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Report title:	School Finances: Impact of COVID-19	
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1. Executive Summary

This report sets out the Local Authority's views to date of the impact that COVID-19 will have on school's finances gives detail of government action to date to support schools. The LA is also seeking a view on the funding of early years settings in the summer term.

2. Schools Forum Actions

The Schools Forum is asked for their views on

- 1) The options considered to fund early years settings for the Summer Term 2020 as detailed in paragraph 5.12 and 5.14
 - A) to use the higher of summer 2019 or spring term 2020 numbers
 - or
 - B) to use an average increase for all open settings
- 2) The impact on school finances due to lower than expected income from school services and facilities section 6

3. Overall funding for schools

- 3.1 The Department for Education (DfE) have published guidance for schools on funding whilst they are experiencing the impact of COVID-19 on the management and delivery of education.
- 3.2 Schools will continue to receive their core funding allocation, as determined by the Local Authority for maintained schools for the 2020 to 2021 financial year (April 2020 to March 2021). Academies and non-maintained special schools will continue to receive their core funding allocations through the general annual grant (GAG) until August 2021.
- 3.3 This will happen regardless of any periods of partial or complete closure and will ensure schools can continue to pay staff and meet other regular financial commitments during this time.
- 3.4 Local authorities will also continue to receive their high needs budget and should continue to pay top-up and other high needs funding to schools. This is to ensure that the

employment and payment of staff supporting schools with special educational needs and disabilities (SEND) can continue.

- 3.5 Where schools pay top-up or other funding for pupils attending alternative provision (AP), or pay for other SEND or AP services, these payments are expected to continue so that teachers and support staff can be paid in accordance with their existing employment contracts.
- 3.6 If placements and services for the summer term have not yet been agreed, schools should fund on the basis of previous patterns of placements and commissioning.
- 3.7 During this time, the DfE is expecting schools to continue to manage their budgets in the most effective way possible, and to redirect their existing resources to best support all their pupils, particularly vulnerable children and children of critical workers, in the current circumstances.

4. Exceptional costs associated with COVID-19 for the period March to July 2020

- 4.1 The DfE recognise that in some instances where schools have remained open, they may already have, or will over the coming weeks, face additional costs as a result of the coronavirus (COVID-19) outbreak. In some instances, schools may not be able to cover these costs from their existing resources.

- 4.2 The DfE have recognised the following areas where schools are likely to face additional costs as a result:

- 4.2.1 **increased premises related costs** (including utilities and resources needed to keep the school open, such as hygiene services) associated with keeping schools open during the Easter and/or summer half term holidays, for vulnerable children and the children of critical workers, over and above the costs that schools would have faced in other circumstances

- 4.2.2 **support for free school meals (FSM) for eligible children who are not attending school**, where those costs are not covered by the FSM national voucher scheme - this covers:

- costs to schools arising before the introduction of the national voucher scheme
 - costs where schools are providing free meals to children for whom the national voucher scheme is inappropriate (for example, because there are no participating supermarkets locally or schools are providing meals directly)

- 4.2.3 **additional cleaning** – required due to confirmed or suspected coronavirus (COVID-19) cases, in line with [COVID-19: cleaning of non-healthcare settings](#), over and above the cost of existing cleaning arrangements

- 4.3 If a school faces other, extraordinary costs to deliver appropriate support to their pupils through this period that are not covered by the list above and cannot be met by existing budgets, they should contact DfE.CoronavirusHelpline@education.gov.uk.

- 4.4 The DfE plan to publish further guidance in June with more details of the financial support offered through this process.
- 4.5 The funding will be available to schools that are unable to meet such additional costs from their existing resources, or which they could only meet by drawing down on reserves and undermining their long-term financial sustainability. The DfE are not expecting schools to make a claim against this funding if they are anticipating that they will be able to add to their reserves in the 2020-21 financial year.
- 4.6 There are cash limits on the level of funding a school can claim:

Size	£
250 pupils or fewer	25,000
251 to 500 pupils	30,000
501 to 1000 pupil	50,000
Over 1000 pupils £75,000	75,000
Special schools and alternative provision – regardless of size	50,000

- 4.7 Pupil numbers will be defined by the following data:
- 2 to 4 year olds – headcount of funded places from January 2020
 - 5 to 16 year olds – headcount from October 2019 census
 - 16 to 19 year olds – pupil numbers from 2019 to 2020 academic year allocations
- 4.8 There may be some exceptional instances where individual schools will face additional costs that are higher than these limits. In these circumstances, schools will be able to make a case for increasing the limit when they submit a claim for additional funding.

LINK:

<https://www.gov.uk/government/publications/coronavirus-covid-19-financial-support-for-schools/school-funding-exceptional-costs-associated-with-coronavirus-covid-19-for-the-period-march-to-july-2020>

5. Early Years

DFE guidance

- 5.1 To help reduce the burden on educational and care settings during COVID-19, the DfE have cancelled or paused all but the most essential data collections, services and requests from educational and care settings until the end of June 2020. This includes the School Census (summer 2020). Early Years providers are funded on this census and this is discussed further below.
- 5.2 Local authorities have the option to remove this early years funding (all in DSG) from early years settings that are closed during the coronavirus (COVID-19) outbreak. They then can then redistribute it to other early years providers in order to fund sufficient places for vulnerable children and children of critical workers, although the email below seems slightly wider in terms of sufficiency of places.

- 5.3 Under the guidance local authorities should consider very carefully the impact of removal on the longer-term sustainability of that setting and the local childcare market. In particular consideration needs to be given to whether any reduction in early years DSG would put at risk the ability of the setting to meet ongoing operational costs even whilst closed, for example, paying rent, and what impact the amount of DSG being removed would have on the number of staff the setting might need to furlough under the Coronavirus Job Retention Scheme.

Impact of the cancelling the Early Years census (summer census):

- 5.4 This census is used to fund private, voluntary and independent (PVI) settings as well as schools (mainstream and academy) for 2,3 and 4 year olds.
- 5.5 The figures from the summer term census tend to be higher than the spring term, if the spring term census was used as a basis for the calculation of summer term funding will be lower and would disadvantage settings. Offsetting this is some setting are closed and will have reduced costs. Private, Voluntary and Independent settings may be benefiting from the business rate relief scheme.
- 5.6 The Local Authority is funded for early years by the Department for Education through the Dedicated Schools Grant on the basis on the January numbers. The impact of calculating the census does not impact on the income coming into the DSG. The way the numbers work is while the summer term numbers are higher than the January numbers, the autumn term numbers are lower. The funding system assumes the differences even each other out. In practice this does not occur, which is why we have seen over the past few years an underspend on the early years funding block, although this was not the case in 2019-20.
- 5.7 For early years settings, either in the maintained or PVI sector, where funding for salary is from non-public funding, the early years settings can consider furloughing their staff during this time.
- 5.8 Where the local authority makes the decision to re-allocate public funding from one setting to another, consideration is to be given to whether staff can be furloughed, in the absence of any public funds.
- 5.9 There is a further issue of sufficient number of places in light of a number of private, voluntary and independent settings (PVI's) closing.

5.10 Funding Issues

- 5.10.1 Early years settings will already have made a judgement on the funding they would have received for the summer term, based on their own estimate of children they would have expected to have under normal circumstance and budgeted accordingly. It is not unusual for there to be a degree of uncertainty in this forecast as numbers are always adjusted to an actual basis at a later time.
- 5.10.2 The cash flow is not affected and settings will not be experiencing cash flow difficulties as all payments in their bank accounts are continuing in the expected and normal manner. The impact will be on the adjustments. For private, voluntary and independent settings

the summer term adjustment takes place in the second half of the term and for maintained schools at the end of the summer term.

5.10.3 An early decision on the numbers of children will give assurance to settings and allow them to manage the position, it is not essential to operation of the settings at the moment.

5.10.4 The current position is fluid and there was further guidance issued from central government on 11 May 2020 about when settings could potentially open over the summer term, we will have to wait and see how this happens in practice. There is a desire though to provide extra support and recognition of the extra costs to those settings that have stayed open.

5.11 Approaches

There are two main possibilities to fund settings and we would like to seek the Schools Forum's views on the approach to take with regard to funding early years provision for the summer term. It should be noted that as such funding comes from the Early Years Block it is the Local Authority's decision how to allocate that funding within the restrictions of the Early Years Single Funding Formula (EYSFF).

A) The higher of summer 2019 or spring term 2020

One approach is for settings to be funded for summer term 2020 on the basis of the summer term 2019 numbers, as the numbers of children attending are usually highest in this term. However, there may be some settings who have built up their numbers over last year so to allow for that we would need to build in a minimum funding guarantee of the numbers in the spring term 2020. Therefore, funding for the summer term 2020 would be calculated for each setting based on the numbers attending in summer 2019 BUT where this amount is less than for Spring Term 2020, they would be funded at the higher rate (Spring Term 2020).

B) Average increase to open settings only

As an alternative, the spring term numbers could be taken, as these are the most up to date numbers, but increased in line with the average increase in hours for the previous years census (i.e. January 2019 to summer 2019). This increase can only be applied to those setting where they have remained open as an incentive.

5.12 Funding Models

Under option A there is an increase in payments to settings of £390k when compared to the summer 2019 payments, under Option B a reduction of £539k. This is detailed in the table below

				OPTION A	OPTION B
2, 3 and 4 year olds (Hourly Funding Only - Excludes Deprivation)		Summer 2019 Funding	Summer 2020 Based On Spring 2020	Summer 2020 Based On Highest Of Spring 2020 Or Summer 2019	Summer 2020 Based On Spring 2020 Unless Open, In Which Case Bonus Of 15%
PVI's & Academies		4,717,705	4,129,925	5,020,000	4,314,073
Schools		3,733,866	3,297,638	3,822,417	3,598,303
Total		8,451,571	7,427,563	8,842,417	7,912,376
Comparison To Summer 2019			- 1,024,008	390,846	- 539,195

The calculation of the increase in children of 15% is shown in Appendix A, this is an average across all settings. In PVI's the increase is 22%, while in maintained schools it is 7%.

Drilling into the detail of option B, individual settings that would win or lose compared with the Summer term 2019 is as follows:

Setting Level Impact Of 15% Opening Bonus Option*											
		Open Schools	Closed Schools	Open PVI/Acad**	Closed PVI/Acad**			Open Schools	Closed Schools	Open PVI/Acad**	Closed PVI/Acad**
Over £30k Loss		1	1	0	2		Over 50% Loss	1	0	2	2
£20-29k Loss		2	2	1	2		20-49 % Loss	5	6	8	19
£10-19k Loss		6	2	4	13		0-20% Loss	8	7	3	30
Up to £10k Loss		5	8	8	34		0-20% Gain	14	6	6	16
Up to £10k Gain		11	6	8	22		20-49 % Gain	4	0	4	6
£10-20k Gain		9	1	2	4		Over 50% Gain	2	1	1	6
Over £20k Loss		0	0	1	2						
Losers		14	13	13	51						
Gainners		20	7	11	28						

The position for Option A is that a setting will at least have the same funding as summer 2019, no setting loses in the comparison but of course there is the cost as detailed above of £390k.

5.13 Impact on funding received

While Southwark is funded on January numbers and not impacted by the cancellation of the summer term census numbers, there is an impact if we fund settings on the summer 2019 numbers. Funding for the summer term came from the January 2019 census. The

number in early years is declining and the funding for the summer term 2020 will come from the January 2020 return.

The reduction in funding for the summer term is estimated to be £140k, although we wait for confirmation of this and this is likely to be in July.

5.14 Disadvantages and Advantages of the two options

OPTION A) The higher of summer 2019 or spring term 2020

Advantages:

- No setting loses funding
- Aligns more to expected summer term numbers for each individual setting
- Takes account of settings that have worked to increase their numbers since last summer

Disadvantages:

- There is a cost which would need to be funded, and might require a standard adjustment to future funding rate.
- It does not provide an incentive to open settings
- Settings whose numbers have fallen since last summer would be funded for empty places

OPTION B) Average Increase to open settings only

Advantages:

- Uses the most recent termly data
- Reflects the additional costs that open settings may have incurred relative to closed settings

Disadvantages:

- PVI's are disadvantaged as they have larger increase in children when compared to Primary schools
- On inspection, financially challenged schools tend to be worse off. It seems that schools within geographical areas where pupils remained high have fuller nursery classes in the spring term and limited growth in the summer. Ironically most growth occurs in those geographical areas where pupil numbers are difficult as there are more surplus places.
- Open settings may be receiving more funding than if they had remained closed, but 27 of them would still be receiving less than last summer.
- Settings which have remained closed may find this option more financially difficult as their funding will be lower than expected.
- There is a wide variation of increases from the spring to summer term when we analyse the data by individual setting. Amongst schools, one setting had summer numbers higher than spring numbers by 136% whilst another dropped by 36%

Whatever method is adopted there will be some settings which will not fit into the standard patterns, some settings will be expanding, some reducing in size through decisions not related to COVID19, these situations can only be picked up on a case by case base.

5.15 Additional Private, Voluntary and Independent setting issues

- 5.15.1 For early years settings, either in the maintained or PVI sector, where funding for salaries is from non-public funding, the early years settings can consider furloughing their staff during this time.
- 5.15.2 A local authority can make the decision to re-allocate public funding from one setting to another, with consideration required as to whether staff can be furloughed in the absence of any public funds.
- 5.15.3 Allocation additional funds to a setting may have an impact on the amount of funding it can claim for furloughed staff.
- 5.15.4 There is also a further issue of maintaining a sufficient number of places for key worker children and vulnerable pupils in light of a number of private, voluntary and independent settings (PVI's) temporarily closing.
- 5.15.5 The local authority is working with settings on the additional challenges faced as a result of remaining open. Even if a setting is closed at the moment, it may well open later this term. Making it difficult at this point in time to consider the impact of taking away funding from closed settings to be able to support funding for open settings and whether this would be a partial removal of funds.

6. Income from school services and facilities

- 6.1 This income covers after school clubs, breakfast clubs, lettings and income from child care. The total income across Southwark maintained schools is £5.2m or on average £68k per school. This is based on data from the schools closing returns. There may be some issues with coding within the accounts but the above figure does give a broad idea of the income received by schools.
- 6.2 The range of income each school receives starts at £3k and the highest amount is just over £500k. The latter school is in a federation and part of the income is for the recharge of staff to the other school in the federation. There are 13 schools with an income of over £100k. We have contacted those schools to further understand their income.
- 6.3 Potentially schools could furlough staff if they are funded from non-public funds such as this, further details of this can be found in Appendix B.
- 6.4 We will be in contact with a number of schools over the coming weeks to try and understand the income levels better and the corresponding impact on expenditure. We expect some costs will decline, such as food costs for breakfast and after schools clubs while some costs relating to opening premises will also reduce. This will form part of the discussions that take place with schools

7 Catering

- 7.1 Schools will continue to receive all their usual funding and should meet the costs of meals, vouchers and food parcels from their own budget and making use of "Edenred".

- 7.2 The DfE has said that schools will be able to apply for voucher costs for the period before Edenred. It may be possible to cover the period whilst the account is being set up too. No details of how to claim this have been published yet.
- 7.3 Schools have individual catering arrangements, either with an external contractor or through operating their own in-house service. For those with an external contractor, individual negotiations will be needed with the contractor and the outcome will depend on the contract in place.
- 7.4 Schools should of course ensure they can identify all COVID-19 related costs for future reference with discussions on the extra costs, particularly for the schools operating as hubs and offering non-term time provision.

8 Staffing: reorganisations and TUPE transfers – delayed as a result of COVID-19

- 8.1 Three schools are in the process of finalising their restructures that commenced prior to the COVID-19 lockdown. One additional school has delayed the restructure process that was due to conclude before Easter.
- 8.2 There are at least 16 schools who have been planning changes in their staffing for the rest of this academic year – at least 10 are possible considerations for outsourcing services, mainly on financial grounds, but also efficiency.
- 8.3 Irrespective of the current COVID-19 situation, some schools are under financial pressure and there is a need to proceed with the process. At least two schools are about to start the restructuring process this term, on financial grounds.
- 8.4 It is difficult to estimate the exact costs of those delayed restructures, as this will dependent on when schools commence the process and this may not be until schools are re-opened.
- 8.5 During this time, it is anticipated that through natural turnover (e.g. resignations or retirements), staff may leave and this may impact on the action a school takes to address any financial challenges through restructuring. This will be on a school by school basis.
- 8.6 In order to determine the scale, if we look at the schools' closing returns we know the cost base is too high. If we take the schools who are in deficit and add to that those schools who ran an in-year deficit in 2019/20 and if they did so again this year and there was not enough funding in the reserve to cover the shortfall, the total amount that schools expenditure would need to be reduced by is £6m. A good proportion of this is due to falling rolls. Usually in terms of a recovery plan the deficit is recovered over a longer period generally 3 to 5 years, which equates to roughly 1.2m per year or £100k per month.
- 8.7 School budgets for 2020-21 are due to be submitted by the 31 May 2020. Schools Finance is also liaising with Schools HR on the more detailed aspects of possible restructures or TUPE transfers to understand the position better. The LA will update Schools Forum in July 2020.

9 Agency Staff

The spend on agency staff across Southwark's maintained schools is £6m

- 9.1 The Public Procurement Note 02/20 – Supplier Relief due to COVID-19 confirmed that contracting authorities would act to support critical suppliers 'at risk' due to coronavirus (COVID-19) on a continuity and retention basis so they are better able to cope with current challenges and to resume normal service delivery and fulfil their contractual obligations when the outbreak is over.
- 9.2 Contracting authorities will need to ensure that spending is regular, proper and value for money and conduct appropriate and proportionate due diligence to ensure any relief is necessary for the continuity of supply of a critical service.
- 9.3 Where there is a contract pre-agreed prior to the current situation, schools need to renegotiate with contractors where possible but have regard to those contracts with suppliers, e.g. suppliers offering catering and cleaning services.
- 9.4 As part of the guidance schools should also honour contracts made with recruitment agencies for the supply of agency workers for an agreed period of time. This would be the case for supply teachers who have been taken on for example until July.
- 9.5 In all instances where the agency worker has been taken on an ad hoc basis and there is no pre-existing arrangement in place, the school and the recruitment agency should have a discussion about the arrangement. Where there is no work available for the agency worker, the recruitment agency as the employer should consider furloughing staff.

<https://www.gov.uk/government/publications/procurement-policy-note-0220-supplier-relief-due-to-covid-19>

10 Top up funding for SEND children

This will continue as normal over the summer

11 Laptops for Disadvantaged Children.

- 11.1 Under a DfE backed scheme disadvantaged children will be given free laptops and tablets in a bid to make remote learning easier during the coronavirus lockdown.
- 11.2 Devices will be ordered for the following groups of children:
 - disadvantaged children in Year 10;
 - those who receive support from a social worker;
 - care leavers.

This is being co-ordinated through out Family Early Help Service.

12 Other expenditure

A - School Service level agreements

- 12.1 The income Southwark receives from trading with schools via Service Level agreements is £1.5m in a full year.

Staff are employed on a permanent basis for these services and are still in post and some services are being delivered in line with their service level agreement, although most services have also adapted their offer during this time to meet schools' needs.

- 12.2 The LA will be discussing the impact with each service manager and looking at different ways of raising income by providing different services. At the moment while consideration is being given to discounts it is likely the full impact will not be known until the end of the year and it is likely any reduction in costs will be adjusted against future service level agreements.

B - Professional bought in services – external services

- 12.3 The current spend of this is just over £10m and we expect schools will be reviewing non – essential elements of these services under Procurement Policy Notice - 02/20 Supplier Relief due to COVID19 to ensure they receive value for money.

Where a school has entered into a contractual arrangement with a service, schools are required to honour the contract in line with PPN-02/20.

C - Resources

- 12.4 It is expected that some disposable resources will not be needed whilst there will be some other additional requirements (e.g. hand sanitiser). It is anticipated that any additional resources costs will be offset by resources savings.

D- School Residential Trips

- 12.5 The total income received last year was £700k - whilst schools will not be receiving this, it may not be possible to reduce related expenditure if bookings have already been placed.
- 12.6 Some schools may not be collecting income and paying the full costs of the trips from their school budget. This cannot be identified from the records schools submitted to the local authority. It is also uncertain whether there is appropriate insurance in place to cover the cost.

13 Support for schools

- 13.1 The DfE has outlined the support available to schools during this time as detailed in paragraph 4.6 of this report. The Local Authority are working with schools on meals funding and guidance has previously been provided. While the Government has made funding/support announcements these have been sporadic and reactive, it is uncertain what the total quantum of support will be yet. With this in mind, it is important for schools to keep good financial and non-financial records of costs.

Schools Forum
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Appendix A

Numbers of hours funding in early years settings

Hours Data

PVI settings (including Academy schools)

	Spring 2019	Summer 2019	% change
2 year olds	574	589	2.6%
3 & 4 year olds (universal)	2,209	2,761	25.0%
3 & 4 year olds (extended hours)	621	806	29.8%
Total	3,404	4,156	22.1%

Maintained schools

	Spring 2019	Summer 2019	% change
2 year olds	297	253	-14.8%
3 & 4 year olds (universal)	2,213	2,366	6.9%
3 & 4 year olds (extended hours)	493	586	18.9%
Total	3,003	3,205	6.7%

Combined settings

	Spring 2019	Summer 2019	% change
2 year olds	871	842	-3.3%
3 & 4 year olds (universal)	4,422	5,127	15.9%
3 & 4 year olds (extended hours)	1,114	1,392	25.0%
Total	6,407	7,361	14.9%

**Schools Forum Item 9 Appendix B
Coronavirus Job Retention Scheme (CJRS) (“Furlough”)**

- 1 The Coronavirus Job Retention Scheme is a scheme under which the Government will award grants to employers, covering a significant proportion of the wage costs of those employees or contingent workers **who are not working as a result of the coronavirus outbreak.** (The scheme is likely to be in place until the end of June 2020.)
- 2 In the first instance, schools will need to first consider how they would be able to redeploy their existing workforce to help support the COVID-19 response.
- 3 While some staff will still need to attend schools, in many cases employers will have no option other than to accept that some employees can neither work at home nor be redeployed / seconded etc. if they are not eligible to be furloughed. They will therefore be staying at home on full pay for the duration of this emergency.

Schools that are in receipt of some public funding should only furlough employees, and therefore seek support through the CJRS, if they meet the following conditions:

- 1 the employee works in an area of business where services are temporarily not required and where their salary is not covered by public funding
 - 2 the employee would otherwise be made redundant or laid off
 - 3 the employee is not involved in delivering provision that has already been funded (where appropriate)
 - 4 the employee is not required to deliver provision for a child of critical worker and/or vulnerable child
 - 5 the grant from the Coronavirus Job Retention Scheme would not lead to financial reserves being created
- 4 In addition, schools need to have been operating a PAYE scheme that was registered on HMRC's real time information (RTI) system on 19 March 2020.
 - 5 To apply: the school needs to apply online and can sign in to the online portal through which applications are made using its Government Gateway ID. Payments will be backdated to 1 March 2020 where applicable.

The period of furlough has to be at least three weeks for the employer to obtain a grant from HMRC to reimburse 80% of the wage costs of that employee, to a maximum of £2,500 per month. In addition, the employer can claim the associated employer national insurance contributions and minimum automatic enrolment employer pension contributions due on that subsidised wage. All the money paid to the employer under the scheme must be used to reimburse the wage costs of that particular employee.

The Government expects that the scheme will not be used by many public sector organisations, as most public sector employees are continuing to provide essential public services or contribute to the response to the coronavirus (COVID-19) outbreak. Where employers receive public funding for staff costs, and that funding is continuing, the Government also expects employers to use that money to continue to pay staff in the usual fashion – and correspondingly not furlough them. This also applies to non-public sector employers who receive public funding for staff costs.
<https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme>