

Meeting:	Schools Forum
Date:	15 November 2020
Subject:	Item 4: DSG Budget Setting 2021-22
Responsible Officer:	Jo Frost, Finance Business Partner – Children's Services

Section 1 – summary

1. This report updates Schools Forum on the 2021-22 DSG budget setting and outcome of the schools funding consultation.
2. Schools Forum is required to:
 - Note the changes to school funding in 2021-22
 - Note the outcome of the Schools Funding Formula consultation
 - Vote on the value of the Minimum Funding Guarantee

Section 2 – report

Schools Block

3. In 2018-19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools Services Block. For the schools block this means that each LA will be funded on the basis of the aggregate of the NFF for all schools, academies and free schools in its area but the final formula for distribution will be determined by each LA following consultation with schools and Schools Forums.
4. The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018-19.

5. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018-19. The NFF will continue for 2021-22.

Schools Block Baseline Funding 2021-22

6. At the October Schools Forum, the principles of changes to school funding for 2021-22 were shared. However, the indicative financial implications were not known.
7. The following paragraphs provide a summary of the potential implications.
8. Indicative school budgets based on the October 2019 census are shown at Appendix A. The budgets have been based on a Minimum Funding Guarantee of +0.5% which is the lowest that can be applied. **It should be noted that these budgets are subject to changes in relation to the October 2020 schools census.** These include:
 - Fluctuations in pupil numbers
 - Changes in demographics resulting in changes to per pupil levels of funding
 - Affordability of the overall funding formula which may dictate the final MFG applied.
9. Appendix B sets out the breakdown of the difference between the 2020-21 budget and the 2021-22 indicative budget.

Increase in factor values

10. Basic per pupil funding factors have been increased by 3% since the 2020-21 NFF.

Teachers' Pay Grant (TPG) and Teacher's Pension Employer Contribution Grants (TPECG)

11. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
12. In addition to the 3% general inflationary amount added to each formula factor a further £180 has been added to the primary basic entitlement factor and £265 to each of the KS3 and KS4 basic entitlement factors. This funding (plus the Area Cost Adjustment) is equivalent to the funding received in the TPG and TPECGs for September 2018 and September 2019 pay awards. No

further funding will be allocated for pay changes in September 2020 or beyond.

13. Therefore, as shown at Appendix B, despite an additional estimated £10m of funding in the NFF for 2021-22 nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Minimum Per Pupil Funding Levels (MPPL)

14. The MPPL will be set at £4,180 for primary schools and £5,415 for secondary schools. As per Appendix B there are potentially 5 schools who may be eligible for this funding whose funding as calculated through the NFF is below the national thresholds for primary or secondary schools.

Income Deprivation Affecting Children Index (IDACI)

15. The IDACI dataset has been updated in 2019 so that the IDACI bands are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.
16. As set out at Appendix B nearly all schools will lose funding as a result of this change. In order to compensate slightly some of the factor values have increased above the 3% generic inflation but this still does not mitigate the overall losses.
17. The impact of the banding changes is that (based on the October 2019 census) 90% of pupils in Harrow schools are now in Band G which is the least deprived band and attracts no funding. This compares with 78% under the old banding methodology.
18. Schools will be protected through MFG from these per pupil losses but it does mean that in the event that MFG no longer applies there will be a real cash reduction as result of these changes.

NFF Consultation 2021-22

19. There are no proposed changes to the **structure** of the formula for 2021-22.
20. However, there was one area which required consultation. A short consultation was carried out from 5th to 23rd October 2020. The consultation covered the following issue:
- The value of the minimum funding guarantee
21. There were a total of 10 (19%) responses received

Minimum Funding Guarantee

22. LAs will continue to set an MFG. In 2021-22 the allowable range of the MFG will be between **+0.5% and +2%**.

23. The consultation question asked: Do you support the proposal to apply the highest MFG subject to affordability and ensuring that no school's budgets unfairly distorted.

24. A summary of the responses is shown at Table 1.

Table 1 – consultation question summary of responses

Phase	Number of respondents	Yes		No	
		Number	%	Number	%
All Through	0	0		0	0%
Primary	5	5	100%	0	0%
Secondary	5	5	100%	0	0%
Total	10	10	100%	0	0%

25. As shown in Table 1 100% of respondents support the highest MFG subject to affordability.

26. Schools Forum is required to vote on the principle of whether to apply the highest MFG in the 2021-22 Schools Funding Formula subject to affordability.

Next Steps

27. The DfE will issue the October 2020 census dataset to LAs and final DSG funding allocation in December 2020.

28. A draft of the proposed school budgets and overall allocation of funding will be brought to Schools Forum in January 2021 in advance of submission to the DfE by 22 January 2021.

Trade Union Facility Time in Schools

29. In September 2020 the LA consulted with academies and free schools in relation to pooled funding to support backfill arrangements for schools whose employees are trade union representatives undertaking trade union duties on behalf of maintained schools, academies and free schools in Harrow.

- 30. The consultation asked: do you agree that academies and free schools, in line with maintained schools, should contribute to centrally pooled funding for backfilling trade union representatives?
- 31. There were 3 responses to the consultation which broadly supported the proposal to align with maintained school colleagues. There was a question about the amount of funding required from each school stating that the calculation for the overall pool required (currently £24k) was generous.
- 32. This concern will be addressed when the final funding calculation is made. This will be done in January 2021 as part of the overall school funding formula and academies will be written to setting out the rationale of the amount per pupil each school is required to fund.

Early Years Block

- 33. A National Funding Formula for Early Years was introduced in 2017-18. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2018.
- 34. Funding rates and allocations will be announced in December 2020.

Early Years EHCP Consultation

- 35. The LA issued a consultation which proposed to increase the rate per hour of top up funding for pre-school children with an EHCP from £8.38 to £10.90. The proposal was embedded within the wider context of the SEND Strategy and reflected the LA's commitment to support local providers to continue to provide additional support for children who are subject of an EHCP.
- 36. The consultation period was from Monday 21 September to Friday 23 October 2020. The consultation document and questionnaire were sent to all Harrow's Providers of Private Voluntary Independent (PVI) settings, all Chairs of Governing Bodies and Headteachers of primary schools with nursery classes, and our maintained nursery school.
- 37. The response rate to the consultation was very low with only 2 completed questionnaires and a few other responses, all of which agreed with the proposal.
- 38. From the small number of responses received there was a view expressed that the change should be implemented sooner than April 2021. As the budget is already set for this financial year (2020-21) this suggestion could not be taken forward.

39. Following consideration of the responses and considering the positive response to the funding increase, the LA will proceed with implementing the proposed change from April 2021.
40. This will represent an increase in funding to Early Years providers for children with EHCPs of over 30% which equates to an overall increase in cost to the HNB of approx. £50k per annum.

High Needs Block

41. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block of the DSG:
- Harrow special schools and academies
 - Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
 - Places in out of borough special schools and independent school provision
 - EHCPs in mainstream schools and academies
 - Post 16 provision including Further Education
 - SEND Support services and support for inclusion
 - Alternative provision including Pupil Referral Units and education other than at school
42. The government introduced a National Funding Formula for High Needs from 2018-19. Funding has previously been based on historical allocations plus small annual amounts of growth. In order to manage increasing growth for demand and complexity, annual funding transfer from the schools block into the high needs block have been approved by Schools Forum
43. From 2018-19 the Schools Block has been ring-fenced and transfers between blocks has been restricted to 0.5% of the Schools Block (approx. £800k). The decision to agree a transfer remains with Schools Forum. It agreed a transfer of 0.5% in 2018-19 and a reduced transfer of 0.25% in 2019-20 however it did not agree to any transfer beyond 2019-20 on the basis that the government should be properly addressing the inherent underfunding of High Needs pupils and to continue to topslice mainstream school budgets masks the extent of the problem.
44. There is anticipated to be an additional £2.8m added to the HNB for 2021-22 however there are already significant pressures on the HNB.

45. In 2019-20 there was an overspend on the HNB of £2.944m and there is a further projected overspend in 2020-21 of £3.157m taking the projected cumulative deficit on the HNB to £6.101m by March 2021.

DSG deficits

46. The government consulted on the treatment of deficits in 2019. The outcome of the consultation was a change to the regulations for the treatment of DSG deficits so that LAs must carry forward any HNB deficit to be funded from the next year's budget share. It also explicitly states that LAs can not and should not fund any DSG deficit from its own reserves.

DSG Recovery Plans

47. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance

48. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2019-20 compared with the deficit shown in the authority's published draft accounts.

49. Despite the LA's significant proposals and measures planned over the next ten years, this will not mitigate the deficit. This is due to the following contributory factors:

- historical underfunding
- current budgets being based on historical budgets rather than historical spend
- extension of age range to include 0-5 and post 19
- current and projected formulaic funding which does not keep pace with demand
- significant historical and projected growth in number of EHCPs
- continued growth in complexity of pupils' needs
- limitations about creating cost effective provision in borough due to capacity and site limitations

Section 3 – contact details

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