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 follows from the information presented to the Schools Forum in July to provide an update on the position of the DSG, and financial implications for the DSG and schools and other providers, as a result of COVID-19.

Date (s) of any Previous Discussion at the Forum

An initial report (Document LR) was presented to the Forum on 8 July 2020.

Background / Context

The report presented to the Forum in July gave an initial assessment of the impact of COVID-19 on the DSG and on schools, academies and other providers. It introduced key themes and identified issues to monitor.

The report explained the main areas of financial impact and highlighted that an area of concern, in particular, in terms of immediate budget impact over the summer term, was loss of private income streams. The report suggested that loss of income may continue as a significant issue during the autumn term, depending on the progress towards the re-opening of 'normal' provision and the status of national support mechanisms.

The Business Advisor, supported by the Strategic Manager, Sufficiency and Intelligence, also highlighted concerns around the sufficiency of the DfE's national financial support mechanisms in place for early years providers – maintained nursery schools and the PVI sector - two immediate issues being that the DfE's exceptional costs fund does not extend to nursery schools nor PVI providers (supporting additional costs associated with cleaning and social distancing) and that the CJRS is set to reduce and then cease in October. The CJRS is the main mechanism currently supporting loss of income.

Members also identified that the DfE's national exceptional and additional costs fund, as it applies to schools and academies, is very limited.

We indicated that we will need to further consider these issues as we move into autumn.

We also indicated that the Forum may find that it is approached by schools, academies and other providers for financial support and so may need to agree its general position in relation to such requests.

The report listed the following points to continue to monitor:

- 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 recurrent 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.

Updates on these points are set out below.

Details of the Item for Consideration

2021/22 DSG Arrangements, Transition to National Funding Formula and SEND reviews

We present in other reports to this meeting the confirmed 2021/22 DSG (Schools Block, High Needs Block and Central Schools Services Block) settlement and formula funding arrangements (for the Schools Block). The DSG settlement levels that have been announced so far are in line with previous DfE commitments, so COVID-19 has not affected these. It is also clear, in what has been announced so far, that the DfE has sought to avoid unnecessary technical changes in formula funding arrangements next year.

The October 2020 and January 2021 censuses are to be taken as normal. The October 2020 Census will act as the data source for 2021/22 Schools Block formula funding, as it normally would. The Minimum Funding Guarantee will remain in place to protect individual school / academy level allocations against significant turbulence that might be caused by year on year census data change. We are not yet sure whether the January 2021 Census will act as the data source for grants – UISFM and Pupil Premium – as the positions of these grants are still to be confirmed. Some additional protected arrangements for these grants might be needed.

The operational guidance for the High Needs Block and for the Early Years Single Funding Formula are still to be published, though we might expect that there won't be much technical change in these arrangements. The Early Years Block settlement is also still to be announced, so we are currently uncertain on the extent of uplift that might be applied to early years entitlement funding rates for providers in 2021/22.

Seeking to avoid significant change in national funding arrangements next year is possibly likely to mean that the implementation of outcomes from the DfE's national-level SEND / EHCP / AP system and funding reviews, even if these are not delayed in publication, may be pushed back beyond 2021/22.

The extent to which progress to National Funding Formula has been affected is not clear yet, but this comes within the context of an expected announcement later in the autumn about the transition to hard NFF.

Early Years Single Funding Formula Arrangements for Autumn 2020 and Spring 2021

We have published guidance for schools, academies and PVI providers on our approach to the funding of delivery of the early years entitlements in the autumn term 2020. Our guidance is written following the DfE's guidance published over the summer, which stated:

"From the start of the autumn term 2020, local authorities should continue to fund providers which are open at broadly the levels they would have expected to see in the 2020 autumn term had there been no coronavirus (COVID-19) outbreak. They should also continue to fund providers which have been advised to close, or left with no option but to close, due to public health reasons. Local authorities should not fund providers which are closed, without public health reason, from the start of the autumn term.

"The intention is to fund on the basis of 'as if autumn term 2020 were happening normally'. In order to do this, local authorities might, for example, use the numbers of children in places in the previous autumn to inform funding levels this autumn. This means that if a local authority is aware of particular changes in catchment demographics that would have impacted local demand (for example, a big increase in family housing in an area), they should take that into account. Local authorities should be transparent in the approach they take."

The DfE has enabled local authorities to offer protected arrangements to open providers for autumn 2020 by amending the profile of Early Years Block DSG funding for 2020/21. Under normal arrangements, our Early Years Block DSG funding would be calculated on 5/12ths of January 2020 Census numbers + 7/12ths of January 2021 Census numbers. This has been amended to 9/12ths of January 2020 Census numbers + 3/12ths of January 2021 Census numbers.

Firstly, as we are aware is the case in other authorities, we have taken the decision to use reserves held within the Early Years Block to temporarily increase, by £0.20 per hour, the entitlement funding rates for all early years providers for autumn term 2020. This means that the Universal Base Rate for the 2 year old entitlement is increased from £5.28 to £5.48. The 3&4 year old entitlement Universal Base Rate is increased from £4.19 to £4.39 per hour. This is a temporary exceptional increase, currently for the autumn term 2020 only, to help early years providers to meet especially the additional costs being incurred in their re-opening of provisions in September and to support sustainability, recognising that early years providers have not been permitted so far to access the national school exceptional funding scheme. This uplift is funded from / support by Early Years Block reserves; the cost is estimated to be £0.5m.

We will review with the Schools Forum the funding rates used for the spring term 2021 (whether they are again temporarily uplifted) later in the autumn and in the light of the 2021/22 Early Years Block settlement and further DfE guidance. Please note that the rates of funding for EYPP, DAF and EYIF remain as previously published.

In our wider funding approach, for autumn 2020, we are recognising that it may take time at the beginning of

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the autumn term for open schools, academies and PVI providers to be in a position to offer their full entitlement capacity. We are also recognising that parents may be cautious about returning to pre-lockdown arrangements and that this may affect daily attendance and numbers registered across the whole of the autumn term. Protecting the funding of all open providers, based on autumn 2019 (last year's) actual delivery, whilst at the same time continuing to fund on actuals (where actual delivery this year is higher than last year) helps to retain capacity and provide for funding certainty whilst also being responsive to a level of movement of children, which might be higher in autumn this year than in previous years.

As a result of our protection, for many open schools, academies and PVI providers, we expect to fund an amount of 'spare entitlement capacity' (where funding actually paid exceeds what funding would have been paid if this had been calculated on actual numbers registered or the entitlement hours actually delivered). The Local Authority expects and requires all open schools, academies and PVI providers to offer their spare entitlement capacity to parents that request entitlement provision either on a temporary or on a more permanent basis and to respond to any requests made by the Local Authority. This is a condition of our protected funding arrangements.

The Local Authority reserves the right to reduce or to remove the spare entitlement capacity that is being funded, where a school, academy or PVI provider refuses, without good reason, to deliver entitlement. Also, to be clear, providers that are not open for a proportion of the autumn term, where this closure is not for a public health reason, will have their funding reduced for the time they are closed. Providers that are closed at the beginning of September, and that remain closed for the whole term, will not receive any entitlement funding. For schools and academies, this includes where the main school may be open but where early year's provision is not. The Authority however, will not reduce nor remove entitlement funding where closure is for a public health reason. Schools, academies and PVI providers also will not be 'penalised' for taking a staggered approach to returning to full entitlement capacity during September, provided that they are open at the beginning of September and are admitting children and delivering entitlement. We do expect all providers, as best as possible, to offer their full entitlement capacity by the end of September.

It is difficult at this time to confirm the overall impact of the summer and autumn term protection on our Early Years Block spending. However, estimates indicate these protections are affordable within our Early Years Block backed up by reserve, which provides for on-going resilience. We expect to provide a full spending statement in December for the Forum to consider.

For forward planning, the DfE has stated the following about the spring term 2021, "We expect local authorities' funding to providers to return to the normal approach (that is, 'funding following the child') for all providers from 1 January 2021. However, we will keep this under review and confirm the approach in further guidance in the autumn." We will issue guidance regarding spring term later in the autumn on the back of this.

Although our arrangements mean that entitlement capacity has been protected, both in the summer and autumn terms, one of the bigger issues to continue to monitor 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.

Estimated Financial Impact on Maintained Schools Quarter 1

The Authority has collected information from our maintained schools, within quarter 1 budget monitoring reporting, on the financial impact of COVID-19 at school-budget level. These are estimates, only for the period April to June 2020, but which give a useful indication of the overall net cost of lockdown over this period. A summary is as follows:

- We have 96 maintained schools. These together indicate an overall gross negative financial impact of £2.07m. This is £1.10m from incurring additional and exceptional costs and £0.97m from loss or reduction of private income streams.
- Against this gross cost, schools estimate they have made £0.41m of savings across the same period. 39 schools so far have accessed the DfE's Exceptional Fund, receiving £0.31m reimbursement. 13 schools so far have received reimbursement through the CJRS, of £0.11m in total up to June.
- Putting these together, the rough net financial impact is in the region of £1.24m between April and June.
- However, further reimbursements from the Coronavirus Job Retention Scheme (CJRS - furloughing) are still to be credited to schools. There will likely be more reimbursement to come from the DfE's Exceptional Fund after the second window. Also, in returning their impact information, a large number of maintained schools did not provide figures for operational savings over the same period. It is anticipated that the majority of schools will have saved against normal-level summer term costs. Adding these savings into the analysis may lower the overall net financial impact over the summer term. The full extent of operational savings however, may be difficult to identify until later in the year. These savings will also need to compared against the expected additional costs incurred in preparing for the re-opening of schools in September. The Authority will continue to monitor this position for maintained schools on a quarterly basis.

Unfortunately, the Authority does not have access to information is respect of academies.

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National Financial Support Schemes Relating to Education and Schools

The status of the national financial support schemes, as currently known, is as follows:

- The CJRS has been closed for new claims, is now reducing, and will cease in October. A CJRS bonus scheme has been added; the applicability of this for schools is being determined.
- A second window for claims against the DfE's Exceptional Costs Fund for schools and academies is expected to open shortly (it may already have opened by the time this report is considered). However, schools are still only permitted to claim for costs incurred in the summer term. This Fund is not available to support costs incurred for and in autumn and then on an on-going basis. The types of expenditure that are eligible for reimbursement also remain limited.
- Maintained Nursery Schools and early years PVI providers remain ineligible to claim against the DfE's Exceptional Costs Fund. The Authority has continued to raise this matter with the DfE and we are aware that national early years groups are doing the same. However, there has not been a change in position.
- Early years entitlement funding remains protected in autumn (based on autumn 2019 levels) for open providers.
- The Government 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.
- A national FSM voucher scheme has been available, funded by the DfE.
- The DfE has announced a COVID-19 Catch Up Premium and funding for a National Tutoring Programme for schools and academies. Again, these don't include Maintained Nursery Schools nor early years PVI providers.

The current status of these support scheme means that the concerns we identified in our initial report in July, most significantly, the impact of private income loss on an on-going basis without the CJRS support, the exclusion of early years from the Exceptional Costs Fund, and the lack of reimbursement for the additional costs being incurred by schools and other providers to enable re-opening in September, are still valid. These are issues that we must continue to monitor and to consider.

Other Matters

The High Needs Block planned budget for 2020/21, 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 in December. 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.

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.

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)*

None

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