

11. Additional item: Proposed use of carried forward DSG underspend

- 1.1 The forecast carry forward of Dedicated Schools Grant funding to 2022/23 is £4.959m. Carried forward DSG reserves have generally been used to support pressures in the DSG High Needs budget and the growth in Education, Health and Care Plans means it would be prudent to retain most of this carry forward to support the High Needs budget in 2022-23. However, as the reserve is forecast to increase by £1.7m by the end of the 21/22 financial year, it is proposed to allocate some of this to schools and settings, as indicated above. In summary, it is proposed to allocate the carried forward underspend as follows:

One -off lump sums for Maintained Nursery Schools	£400,000
One-off supplement to the hourly rate for 3- and 4-year-olds	£179,000
<u>New arrivals (Hong Kong and asylum seeker hotels) up to:</u>	<u>£1,000,000</u>
<u>Sub-total</u>	<u>£1,579,000</u>

It is proposed to allocate the remainder of any carried forward underspend to the High Needs budget, in line with practice in recent years. If the carry forward matches the current forecast, it means that there should still be £3.384m for High Needs.

Early Years Funding and lump sum payments for Maintained Nursery Schools

- 1.2 As indicated in the report above on the 22-23 budget, it is proposed to passport the full-increases in early years funding from the DfE to early years providers by increasing the hourly rates for 3- and 4-year-olds and 2-year-olds by the same amount as the funding increases. The proposals in this paper will not affect this passporting of funding as it is proposed to fund any further lump sums, in 2022/23, from general carried forward underspend in the Dedicated Schools Grant rather than drawing on the Early Years Block funding.
- 1.3 Maintained Nursery Schools are funded on the same basis as all other early years providers, including nursery classes in primary schools and early years places provided by Private, Voluntary and Independent providers. A new national funding formula for early years came into force in 2017/18. Under the National Early Years Funding Formula, the same funding formula applies to all providers.
- 1.4 However, supplementary funding was paid by the DfE to some local authorities, initially for a transitional period of up to two years, where this was needed 'to enable local authorities to fund nursery schools at the same level as they did in 2016/17'. As the notional hourly rate for 3 and 4 year-olds in Barnet exceeded the rate that was paid to Barnet nursery schools in 2016/17, Barnet nursery schools were not covered by the grant.
- 1.5 Barnet nursery schools are funded in accordance with the Early Years National Funding Formula. In 2021/22 each receives £5.29 an hour per pupil, plus a deprivation rate calculated using IDACI based on the postcodes of the children that attend the school.
- 1.6 Both BEYA (the Barnet Early Years Alliance, a federation of three nursery schools) and Moss Hall Nursery School had significant revenue balances at the end of the 2019-20 financial year. but both had to draw heavily on their balances during 2020-21 and faced the prospect of having large and growing deficits in 2021/22.
- 1.7 However, that was partly alleviated by the council's decision, following consultation with early years providers and the Schools Forum, to provide one-off lump sum funding of £42,000, for 2021/22 only, to each of the four maintained nursery schools, funded from carried forward underspend in the Early Years Block of the DSG..

- 1.8 Both BEYA and Moss Hall Nursery School have also made staffing and structural changes in 2021/22 to secure efficiency savings. Despite that, both BEYA and Moss Hall Nursery School are forecasting deficits at the end of 2021/22.
- 1.9 A review of nursery school budgets has shown that, despite major efforts to raise income and cut costs, each school could face an annual deficit from 2022/23 of up to £100,000 a year unless central government changes the funding arrangements for maintained nursery schools in Barnet or, failing that, if the council does not once again pay a lump sum to each maintained nursery school. It is also clear that any such lump sum would need to be much greater than the £42,000 agreed for 2021/22, as the latter amount was based on an assumption that extra government funding might be available from September 2021. The sum of £42,000 represents five-twelfths of the £100,000 a year that it was felt would be needed to sustain the four schools.
- 1.10 The council and the nursery schools have been lobbying the government to secure additional funding for Barnet's maintained nursery schools for the last three years. As a result, late in 2019 the Secretary of State for Education promised a review of the future of maintained nursery schools that 'he expects to provide a clear outcome that puts maintained nursery schools in Barnet on a stable financial footing for the future.' Since then, Ministers have re-affirmed a commitment to 'appropriate funding' for Maintained Nursery Schools 'in the longer term'. The council wrote to the Chancellor of the Exchequer and the Parliamentary Under-Secretary of State for Children and Families to ask for confirmation that the review of funding for maintained nursery schools will result in a significant increase in funding for Barnet's four maintained nursery school for the 2021-22 financial year and subsequently.
- 1.11 On 25th November 2021, the DfE announced increases of 3.5% in the supplementary funding mentioned in paragraph 1.37 above. This applies to each local authority's rate of funding, and, as Barnet's supplementary funding rate is £0, no increase will be applied. Of the 32 London Boroughs, 11 have no supplementary funding. Looking at our closest statistical neighbour set – the other outer London boroughs - for those that do receive supplementary funding, the average rate for 2022-23 will be £3.46 per hour. If Barnet were to receive this rate, it would result in increased income of about £697,000 to be distributed amongst the four maintained nursery schools.
- 1.12 To try to bridge this gap once again, at least in part, we are proposing to allocate to each maintained nursery school a lump sum of £100,000 on a one-off basis in 2022/23. This is expected to ensure both BEYA and Moss Hall Nursery School can operate in-year during 2022-23 on a break-even basis. BEYA will still need to find some further savings to address the forecast carried forward deficit of £38,000 (across the three schools). Moss Hall Nursery School has a larger problem in that they are forecasting a carried forward deficit of over £150,000 into 2022/23. The school has been advised that it will need to produce a recovery plan to pay off this deficit over a three-year period. The proposed lump sum allocations of £100,000 per school in 2022-23 will mitigate the risk to the council of having to pick up and fund deficits left by the maintained nursery schools in the future. At the very least the lump sums should mean that the deficits at the end of 2021-22 will not grow any further in 2022-23. The long-term funding position of the four schools remains an issue, which will need to be considered later this year in the event that the government does not come up with the promised 'review of the future of maintained nursery schools' that will puts 'maintained nursery schools in Barnet on a stable financial footing for the future'.
- 1.13 In order not to impact on the pass-through of the hourly rate funding to all yearly years providers, it is proposed to fund these lump sums in 2022/23 from the general DSG reserve (carried forward underspend). The lump sum proposal is subject to consultation with all early years providers and the Schools Forum. Following that consultation with providers between late January and the end of February, it is proposed that the Schools Forum holds a special meeting before the end of February where it will consider the responses to the consultation and

recommend to the council whether or not it should go ahead with the lump sum. The Executive Director, Children's Services will then consider whether to approve the proposal in the light of feedback from the consultation and the Schools Forum.

- 1.14 In 2021, following the allocation of the temporary lump sums of £42,000 to each maintained nursery school from carried forward early years underspend, once end of year adjustments were made by the DfE in respect of the early years block for 2020/21 and the revised early years block funding for 2021/22 was known, it was agreed that the remaining carried forward underspend on the early years block of £334,000 should be allocated on a one-off basis in 2021-22 to providers of 3- and 4-year old places, by agreeing a temporary funding of supplement of £0.08 per hour. The payments were made to providers in August. It is not yet known what the level of any early years block underspend will be for the end of 2021-22, but the estimated overall level of DSG underspend is, £4.959m, as reported above. It is proposed to allocate from this general DSG carried forward underspend the equivalent of the £168,000 that was drawn from the early years block funding for the maintained nursery school lump sums, on a one-off basis in 2022-23 to providers of 3- and 4-year old places, by agreeing a temporary funding of supplement of £0.04 per hour which is estimated to cost £179,000. The early years block budget position will then be reviewed further in June 2022, in the light of end of year and 22-23 early years block allocations to establish whether there is enough headroom to increase this temporary funding supplement further for 2022-23.

New arrivals - children of Hong Kong families

- 1.15 A new immigration route opened on 31 January 2021, providing British National (Overseas) (BN(O)) status holders from Hong Kong and their dependants with the opportunity to come to the UK to live, study and work, on a pathway to citizenship. Tens of thousands of Hong Kong residents applied for visas under this scheme during 2021. Details of the government's arrangements for new arrivals under this scheme can be found on the government website: [Welcome: a guide for Hong Kong British National \(Overseas\) visa holders in the UK - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/welcome-a-guide-for-hong-kong-british-national-overseas-visa-holders-in-the-uk). This includes a welcome pack for new arrivals: [Welcome Pack for arrivals from Hong Kong on the British Nationals \(Overseas\) visa \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/guidance/welcome-pack-for-arrivals-from-hong-kong-on-the-british-nationals-overseas-visa)
- 1.16 The dependants of BN(O) status holders from Hong Kong who settle in the UK have a right to attend school in the UK. Local authorities hold the statutory duty to provide sufficient school places. Any BN(O) status holder who already live in the UK or who moves to live in the UK under the new visa scheme can apply for a school place for their children. Schools are not permitted to refuse any children a place on the grounds of their nationality or immigration status. Details of arrangements for access to schools are set out in the guide and welcome pack indicated above.
- 1.17 Initial figures show that Barnet has among the highest number of new arrivals under this scheme in England. Between August 2020 and September 2021, there were 429 applications for admission to Barnet schools from Hong Kong migrants. Between September and November 2021, 227 children of statutory school age were admitted to Barnet primary and secondary schools. A major financial challenge for schools arises because significant numbers have been enrolled after the October school census date, which means that they do not generate funding for the school through the local funding formula until the financial year after the school year when they start at their Barnet school (so 2023-24 for new arrivals starting school between October 2021 and September 2022).
- 1.18 This creates financial challenges for many schools, as they incur extra costs to support the welfare and regular attendance of the children from these families. Schools may incur extra staffing costs, whether for extra teachers (or fractions of teachers), teaching assistants and

other support staff or for specialist mentors to support individual children. Some incur extra costs for extra school clubs and for providing English as an Additional Language support.

- 1.19 It is therefore proposed to allocate one-off funding from carried forward underspend in the Dedicated Schools Grant to support schools that enrol children after the October 2021 census date for the period these children are in schools up until the end of the summer term 2022. More details of the proposal are set out below.

New arrivals - children of asylum seeker families living in designated hotels

- 1.20 Following the recent influx of asylum seekers to the United Kingdom, many of them from Afghanistan, a number of hotels were designated by the government for temporary housing for newly-arrived asylum seeker families. There are three such hotels in Barnet. Children of school-age living in these hotels are entitled to be admitted to local schools even if on a temporary basis.
- 1.21 As with new arrivals for Hong Kong, this creates financial challenges for many schools, as they incur extra costs to support the welfare and regular attendance of the children from these families. Schools may incur extra staffing costs, whether for extra teachers (or fractions of teachers), teaching assistants and other support staff or for specialist mentors to support individual children. Some incur extra costs for extra school clubs and for providing English as an Additional Language support. For children from poorer families, many schools have also had to incur non-staff costs, for example on providing free school meals, until eligibility is established and on purchasing school uniforms, sportswear and equipment (such as laptops).
- 1.22 In November 2021, the four Barnet schools with the highest numbers of children living in designated hotels for asylum seekers were each allocated a share of £50,000 of council funding (paid for from the council's covid grant, having regard to the extra pressures on the schools arising from the pandemic). The payments were made pro-rata to the number of eligible children and the number of weeks they were in the schools between September 2020 and September 2021.
- 1.23 It is now proposed to allocate one-off funding from carried forward underspend in the Dedicated Schools Grant to support schools that enrol children after the October 2021 census date for the period these children are in schools up until the end of the summer term 2022. It is proposed to include funding for all schools with children living in the designated hotels, rather than just the schools with the highest numbers children living in the hotels.

Approach to funding of new arrivals

- 1.24 The technical mechanism for providing the funding for new arrivals, as it will sit outside the school funding formula, is to allocate the money toward 'ongoing local authority statutory responsibilities for all schools in respect of the welfare and attendance of pupils'. The allocation requires the agreement of the Schools Forum and the proposals for spending the money also requires the agreement of the Schools Forum.
- 1.25 The Schools Forum is asked to approve the allocation of this funding. The Forum is also asked to approve the following proposed approach to the funding
- The funding will be capped at £1m and will be one-off for the financial year 22-23 only.
 - The payments should be based on an agreed proportion of the 2022/23 AWPU funding for schools for each eligible pupil, with the proportion being adjusted to ensure the total allocation is within the agreed £1m budget.
 - Funding is for all children of asylum seeker families living in the designated hotels and Hong Kong families who enrol in Barnet maintained primary and secondary schools and primary

and secondary Academies after the October 2021 school census date with payments being calculated pro-rata for the weeks they attend up to the end of July 2022.

- Detailed proposals should be developed by the council/BELS for consideration at a special meeting of the Schools Forum at the end of February 2022.
- The proposals, if agreed by the Schools Forum, will be recommended for approval by authorise the Executive Director, Children's Services, who will then approve the amounts to be paid to eligible schools.

Recommendations:

We are asking that Schools Forum

- i. Agree the proposed use of carried forward DSG balances as set out above, subject to consultation with Early Years providers in respect of the proposal for lump sum allocations to maintained nursery schools.
- ii. Agree the proposed approach to Early Years Funding as set out above, subject to consultation with Early Years providers on the proposed lump sum payments for Maintained Nursery Schools
- iii. Agree the proposed approach to funding new arrivals as set out above.