSG

It is anticipated that the Schools Forum, across its schedule of meetings planned for the 2020/21 academic year, will wish to consider the ways in which the Covid-19 situation has impacted / is impacting on finance within the DSG at different levels (block-level, the budgets of / financial allocations for individual schools, academies and providers, the DSG funds that come directly and indirectly into the Council's budget).

Provided below is some information, which helps to introduce and to summarise the areas of possible impact, the issues to continue to monitor, and the support measures that have come so far in the summer term. This summary is limited to the DSG. Although the Schools Forum may wish to consider implications wider than the DSG, the Forum's remit is the DSG and formula funding matters. This introductory information is by no means exhaustive and Forum Members are encouraged to add to this to inform discussions going forward.

a) DSG 2020/21 formula funding 'business as usual':

- The DfE confirmed quite quickly following the closure of schools and early years providers to children and young people, other than vulnerable children and those of key workers, that the 2020/21 DSG will continue to be allocated 'as normal', enabling authorities and the ESFA to continue to allocate formula funding 'as normal' with the expectation that schools, academies and other providers will use the security this confirmation provides to continue to meet their regular financial commitments, including salary commitments, that are paid out of public funds. The Treasury has provided procurement guidance for education settings, which sets out expectations and the framework for providing 'supplier relief' from public funds.

Details of the Item for Consideration

- Our agreed 2020/21 Schools Block and High Needs Block formula funding arrangements are unaffected.

- The application of our Early Years Single Funding Formula (EYSFF), within the Early Years Block, for the allocation of funding for the delivery of the 2, 3 & 4 year old entitlements in the summer term however, has required some variance from our normal process. Pragmatically, we have also needed to adjust our approach for schools and academies for the summer term as a result of the cancellation of the DfE's May Census. A number of communications and pieces of guidance have been published, both for schools and for PVI early years providers, on the technical changes we have made to the application of our EYSFF for the summer term. Our adjusted approach has sought to remain as close to our EYSFF as possible, but keeping in line with the DfE's guidance and expectations to protect the entitlement delivery capacity of all providers for the medium to longer terms, including by funding on a 'business as usual' basis without wider adjustment for closure or partial closure, and to use this capacity already funded to deliver sufficient entitlement places.

  We confirmed for providers, within our guidance, that we do not envisage needing to use in the summer term the additional flexibility that has been permitted by the DfE, which would enable entitlement funding to be transferred in the summer term from closed to open settings in exceptional circumstances for the purposes of ensuring the sufficiency of places.

  We have also stated that these alternative technical arrangements only apply for the confirmation of summer term 2020 funding. The DfE has not announced anything yet regarding the position of the autumn 2020 census. We are aware that there may be ESYFF numbers implications for all early years providers that extend beyond the summer term even where providers are fully open. This is a position we will continue to monitor and will discuss with the Schools Forum early in the autumn term.

  Although entitlement capacity has been protected, one of the bigger issues in respect of the financial impact on early years providers, especially PVI providers but also present in a substantial number of schools and academies, is the loss of parental income from additional non-entitlement childcare. This is highlighted further below.

  As, in the summer term, we are protecting capacity, as well as funding delivery above normal capacity in a small number of providers, there may be a small additional cost to the 2020/21 Early Years Block, which will be supported by our Early Years Block brought forward balance. We will be able to present this following the confirmation in September of final summer term EYSFF allocations.

b) Key areas of financial impact at school, academy and provider level. We can identify four broad areas of financial impact:

- Where additional or exceptional spending has been incurred e.g. cleaning and hygiene or supplier relief.

- Where income from private sources has been significantly reduced or fully lost e.g. lettings, childcare (non-early years entitlement hours) and before and after school clubs.

- Where budget saving activity has been previously planned e.g. curriculum re-structure or service contact review, but where 'closure' has prevented this from being completed and it will not be in place by the intended date.

- Where savings have been realised against normal activity. For example, a lower spend on curriculum resources and activities, admin resources, utilities, staffing expenses. These savings will help offset additional and exceptional costs. Certainly, the DfE's expectation in its guidance is that schools will have made some savings and will have re-deployed these savings before applying for additional financial support.

The issue that is potentially the most impactful for individual schools, academies and providers is where income from private sources has been significantly reduced or fully lost.

c) Financial support measures for schools, academies and providers. The Government has put in place a number of additional financial support mechanisms:

- The DfE has announced a national exceptional costs scheme for schools and academies, which will enable schools and academies to apply for reimbursement to cover additional costs (net of operational savings) they have incurred in their management of this situation between March and July, up to prescribed school-size-based cash limits. At the time of writing this report, we still await the final confirmation of the details of this scheme. Although this scheme will obviously financially support schools and academies, from the initial announcement, it appears to be limited in scope. An issue with the scheme as currently announced is also that it appears that nursery schools and PVI early years providers, as well as FE and post 16 providers, are excluded. This is a point we have made to the RSC and to the DfE.

Details of the Item for Consideration

- The Government has put in place a number of support arrangements for private businesses and for the self-employed, which PVI early years providers and childminders have accessed. The Government has also now provided additional discretionary grant funds to local authorities, which will also extend to eligible early years PVI providers. Recognising the immediate cash-flow issues that may come where PVI providers are not collecting income from parents, in line with action taken in many other local authorities, we adjusted our profile of EYSFF payments to PVI providers so that 80% of entitlement funding for the summer term (rather than a normal 40%) was paid in April. We also adjusted our formula funding payment profile for maintained schools in April and May to help with immediate potential cash flow needs.

- The DfE has put in place a national voucher scheme for Free School Meals (FSM). The current guidance indicates that schools and academies will be able to re-claim, through the DfE's exceptional costs scheme, any cost incurred where a school or academy put in place its own FSM voucher scheme prior to the national scheme coming on-line. Schools and academies however, can only claim up to the point the national voucher scheme began.

- The Government's Coronavirus Job Retention Scheme (CJRS) has been the main mechanism (and the only mechanism so far in the case of schools and academies) for financial support in response to the loss or reduction of private income streams. Access to this scheme has required staff to be 'furloughed' and for an application for reimbursement of up to 80% of salary (and up to a maximum value) to be made through the HMRC's portal.

  The CJRS has been available for early years PVI providers that are employers. There was a change in the Government's guidance. The initial stance was that PVI providers could fully access the CJRS whilst also receiving early years entitlement funding. The Government's guidance adjusted later in April to state that PVI providers can only claim for support through the CJRS for the proportion of salaries that are met by private income and not by entitlement funding. This change in stance was to guard against double funding salaries from public monies. The Council has had a high volume of communication with PVI providers over the lockdown period and will continue to monitor the position and our stance and respond to issues that are being raised.

  The CJRS has also been available for schools and academies. This is applicable for schools and academies that have significant additional private income streams, especially significant lettings, childcare provisions and before and after clubs, where staff contracts are separate and where these staff have not been re-deployed in support of wider school activities. There has been some inconsistency between the guidance provided by HMRC against the guidance provided by the DfE, as well as a lack of clarity at the start of the lockdown period about the applicability of the CJRS in schools generally. The Council, through PACT-HR, has provided guidance on accessing the CJRS and a number of our maintained schools have submitted applications. We anticipate collating this information over the summer, alongside other financial impact data (please see below). We are aware that, for many schools and academies, the CJRS is not an option they can follow to recover lost income (including where income is not attached to specific staff) and also, even where a school or academy has accessed the CJRS, there may still be a balance of income loss that is not supported by other measures. This is a key issue we wish to continue to investigate going forward. We are concerned understand the potential for on-going financial impact, after the CJRS unwinds in October, where school and academy income streams may take longer to recover back to normal expected levels or may cease more permanently e.g. where school facilities are not longer let for community use.

In immediate response to the closure of schools in March, for our maintained schools, the Council suspended the application of our Surplus Balances Protocol for the end of the 2019/20 financial year and put back to 30 June the deadline for the submission of governing board approved budgets for 2020-2023. The ESFA also made a number of changes to its reporting framework for academies.

We have now asked our maintained schools to complete a quarter 1 budget monitoring exercise, with a focus on providing information on the financial impact of the 'closure' across the summer term under the four headings stated above (see section b). We wish to collate this information, alongside CJRS application information, to get a fuller picture of the financial impact so far and also to assess the potential impact going forward where 'normal business' remains affected. We also wish to encourage governing boards to consider this information for their own schools.

d) Financial Impact at DSG Block and Council level:

- In terms of the DSG in 2020/21, as stated above, the EYSFF cost within the Early Years Block is likely to be higher for the summer term than planned due to the protected arrangements we have put in place. This will likely need to be covered by brought forward balance. It is probable that we will need to continue to provide some sort of protection in the autumn and spring terms, where entitlement numbers at individual providers may continue to be affected, including from localised closures. Linked in with this, the DfE

Details of the Item for Consideration

has also to confirm how the Council's Early Years Block allocation is to be protected this year. Normally the Early Years Block would be funded for the period September 2020 through to March 2021 on the Census taken in January 2021. However, the January 2021 Census may not be reflective of delivery and alternatives may need to be considered. If the DfE changes the methodology this could impact on the overall position of our 2020/21 Early Years Block planned budget. So, the Early Years Block, and the cost of the EYSFF, is a main watch area. Document LO Appendix 1 presents the Early Years Block balance that has been brought forward from 2019/20 and confirms that this block is secure.

- Also in terms of the DSG in 2020/21, the High Needs Block planned budget, set with the Schools Forum back in January, made a number of assumptions about cost and provision increases and changes during the year, some of which we anticipate will be affected by the lockdown. We expect to provide more information for the Forum on this within the spending forecast we normally present later in the autumn term. We would expect to use an element of brought forward balance where any additional costs incurred cannot be contained within the 2020/21 planned budget. Document LO Appendix 1 presents the High Needs Block balance that has been brought forward from 2019/20 and confirms that this block is currently secure in this respect.

- We do not anticipate that the Schools Block will be directly affected in 2020/21 by the current situation. The Council, and the Forum, however, may begin to be approached by schools and other providers requesting additional financial support, where the national support schemes do not extend far enough. The Council has been approached by some PVI early years providers during the summer term requesting additional funding, some of which would extend beyond the funding of the early years entitlements. The Council has not so far allocated any additional funding from the DSG to early years providers that is not associated with the delivery of the early years entitlements and has not 'double funded' entitlement delivery where a provider is already being funded for a capacity higher than their total delivery.

  However, depending on how the position develops, and on what national support mechanisms continue from September, the Forum may need to consider its position in regards to requests for additional financial support funded from the DSG. The Forum should be aware that the DSG Regulations are very restrictive in this respect, so any consideration of this will need to be take place alongside DfE guidance.

- At Council level, as we have indicated in earlier sections of this report, the closedown, and especially its impact on private income streams, has the potential to significantly affect the financial positions of individual schools, increasing risk of deficit budget. The Council will be collecting financial information from our maintained schools on impact and will be engaging with individual schools directly that indicate significant financial difficulties. We anticipate that the Forum will wish to consider and monitor this, as the extent of the financial impact may take some time to emerge.

- Also at Council level, there are a number of services that are traded with schools, academies and other organisations, where income into the Council has substantially reduced or ceased over the summer term. The Council is currently working through this position. This is part of a wider financial issue for the Council, where the Council's overall budget position may be weaker than it otherwise would have been due to its management of the Covid-19 situation across the District. This position is dependant, amongst other factors, on the on-going sufficiency of additional monies allocated to the Council from central government.

e) Issues to monitor and to continue to discuss:

- The impact on the 2020/21 Early Years Block and the cost of our ESYFF. How we may need to further adjust our arrangements for autumn and spring terms.
- The impact on the 2020/21 High Needs Block planned budget.
- The financial impact at individual school and provider level.
- The sufficiency of the national financial support schemes (in terms of covering impact that has already been felt across the summer term).
- How and whether these national financial support schemes continue after the summer term and the sufficiency of these going forward where provision continues to be affected. In particular, how are schools, academies and other providers to be supported where they may continue to see significant losses of private income streams after the CJRS has ceased.
- The position of the October 2020 and January 2021 censuses and the approach to formula and grant funding next year, where these censuses are affected. The data to be used for 2021/22 formula funding and the risk of turbulence in this at individual school and academy level.
- The extent to which the Covid-19 situation has meant delay in the National Funding Formula development and also in the review of the SEND / EHCP system.
- The extent to which the national pressures brought by the Covid-19 situation affects the 2021/22 DSG settlement (and the increases previously announced). The impact also on re-current grants.
- The impact of this situation on early years provider capacity across the District.
- The role the Forum wishes to play in considering possible requests for financial support and also for lobbying for more support from Government, where this is identified to be needed.

Implications for the Dedicated Schools Grant (DSG) *(if any)*

As set out in the report (this is an item for information)

Recommendations

The Schools Forum is asked to consider and to note the information provided in the report.

List of Supporting Appendices / Papers *(where applicable)*

Appendix 1 – Initial Confirmation of DSG Balances held 31 March 2020

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