

Report to:	SCHOOLS' FORUM
Date:	29 September 2020
Reporting Officer:	Tim Bowman – Assistant Director Education Tom Wilkinson – Assistant Director Finance
Subject:	SCHOOL FUNDING ANNOUNCEMENTS AND DFE UPDATES
Report Summary:	This report provides an update on the latest school funding announcements.
Recommendations:	<ol style="list-style-type: none"> 1. Members of the Schools' Forum are requested to note the contents of the report. 2. Agree in principle to 0.50% transfer from schools block to high need block in 2021-22 (at a minimum). 3. Agree in principle to support a disapplication request to the Secretary of State to transfer 1.00% from the schools block to the high needs block (if required) following further funding announcements. 4. Schools Forum notes the changes to financial transparency that will be incorporated into School Information (England) regulations 2020.
Corporate Plan:	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supports Aspiration and Hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial and policy framework.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>Financial Transparency changes will bring new report requirements in for both schools and Local Authorities outlined in section 6.</p>
Legal Implications: (Authorised by the Borough Solicitor)	The Financial Transparency requirements will bring a number of changes to bring more into line with existing Local Authority and Academy requirements. I would be helpful to undertake an audit of preparedness for the new regulations and ensure all schools sighted on the implications for them.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.
Access to Information:	NON-CONFIDENTIAL
	This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Information: The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Children’s and Safeguarding Services



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1. INTRODUCTION

- 1.1 This report provides information with regards to the DfE spending announcements and some context for the potential impact of the Tameside MBC position. The DSG announcements at this stage only cover the Schools Block, High Needs Block and the Central Service Support Block. Early Years Block information is not shared at this point. Updates on this and confirmation of all other allocations are expected in December 2021.
- 1.2 These indicative figures should be taken in the context that the information released at this stage is based on the 2020-21 data set and will change in some areas to take account of October 2020 census returns.

2. SCHOOLS BLOCK

- 2.1 The Schools Block allocation is based on October 2019 census data. Table 1 outlines the 2021-22 allocation of funding on the national basis compared to 2020-21. There has been an overall increase of £3.2bn of which £2bn relates to existing pay and pensions grants. The allocation by national priority is outlined below.

TABLE 1 - Allocation by national priority

Item	Total Funding Including ACA 2020-21 £m	Total Funding Including ACA 2021-22 £m	Change £m	% Increase
AWPU	25,656	28,450	2,794	11%
Minimum Per Pupil	266	455	189	71%
Basic per pupil Funding	25,922	28,905	2,983	12%
Deprivation	3,188	3,341	153	5%
Low Prior Attainment	2,653	2,613	(40)	(2%)
English as an additional language	415	420	5	1%
Mobility	51	52	1	2%
Additional Needs Funding	6,307	6,426	119	2%
Lump Sum	2,359	3,341	982	42%
Sparsity	26	42	16	62%
Premises	641	531	(110)	(17%)
School Led Funding	3,026	2,473	(553)	(18%)
Area Cost Adjustment	883	949	66	7%
Funding Floor Protection	464	581	117	25%
TOTAL	35,719	38,916	3,197	9%

- 2.2 The provisional 2021-22 allocation for Tameside MBC has increased by £12.5m, which currently excludes growth, and is shown in Table 2.

TABLE 2 – Tameside MBC Provisional 2021-22 Funding

	2020-21 Funding Allocated £000	2021-22 Provisional Funding £000	Increase £000
Pupil Led Funding	164,926	177,385	12,459
Premises Funding	3,870	3,923	53
Total Funding excluding Growth	168,796	181,308	12,512

2.3 Of the £12.5m increase, £7.5m of this relates to the Teachers' pay and pension grant being rolled into the DSG funding. The £7.5m is protected and must be passed directly onto schools. The £5m represents a 3% increase on 2019-20 cash levels. A full breakdown of the funding elements can be found at **Appendix A** along with the detailed national funding amounts.

2.4 The main changes to funding are as follows:

2.5 **Teachers' Pay and Pensions Grant (TPPG)** – The teachers' pay and pensions grant which was previously paid separately to schools has been added into the formula rather than paying this as a separate grant. This will be added to the basic entitlement per pupil funding of £180 for primary and £265 for secondary schools. Schools were previously able to separately bid for additional funds where the grant did not cover the increased pension costs. This has been added to the overall formula.

2.6 **Sparsity Factor** – The National Funding Formula (NFF) rates have been significantly increased by DfE on the sparsity factor. For a primary school, it has gone from £26k to £45k per school and for a secondary school has gone from £67k to £70k per school. This factor is payable to schools that are both small and remote, a school has to be both to attract this funding;

- Small – Average year group is less than, 21.4 (Primary) 69.2 (Middle), 120 (secondary) and 62.5 (All through)
- Remote – The nearest compatible school (relevant phase) is more than 3 miles for secondary and 2 miles for all other phases.

DfE have stated this increase is to address the impact that low pupils numbers has on the funding allocation for these schools. DfE believe due to these circumstances the schools have very little scope to make efficiencies.

The allocation of funding affects the national allocation of funding. However, this will not benefit schools in Tameside as we have no schools who meet the criteria to attract this funding.

2.7 **IDACI Bandings** – The data set used to attract deprivation funding for schools has been updated from the 2015 IDACI data to the 2019 data. DfE have banded the deprivation indices similarly to the 2015 bands to try and reduce the impact of huge fluctuations on individual schools.

The rates at which the bandings are paid have been increased by at least 3% in most cases. We are awaiting more data from the DfE for the changes to IDACI data so we can understand what difference this change will make for Tameside schools. We expect this to be released to us in September 2020.

2.8 **Prior Attainment** – The prior attainment factor uses pupil attainment data as a measure to allocate funding for pupils with low prior attainment. For 2021-22 the 2019 attainment data

will be used as a proxy for allocating this funding due to the formal results process for summer 2020 being suspended as a result of Covid19 lockdown.

- 2.9 **Minimum Funding Guarantee (MFG)** – Local Authorities will continue to set a MFG which in 2021-22 must be between +0.5% and +2.0%.
- 2.10 **Minimum Per Pupil Funding Levels** – for 2021-22 this factor will ensure that every primary school receives at least £4,000 per pupil and every secondary school at least £5,150 per pupil, delivering on the government’s pledge to level up the lowest funded schools. On top of this primary schools will receive an additional £180 per pupil and secondary schools £265 per pupil to cover the additional teachers’ pay and pension costs previously funded through separate grants.
- 2.11 2021-22 will continue to be a soft formula for Local Authorities to administer funding due to Covid19. The DfE have confirmed they will look to a future date for a hard formula implementation.

3. HIGH NEEDS BUDGET UPDATE 2021-22

- 3.1 The current announcements indicate the High Needs funding has increased by a further £730m or 10% nationally, local authorities have seen an increase between 8% minimum and 12% capped increase.
- 3.2 The funding formula remains unchanged for 2021-22 with the exception of some technical changes detailed below:
- The funding floor is set at 8% and the cap at 12% for 2021-22 (17% in 2020-21)
 - Teachers Pay and Pensions Grant (TPPG) is included as outlined below
 - The MFG for special schools will remain at 0% (this means no special school will receive less per pupil on a like for like pupil cohort compared to last year. Further guidance on this protection is due to be issued by the DfE at the end of this month.
- 3.3 The additional funding allocated nationally has been used to support the funding floor and capped increases with the remaining funding distributed through the proxy factors.
- 3.4 Tameside have received the maximum increase possible capped at 12% (before Import/Export adjustments and Recoupment).
- 3.5 Table 3 below shows the provisional allocation for 2021-22 compared to the current 2021-21 allocation. Tameside is seeing an overall increase of £3.390m or 14% as this does include the TPPG (£0.488m) rolled into the High Needs Block for 2021-22. TPPG is based on existing grant and so excluding this there is cash increase of £2.902m.

TABLE 3 - Provisional High Needs Budget 2021-22

	Current Year 2020-21	Provisional 2021-22	Increase
	£000's	£000's	£000's
High Needs Funding	25,079	28,469	3,390
Import/Export Adjustment	(654)	(654)	0
Less Recoupment	(1,630)	(1,630)	0
Total	22,795	26,185	3,390

Without the cap at 12%, Tameside would have received an additional £3.1m in 2021-22 and for context, the 2020-21 cap was £2.6m. Table 4 below shows the impact this could have had on the in-year projected deficit for this year and next years' High Needs Block deficit and demonstrates:

- (a) the High Needs deficit before any block transfers and,
- (b) Assuming the 0.50% transfer from Schools Block continues in 2021-22

TABLE 4 – Capped High Needs Funding Allocation

	2020-21 Current £000's	2021-22 Provisional £000's	Cummulative £000's
NFF Allocation before Cap	£27,652	£31,620	
Cap on Funding	(£2,573)	(£3,151)	
NFF Actual Allocation	£25,079	£28,469	

a) High Needs Deficit before any Block Transfer

High Needs In Year Deficit (with Cap & before 0.50% transfer from Schools block)	(£4,393)	(£2,644)	(£7,037)
High Needs In Year Deficit (without Cap & before 0.50% transfer from Schools block)	(£1,820)	£507	(£1,314)

b) High Needs Deficit assuming 0.50% Transfer form Schools Block

High Needs In year Deficit (with Cap)	(£3,543)	(£1,775)	(£5,318)
High Needs In year Deficit (without Cap)	(£970)	£1,376	£405

- 3.6 In relation to the TPPG consideration will need to be given on how this will be pass ported onto schools and providers, taking into account it covers schools, centrally employed teachers as well as independent settings. In special schools the additional funding does equate to £660 per funded place but the DfE have confirmed there is not a national expectation to add this to the base funding i.e. change it from £10,000 to £10,660. It is likely to be included in top-up rates but discussions will take place with North West colleagues to try to ensure a consistent approach can be reached.

4. BLOCK TRANSFER 2021-22

- 4.1 Local Authorities will continue to be able to transfer up to 0.50% of the Schools Block allocation to another block within the DSG, with Schools Forum approval. However, the transfer must exclude the additional funding that has been allocated to LA's for the Teachers' Pay and Pension Grants, to ensure these remain in full with schools. A disapplication process to the DfE will continue to be in place for any amounts over 0.50% or for any amount without Schools Forum approval.
- 4.2 The table below gives an overview of the High Needs funding and forecast spending for 2020-21 to 2021-22. The growth in spending is very much an estimate at this stage and the increase in plans has been up and down throughout this year. It is also difficult to understand the impact covid will have on the request to assess, therefore some very high level estimations for 2021-22 have been made, work will continue to refine these estimations. The table shows even continuing with a 0.50% transfer (as in 2020-21) of

£0.869m this would still leave a potential in-year deficit on the High Needs Block of £1.775m in 2021-22. Consideration will also need to be given to the cumulative deficit on the High Needs block and the impact this will have on other blocks within the Dedicated Schools Grant (DSG).

TABLE 5 – Impact of 2021-22 Funding Allocations against Projected Costs

	Current Year 2020-21	Provisional 2021-22	Change
	£000's	£000's	£000's
High Needs Funding	25,079	28,469	3,390
Topslice from the Schools Block	850	869	19
Import/Export Adjustment	(654)	(654)	0
Less Recoupment	(1,630)	(1,630)	£0
Total	23,644	27,054	3,410
Current Forecast Spend	(26,150)	(27,187)	(1,037)
Estimated Growth	(1,037)	(1,642)	(605)
Total Estimated Spend	(27,187)	(28,829)	(1,642)
Annual Funding Gap	(3,543)	(1,775)	1,768

- 4.3 Considering the provisional funding allocation and the continuing growth in the High Needs population we ask Schools Forum to continue to support top-slicing the Schools Block to support the High Needs block spending.
- 4.4 Based on the current schools block allocation for 2021-22, 0.50% would equate to £0.869m and 1.00% would equate to £1.738m. These figures may increase as a result of the final funding allocation due in December however it is unlikely even the 1% transfer will be sufficient to offset the annual gap.
- 4.5 The decision to top slice funding is an annual decision. Schools' Forum members are asked to agree in principle, a minimum 0.50% transfer and support a request to the Secretary of State for a 1% transfer. The deadline for the application process is September with a further process in November. The information required has not yet been released. Assuming the process is similar to previous years the request will be subject to the following;
- A consultation process with all schools and academies
 - Presentation of the impact of the intended transfer on individual school budgets
 - The strategic high needs plan
 - A full breakdown of the budget pressures that have led to the requirement to transfer
 - A strategic financial plan setting out how high needs expenditure can be sustainable longer term
 - Schools Forum approval for a one-off transfer for 2021-22
- 4.6 Schools Forum members are also asked to support the chair in making representations to the Department for Education about Tameside's High Needs funding.

5. CENTRAL SCHOOL SERVICES BLOCK (CSSB)

- 5.1 Central Schools Services Block funding has provisionally increased by 6.45% from £0.953m to £1.015m for Tameside MBC (an increase of £0.061m).
- 5.2 At this stage, the Teachers' Pay and Pensions for the centrally employed teachers has not yet been added. This will increase the allocation further but the allocation of these funds will be needed to be to cover the increased costs of those centrally held posts before increases are allocated to other areas.
- 5.3 Some Local Authorities have historic costs which continue to reduce by 20% on the prior year allocation. Protection is afforded for Local Authorities with on-going prudential borrowing costs and historic teachers' pension costs. This does not affect Tameside as there are not central historic costs.

6. SCHOOLS FINANCIAL TRANSPARENCY

- 6.1 This section of the reports provides some detail with regards to the increase financial transparency measures being introduced for Local Authorities and Maintained schools as a result of the School Information (England) regulations 2020, to take effect from 1 January 2021.
- 6.2 The changes have been brought forward as a number of Academy Trusts reported to DfE that they feel more accountable for their academies financial position than they previously did as an LA maintained school. DfE currently believe that Academies are financially stronger and the implementation of these proposals will increase financial transparency in schools and reduce the likelihood of deficits. The changes outlined below follow consultation carried out between July and September 2019.
- 6.3 If these measures are to be introduced, this would be from the start of the 2020/21 financial year unless specified differently below
- 6.4 **New Burdens**
DfE recognise these measures will create new burdens for Local Authorities and will compensate LA's under the New Burdens policy, for 2021-22, this will be done through a direct grant to each LA, in proportion to the number of maintained schools they have. The DfE will work with LA's to finalise the overall amount and distribution.
- 6.5 **The Issues & Proposals**
The changes to enhance financial transparency are as follows:

Issue 1 – Making public where local authorities are failing to comply with deadlines for completing assurance returns and financial collections

DfE will publish the names of LA's .Gov.uk who do not meet the deadlines with 3 or more of the following collections

- School Financial Value Standard (SFVS)
- Dedicated Schools Grant CFO assurance statement
- Consistent Financial Reporting
- Section 251 Budget
- Section 251 Outturn

This is to mirror the requirements for Academies, where Academies failure to comply with deadlines for 2/4 reports results in the trust name being published on gov.uk.

Issue 2 – Strengthening DSG annual assurance returns

The DfE will collect new information as part of the CFO DSG assurance statement.

The number of schools with suspended budgets and notices of financial concern

Amounts recovered by the LA recover from fraud investigations, the number of cases and the value of money recovered.

Guidance will be produced by the DfE setting out how fraud related costs should be captured to ensure consistency of reporting.

Issue 3 - Maintained schools are not required to provide local authorities with 3-year budget forecasts

The Scheme for Financing Schools currently allows authorities to require a multi-year budget plans from schools but this is not mandated. The change will be to make it a requirement of the Scheme of Financing to set a 3 year budget. This is not a change for Tameside as this is already our practice.

Issue 4 - Strengthening Related Party Transaction (RPT) arrangements in maintained schools

At present, all RPT's taking place in academies must be reported ahead of payment, this applies to all transactions. If the amount is over £20K, approval is required from the EFSA, anything under does not need approval but must be reported. For maintained schools the SFVS contains two specific questions about RPT's and is not as stringent. There are three options for the proposal:

The change will require all schools append a list of RPTs to their response to the new question in the Schools Financial Value Standard (SFVS) about their arrangements for managing RPTs. This should not be an additional burden for schools as they must declare these and discuss them with their Governing Body.

In addition, there will be additional columns into the CFO Assurance Statement, to request the number of RPTs and value for each to be disclosed.

There is also an expectation for LA's to take a more active role where RPT exceed £20k. This is something that will be considered as part of the Scheme of Financing for 2021/22. The first SFVS this will apply to is the 2021/22 return due September 2022.

Issue 5 - Maintained Schools internal audit is too infrequent

The proposal was to directly change the scheme guidance to require all maintained schools to have an internal audit at least every 3 years. This will not be implemented. This is due to the additional burden this will place on some Local Authorities and that it may take resources away from High Risk School Audits. The DfE will reconsider its approach on this with Local Authorities.

Issue 6 - Strengthening arrangements to help schools that are in financial difficulty

The proposal will be a directed change to the Scheme of Financing as follows:

Schools to submit a recovery plan to the LA when their deficit rises above 5% as a minimum however where LA' have more stringent requirements in place the DfE do not seek to change these.

Further to this:

- The DfE will collect information on the number of recovery plans in each LA through the DSG annual assurance return from the CFO.
- The DfE will formalise the approach to working with Las and include a request for high level action plans from some Las:
- Data-sharing and monitoring: to share published data on the school balances in each LA ,highlighting the number and proportion with a revenue deficit of over 5%.

Available support from the Department - The DfE will share published data with LAs on their schools' financial, educational performance and pupil/school characteristics and this work will start after publication of the next Consistent Financial Reporting (CFR) data.

Where the LA requests support from the DfE school resource management teams - Targeted monitoring and support: use of the above data and evidence and challenge from the Department, this can happen at any time during the year

The DfE will request high-level action plans from LAs in which the number or proportion of school revenue deficits over 5% is above a certain level. These thresholds will be reviewed every year. This information could be requested at any time during 2021, after the publication of the CFR data

Issue 7 - There is not enough transparency when it comes to reporting high pay for school staff

The DfE mandate that all LA maintained schools will be required to publish annually on their websites the number of individuals earning over £100K in £10K bandings. This requirement comes into force 1 January 2021.

Issue 8 - There is not enough transparency when it comes to reporting maintained school income and expenditure

There is a requirement for LA maintained schools to publish on their own websites a link to the benchmarking website, where the CFR is published. The benchmarking website already has explanatory information surrounding the accounts, and it also makes comparisons across schools easier. This will keep burdens to a minimum for schools. This comes into force 1 January 2021.

7. RECOMMENDATIONS

7.1 As set out at the front of the report.

APPENDIX A

Item	2020-21 Unit Value £	2021-22 Unit Value £	% Increase	Total Funding Included ACA £m	Proportion of core total %
Basic per pupil Funding				28,905	76.5%
AWPU				28,450	75.3%
Primary AWPU	2,857	3,123	9.00%	14,482	38.3%
KS3 AWPU	4,018	4,404	10.00%	8,236	21.8%
KS4 AWPU	4,561	4,963	9.00%	5,731	15.2%
Minimum Per Pupil				455	1.2%
Primary Minimum Per Pupil Funding	3,750	4,180	11.00%	319	0.8%
Secondary Minimum Per Pupil Funding	5,000	5,415	8.00%	136	0.4%
Additional Needs Funding				6,426	17.0%
Deprivation				3,341	8.8%
Primary FSM	450	460	2.00%	372	1.0%
Secondary FSM	450	460	2.00%	230	0.6%
Primary FSM6	560	575	3.00%	613	1.6%
Secondary FSM6	815	840	3.00%	712	1.9%
Primary IDACI A	600	620	3.00%	97	0.3%
Primary IDACI B	435	475	9.00%	145	0.4%
Primary IDACI C	405	445	10.00%	133	0.3%
Primary IDACI D	375	410	9.00%	117	0.4%
Primary IDACI E	250	260	4.00%	139	0.3%
Primary IDACI F	210	215	2.00%	108	0.2%
Secondary IDACI A	840	865	3.00%	81	0.3%
Secondary IDACI B	625	680	9.00%	129	0.3%
Secondary IDACI C	580	630	9.00%	120	0.3%
Secondary IDACI D	535	580	8.00%	106	0.4%
Secondary IDACI E	405	415	2.00%	141	0.3%
Secondary IDACI F	300	310	3.00%	99	0.3%
Low Prior Attainment				2,613	6.9%
Primary Low Prior Attainment	1,065	1,095	3.00%	1,557	4.1%
Secondary Low Prior Attainment	1,610	1,660	3.00%	1,055	2.8%
English as an additional language				420	1.1%
Primary EAL	535	550	3.00%	31	0.8%
Secondary EAL	1,440	1,485	3.00%	108	0.3%
Mobility				52	8.8%
Primary Mobility	875	900	3.00%	42	0.1%
Secondary Mobility	1,250	1,290	3.00%	10	0.0%

School Led Funding				2,473	6.5%
Lump Sum				3,341	6.4%
Primary Lump Sum	114,400	117,800	3.00%	2,032	5.4%
Secondary Lump Sum	114,400	117,800	3.00%	398	1.1%
	2020-21 Unit Value £	2021-22 Unit Value £	% Increase	Total Funding Included ACA £m	Proportion of core total %
Primary Sparsity	26,000	45,000	73.00%	38	0.1%
Secondary Sparsity	67,600	75,000	11.00%	4	0.0%
Premises				531	1.4%
Area Cost Adjustment				949	
Floor				581	
Primary floor funding				334	
Secondary floor funding				247	
TOTAL				38,916	