

SCHOOL FUNDING – UPDATE

1. SUMMARY

This paper provides an update on the Dedicated Schools Grant, schools' balances and the Schools block.

2. RECOMMENDATIONS

- (a) DMT are asked to note and comment on the contents of this report.
- (b) DMT has been provided with regular updates on the position with regards the DSG and school balances. These two elements require an agreed governance process. It is suggested that in future High Needs and School deficits are reported separately:
 - (i) High Needs deficit: Once there is greater clarity regarding the DBV work programme, reports should be presented firstly to DMT and then other stakeholders. The frequency of reporting is likely to be termly or bi-termly.
 - (ii) Schools in deficit: it is likely reporting will be required at the end of the summer term. However, there may be a requirement to provide ad hoc reports relating to action which has or has to be taken with regards either an individual school or schools to support the ESFA's LA Action Plan.

3. HIGH NEEDS BLOCK

(a) Update

The final position at year-end was a deficit of £12.62m with an in-year deficit of £4.57m.

When setting the budget for 2021/22, there was a funding gap of £2.3m and the in-year increase in the deficit was £2.27m.

For 2022/23, the funding gap when setting the budget was £1m. With a higher percentage increase in the funding provided and if there is no change in the spend pattern for support, it is projected that the year-end in-year deficit is likely to be approximately £3m with a cumulative deficit of £15.5m. Further analysis of the pupil and support data is required to provide a more accurate position.

Table below summarises the position for high needs block from when the SEND Reforms and funding changes began to have an impact on the High Needs block.

Blocks	Original Allocation	Actual / Forecast Expenditure	Variance	% Variance	Cumulative Variance
	£m	£m	£m		£m
2017/18	41.52	42.25	0.73		-
2018/19	45.82	44.72	- 1.10	-2.4%	-1.09
2019/20	46.84	52.42	5.58	11.9%	4.48
2020/21	54.90	58.47	3.57	6.5%	8.05
2021/22	60.46	65.03	4.57	7.6%	12.62
2022/23	67.99	70.90	2.91	4.3%	15.53

Provisional information has just been published for 2023/24. The modelling indicates that Enfield will see a percentage in the proxy elements used for the funding formula of 6.6%, but no change in the 50% of funding provided based on historical spend in 2018/19. The total net provisional allocation is £72.3m. An increase of £4.3m. However, until Autumn term data has been collected and is available to inform the budget settlement, the final allocation may change. The increase may reduce the funding gap at budget setting and therefore the in-year deficit, but it is unlikely to reduce the accumulated deficit because of the full year effect of some of the changes implemented this year. In addition, the ESFA have indicated that they may require some of the increase to be passed onto special schools and other

providers, but this will not be known until the revised regulations have been published. Also, special schools may seek an increase in funding to reflect the pay award.

(b) Delivering Better Value Programme

The financial position described above is not unique to Enfield. Approximately two thirds of local authorities (LAs) have, at some point, reported a deficit of their high needs block. As has been highlighted by the update above, the increases in funding are being outstripped by similar increases in demand and cost for support.

To support LAs, the DfE have developed two programmes:

- (i) Safety Valve: which targets LAs with the highest DSG deficits. These LAs are required to work with ESFA to produce an action plan which will reduce their in-year deficit. Once agreed and if the LAs meet the annual targets set within the action plan, the ESFA provides a contribution to offset a proportion of the accumulated deficit.
- (ii) Delivering Better Value (DBV): delivers support to 55 LAs with significant but lower deficits than the LAs in the Safety Valve programme.

The DBV does not provide additional funding to offset the deficit. Instead, the EFSA has selected two partner organisations (Newton Europe and CIFPA) to support and work with the LAs to produce an action plan that will reduce their deficit.

Enfield has been selected for this programme. The position so far is that:

- We have received notification of a grant of £45k to enable us to fund a resource to assist with compiling data, information and evidence.
- An initial meeting is planned for early August with ESFA, Newton Europe, CIFA and officers.
- It is most likely that the partners will begin working from September with officers and key stakeholders. They may also seek to meet with DMT and other key officers.
- From the information provided, the support from Newton Europe and CIFPA is available for 18 months to 2 years.
- The aim is to develop an action plan, which encompasses recommendations for improvements, potential options and opportunities that will lead to efficiencies and cost savings.
- The action plan will be monitored by the ESFA. If the action plan could be converted into a formal deficit recovery plan, then there could possibly be a case to seek some financial support in a similar way to the LAs in the safety valve programme.

4. SCHOOL BALANCES

The total balances held by schools at the end of the financial year 2021/22 were **-£0.387m**. The table below provides a summary of the changes in balances over the past five years.

Sector	2017/18		2018/19		2019/20		2020/21		2021/22	
	£'000s	%	£'000s	%	£'000s	%	£'000s	%	£'000s	%
Primary	5,273	5.5	4,704	4.9	2,766	2.2	3,124	3.1	1,764	1.8
Secondary	(5,308)	(-9.3)	(6,502)	-10.5	(7,102)	-10.5	(4,795)	-7.1	(3,593)	-5.0
Special	1,033	7.4	939	6.4	1,093	5.2	1,429	6.2	1,442	5.1
Total	801	0.5	(858)	0.49	(3,243)	-2.1	(242)	-0.1	(387)	-0.2

(a) Currently, balances are assessed as to whether a school is:

- (i) Holding balances above 5% of their budget and above £100k

There were 5 schools that breached both these thresholds. These schools were required to submit a request to retain surplus balances above thresholds. The returns

together with accompanying evidence were assessed with the Education Resources Group. It was agreed that these school should be able to retain the surplus balances.

(ii) Reporting a year-end deficit

At the end of 2021/22, there were 11 schools reporting a deficit compared to 13 in 2020/21. Of the 11 schools reporting a deficit, 5 had reported an in-year surplus.

Table below summarises the position for the schools in deficit over the last four years.

Sector	SCHOOL NAME	No of Years in Deficit	Year-end 2018/19 Actual	Year-end 2019/20 Actual	Year-end 2020/21 Actual	In-year 2021/22 Actual	Year-end 2021/22 Actual	% Balances 2021/22
Primary	Bush Hill Park	3	308,236	-22,096	-36,757	6,469	-30,288	-1.0%
Primary	Eversley	3	79,044	-28,335	-42,442	-67,082	-109,524	-4%
Primary	Garfield	3	72,143	-65,524	-201,537	49,504	-152,033	-7%
Primary	Honilands	3	37,314	-47,420	-56,731	-37,607	-94,337	-3%
Primary	Southbury	4	-75,443	-254,270	-434,970	-199,419	-634,389	-25%
Primary	St Georges	2		72,815	72,815	-34,661	-56,626	-2%
Primary	Starks Field	5	-107,528	-179,160	-182,177	-143,017	-325,194	-17%
Primary	Bishop Stopford	8	-2,092,248	-2,308,714	-1,859,591	258,244	-1,601,347	-27%
Primary	Broomfield	9	-2,959,393	-3,433,574	-2,693,433	369,546	-2,323,886	-42%
Secondary	St Annes	7	-485,679	-518,631	-547,296	-240,742	-788,039	-11%
Secondary	Enfield County	5	-284,411	-211,155	-25,221	235,734	-642	-0.01%
	Total		-5,507,964	-6,996,064	-6,325,970	209,665	-6,116,305	

(b) Three Year Budget Plans 2022/23

Three year budget plans received from the schools in deficit were assessed and indicated:

- 4 schools would move to a balanced position within three years;
- 2 schools projected their deficit decreasing, but a balanced position would not be achieved within three years;
- 5 schools projected their deficit increasing.

Of the returns from the remaining schools, one school reported a potential deficit at the end of 2022/23. When the first quarter budget monitoring return is received from this school, it will be assessed as to whether budget management meetings are required with this school.

- (c) During 2021/22, a Schools Resource Management Advisor (SMRA) from the ESFA was engaged to carry out financial reviews at seven schools in deficits. The aim being the recommendations from the reviews would inform individual school's deficit recovery plans.
- (d) Officers will continue to monitor and work with schools with an achievable recovery plan, however the key focus is to agree with schools projecting an increasing in-year deficit to develop an achievable deficit recovery plan that begins to reduce the in-year deficit.
- (e) **Southbury:** DMT are advised Southbury continues to be of concern because it does not appear that the School has actioned any of the recommendations following the financial review and continues to report an increasing deficit.

A pre-warning letter has been issued to the Chair of Governors at Southbury School. The letter requires the Headteacher and governors at Southbury to meet and work with a Headteacher from another school to review the current position and identify options and opportunities for savings to inform a revised deficit recovery plan. Officers will meet with the School after October half term to assess the revised deficit recovery plan. If it is found to be inadequate, then a warning letter may need to be issued.

(f) For 2022/23:

- The SMRA has been commissioned to carry out reviews at the remaining schools not previously reviewed.
- To support all schools and provide consistency of practice, a local budget planning tool has been developed for schools to use. Schools will be required to submit, first to their Governing Body and then to the Local Authority, reports from the tool with their Schools Financial Value Statement.
- A financial management training programme has been developed following feedback from schools and findings from audits.

(g) Strategic Management Plan

So far, this update has been based on a summary of the local position. As the number of schools reporting a deficit of 5% or above has increased above 7% of all maintained schools, the DfE has sought the completion and submission of a Strategic Action Plan. This is an excel tool, which seeks information on the actions the Authority is taking to support schools to reduce their deficits.

A return was submitted to ESFA. It is most likely ESFA will request further returns are submitted with updates. A copy of the return can be included with future updates to DMT.

5. SCHOOLS BLOCK 2023/24

Notification has been received on the provisional funding for 2023/24. An illustrative model using the proposed increases in funding was provided with the notification. This compared data from October 2020 against October 2021. Full analysis is being carried out.

The headlines from the illustrative model shows:

- increase in Enfield's provisional total per pupil funding from 2022/23 to 2023/24 to be 2.29%.
- Individual school's allocations vary to reflect changes in pupil numbers or other proxy factors used for the funding formula. DMT are advised that the national arrangements only protects individual school's facing a reduction in their per pupil led funding rates and not against the total funding a school receives. Locally, local schools experiencing declining pupil numbers will experience a reduction in funding.

Table below shows information taken from illustrative model of the possible level of change in funding that an individual schools may experience.

Sector		% change in total NFF funding	% change in pupil-led NFF funding
Primary	Average	-1.17%	2.55%
	Range of change	-10.99% to 6.81%	0.50% to 6.29%
Secondary	Average	4.14%	2.47%
	Range of change	-5.37% to 9.23%	0.50% to 3.87%

Note: Primary figures exclude One Degree and Secondary figures exclude Wren Academy as both are growing school and distort the funding information.

The final allocation for schools will be dependent upon the data from October 2022 Pupil Census. If the trend, in terms of pupil numbers and other proxy indicators, remains the same for individual schools, then they will experience a similar change in funding.

The key issue for schools is going to be managing increases in cost this includes the September 2022 pay award of between 5 – 8%, rising fuel costs and other inflationary pressures.

The DfE have stated that no additional funding will be provided either this or next year to support schools with these pressures. With the increasing cost pressures, the main concern is whether schools are going to be able to sustain these and remain within budget or the numbers reporting

APPENDIX 2

financial difficulties will continue to increase. It should be noted the move to the national funding formula provides no scope to provide financial support to these schools.