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| Meeting: | Schools Forum |
| Date: | 9 March 2021 |
| Subject: | Item 4: DSG Budget Setting 2021-22 |
| Responsible Officer: | Jo Frost, Finance Business Partner – Children’s Services |

Section 1 – summary

1. Schools Forum at its meeting on 19 January 2021, considered a report outlining the latest 2021-22 DSG settlement and details of the proposed 2021-22 school budgets.
2. This report sets out the latest 2021-22 settlement and the 2021-22 final school budgets approved by the DfE on 16 February 2021.
3. Schools Forum is asked to:
 - Note the 2021-22 DSG allocation in Table 1
 - Note the 2021-22 DSG budget in Table 2
 - Note the projected HNB deficits in Table 4
 - Note the update on the HNNFF consultation
 - Note the Early Years Single Funding Formula in Table 5

Section 2 – report

Dedicated Schools Grant 2021-22

4. The 2021-22 DSG is based on the number of pupils on the October 2020 school census. The total DSG for 2021-22 is £239.592m. This is subject to amendments to the allocations for early years pupils which will be updated to reflect the January 2020 Early Years Census data later in the year.

5. Table 1 below shows the breakdown of the DSG across the four blocks. This has remained unchanged since the figures presented to Schools Forum in January.

Table 1 – 2021-22 Dedicated Schools Grant allocation

| Blocks | Unit of funding | | Pupil numbers | | Total |
|---|-----------------|-----------|---------------|-----------|---------------------|
| | Primary | Secondary | Primary | Secondary | |
| Schools Block – per pupil | £4,559.49 | £6,253.54 | 21,419.00 | 12,805.50 | £177,739,423 |
| Schools Block – lump sum premises | | | | | £2,730,395 |
| Schools Block – growth fund formula | | | | | £1,268,468 |
| Total Schools Block | | | | | £181,738,286 |
| Central Schools Block | | | | | £1,387,804 |
| High Needs Block (after import/export adjustments & recoupment) | | | | | £37,024,161 |
| Early Years Block | | | | | £19,441,547 |
| Total Dedicated Schools Grant Allocation 2021-22 | | | | | £239,591,798 |

6. Schools Forum agreed the allocation of the blocks as set out at Table 2

Table 2 – DSG Blocks and Allocations 2021-22

| DSG Block | DfE Allocation | 2021-22 Budget Distribution | Change to allocation |
|---------------------------------|---------------------|-----------------------------|----------------------|
| Central | £1,387,804 | £1,387,804 | £0 |
| Early Years | £19,441,547 | £19,441,547 | £0 |
| High Needs | £37,024,161 | £37,024,161 | £0 |
| Schools Growth | £1,268,468 | £1,253,391 | -£15,077 |
| Schools ISB | £180,469,819 | £181,116,896 | £647,077 |
| Total | £239,591,799 | £240,223,799 | £632,000 |
| Use of contingency 2021-22 only | £0 | -£632,000 | -£632,000 |
| Total | £239,591,799 | £239,591,799 | £0 |

Schools Block

7. Schools budgets have been distributed using the National Funding Formula in 2021-22.
8. Schools Forum agreed to allocate £632k from the schools brought forward contingency to support the schools funding formula in 2021-22. This funding is one off and has been allocated through the basic entitlement factor.
9. The 2021-22 budgets have therefore been set with an MFG of +2%. This means that all schools gain at least +2% per pupil compared with their previous year's per pupil budget.
10. The School Budget Pack was issued on 26 February 2021.

High Needs Block

11. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs (SEN), learning difficulties and disabilities, from their early years to age 25.
12. There is a duty to admit a child or young person if the institution is named in a statutory Education, Health and Care (EHC) plan. LAs use the high needs budget to provide the most appropriate support package for an individual with SEND in a range of settings, taking account of parental and student choice, whilst avoiding perverse incentives to over-identify high needs pupils and students.
13. The Government introduced a National Funding Formula for High Needs from 2018-19. High Needs funding has previously been based on historical allocations plus some annual amounts of growth. In order to manage increasing growth for demand and complexity of need, annual funding transfers from the Schools Block into the High Needs Block have been approved by Schools Forum. Previously there was no limit to the value of transfer permissible.
14. The introduction of the High Needs NFF has led to a shortfall in funding compared with the 2017-18 baseline, of approximately £2.9m. This is because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency managed by Schools Forum.
15. Key activity data which demonstrates growth in demand between 2013-20
 - increase in HNB funding of £9.5m (39%)
 - increase in HNB spend of £10.8m (44%)
 - increase in the number of EHCPs from 1,170 in January 2014 to nearly 1,880 by January 2021 (61%)
16. The SEND Reforms in 2014 require LAs to support young people with EHCPs aged 0-25 years compared with (broadly) 5-19 years previously.
17. From 2018-19 the Schools Block is ring-fenced and transfers to the HNB are limited to 0.5% of the Schools Block. Schools Forum must be consulted. Schools Forum did not agree to any transfer to the HNB beyond 2019-20.
18. The HNB budget allocation for 2021-22 is set out at Table 3

Table 3 – High Needs Block budget allocation 2021-22

| Description | Value |
|---|--------------------|
| High Needs Block Allocation (excl basic entitlement factor) | £36,656,775 |
| Basic Entitlement Factor (excl TPG/TPECG) | £2,643,647 |
| Basic Entitlement related to TPG/TPECG Special Schools | £436,202 |
| Import/Export Adjustments (2020-21 figure) | -£1,620,000 |
| Additional Funding for Special Free Schools | £12,000 |
| Hospital Education | £197,092 |
| AP & INMSS TPG/TPECG allocation | £130,445 |
| Total HNB before academy recoupment | £38,456,160 |
| Academy recoupment for SEN units, special schools and FE | -£1,432,000 |
| Net High Needs Block 2021-22 | £37,024,160 |

19. The net HNB budget in 2021-22 is approx £3.5m higher than the budget in 2020-21 however this includes £567k of Teacher's Pay & Pension Grants which have been rolled into the HNB but which must be passported to special schools and alternative provision providers. There will still be a deficit budget set in 2021-22 of approx £1.4m.

20. The projections show that there will be growth in the number of EHCPs by 5% (86) by January 2021. Despite an additional 12 in borough special school places planned for September 2021 there is anticipated to be a further 17-20 additional pupils requiring out of borough independent specialist provision. In addition there is continued anticipated growth in Post 16 of approx. 20 pupils (6%).

21. Table 4 below shows the projected position on the HNB by March 2021.

Table 4 – Projected HNB Deficits

| HNB Projection | Budget £'000 | Forecast £'000 | Deficit £'000 |
|---|---------------------|-----------------------|----------------------|
| 2019-20 | £30,949 | £33,893 | £2,944 |
| 2020-21 | £33,502 | £35,277 | £1,775 |
| 2021-22 | £37,024 | £38,433 | £1,408 |
| Total projected deficit March 2022 | | | £6,127 |

High Needs National Funding Formula Consultation March 2021

22. On 10 February 2021 the DfE launched a consultation on the High Needs National Funding Formula (HNNFF). This is an interim consultation which covers:
- Use and value of historic spend factor used in the HNNFF
 - Attainment data used in the formula
 - Effective proxies for SEND and AP in the formula
23. However the consultation focuses on the method of distributing funding not the overall levels of funding. Therefore any changes will potentially be subject to floors and caps. Any changes will take effect from 2022-23.
24. The broader reviews of the SEND and AP systems are likely to impact on the way high needs funding is distributed in the future however the pandemic has delayed the completion of this review. It is therefore anticipated that a further consultation to consider future proposals will be required and may impact on funding beyond 2022-23.

Historic spend factor

25. At present the HNNFF includes an historic spend factor. This is currently based on 50% of the 2017-18 HNB budget. In Harrow (and many other LAs across the country) we have always maintained that this was unfair on the basis that spend has always been higher than the actual budgeted allocation and historically this was managed through using the schools brought forward contingency and transfers from other blocks.
26. This has meant that the baseline on which our current HNB is funded is around £2.9m lower than what was actually spent.
27. The consultation proposes to move to using 2017-18 actual spend as a baseline rather than the budget. In addition, it also proposes to increase the calculation of the historical spend factor from 50% of the 2017-18 spend to 60%.
28. The published illustrative figures suggest this could yield an additional £1.6m per annum in the HNB baseline. However, this could be subject to floors and caps and would be considered in the overall spending review for high needs.
29. The historic spend factor currently makes up approx. 34% of the overall HNB funding. This proposal would increase the proportion to around 40%.

30. Whilst any increase is welcomed, it would seem an appropriate time to update the baseline data to a more recent year. The DfE states that they do not wish to regularly review this as to do so would incentivise LAs to spend more in future years to increase baselines. However, there does not appear to be a rationale as to why 2018-19 or 2019-20 spend cannot be used to update the historic spend factor now
31. The consultation also seeks views on alternatives to using an historic spend factor. Whilst historic spending reflects local circumstances that should be acknowledge, it can also reflect aspects of the local system (such as where there is poor value for money) that should not be reinforced through funding allocations. Past spend levels also reflect the situation in a local area as it was, and will not reflect ongoing changes of patterns of need and demand.
32. Research conducted in previous years has concluded that there are three main drivers for local spend patterns
- Parental preference
 - Capacity and ability of local providers
 - Strategic decisions made by LAs as to how they will meet the needs of children and young people with SEND

Attainment data used in the formula

33. The HNNFF uses low attainment data at the end of KS2 and KS4 as two of the proxy indicators of SEND. The data includes the most recent 5 years of KS2 tests and GCSE exams (2015 to 2019). However for 2022-23 there will not be any 2020 KS2 test data or GCSE results because of the disruption due to the pandemic.
34. However, to continue to use 2015 data would continue to include older data from before the changes to the tests and exams in 2016. It is therefore proposed to update the series using 5 years' data from 2016 and to substitute the most recent 2019 data in place of the missing 2020 attainment data.
35. The consultation seeks views on this approach.

Effective Proxies for SEND and AP in the formula

36. Within the HNFF there are currently there are measures for health and disability

- Number of children in bad health
- Number of families in receipt of DLA

37. There are also measures of deprivation

- Number of children eligible for free school meals
- Local area deprivation

38. In previous consultations it has often been argued that allocations to individual LAs should be based, at least in part, on the number of children who have EHCPs. However this cannot be used as a robust indicator of underlying need because there is no consistent national threshold for requiring an EHCP. This does not necessarily directly correlate with the amount that a LA will need to spend.

39. SEND review will consider whether system changes are needed to provide more consistency in EHCP needs assessment and planning process. Following this review there will be consideration as to whether consequent changes to proxies uses in the formula would be appropriate.

40. The consultation seeks views on alternative proposals for SEND and AP measures which will inform future consultations.

Next Steps

41. The LA is currently working with London Councils to draft a response to the consultation. It is a likely to largely be derived from the London Councils response with added Harrow data and context.

Early Years Block

42. The 2021-22 EYSFF is shown at Table 5.

Table 5 – 2021-22 EYSFF

| Description | | 2021-22 | |
|---|---------------|----------------|--------------------|
| | Hourly | Pupils | Total |
| Total Early Years Block | £5.72 | 5,404.19 | £17,619,821 |
| 5% LA Early Years Service Retention | | | £880,991 |
| Funding available to providers | £5.43 | | £16,738,830 |
| Top-slice SEN inclusion fund 5% | | | £836,942 |
| Funding available to providers through formula | | | £15,901,889 |
| | | | |
| Base rate minimum 90% | £4.65 | | £12,932,214 |
| Supplements up to 10% | £0.51 | | £1,424,768 |
| Funding available to providers through formula | £5.16 | | £14,356,982 |

Section 3 - Contact Details

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Background Papers

Schools Forum Report – 15 September 2020

- Item 4 – 2021-22 Budget Setting and Funding Formula Review

Schools Forum Report – 17 November 2020

- Item 4 – DSG Budget Setting 2021-22

Schools Forum Report – 19 January 2021

- Item 4 – 2021-22 Budget Setting