

SCHOOLS FORUM AGENDA ITEM

For Action

For Information



Brief Description of Item (including the purpose / reason for presenting this for consideration by the Forum)

This report updates Members on the forecasted spending positions of each of the DSG Blocks in 2019/20. This document gives Members a view of the estimated values of balances to be carried forward into 2020/21 and a view of the uses of these balances.

Date (s) of any Previous Discussion at the Forum

The allocation / retention of balances estimated to be carried forward into 2019/20 was agreed by the Schools Forum as part of its recommendations on the allocation of the DSG that were made on 9 January 2019. Final confirmation of balances brought forward from 2018/19 was presented on 18 September 2019.

Background / Context

The Local Authority presents to the Schools Forum annually in January the planned DSG budget for the coming financial year. This planned budget is constructed on known factors, and known data, but also using a number of estimates that firm up during the year. The forecast of balances to be carried forward at the end of each financial year, which are normally presented annually to the Forum in December, are based on estimates using data collected in October and November.

After the planned DSG budget is agreed by the Forum annually in January, and by Council annually in February, the Schools and the Central Schools Services Blocks have a relatively small number of 'moving parts'. The Early Years and High Needs Blocks however, are subject to a significant amount of movement during the year. This is especially currently so due to the volume of structural financial change being delivered within the High Needs Block. A normal part of the annual DSG management process is the reconciliation of planned vs. actual spending and estimated vs. actual carry forward balances. The Authority, with the Schools Forum, has always taken a prudent approach in its budgeting, seeking to ensure that the DSG does not have the additional burden of needing to compensate for a net deficit resulting from an under-estimation of expenditure in the previous year. The Authority, with the Schools Forum, has also always sought to hold a reasonable value of un-committed 'resilience' reserve.

Surplus balances brought forward are available to be spent on a one off basis only. When previously considering such balances, the Forum has sought to avoid allocating these in support of on-going expenditure pressures. The Forum has already committed a value of the balances that are presented in this report.

In closing the 2017/18 financial year, we began to separate balances according the four block DSG structure. DSG balances can be used across all blocks. In practical terms however, under National Funding Formula, it is now useful for the DSG's balances to be presented on a block-specific basis. This was also specifically necessary following our establishment at April 2017 of the principle of ring-fencing of the Early Years Block. The starting assumption is that the balance attributed to each block is spent on pressures within that block, unless a specific decision is taken to transfer balances between blocks. To stress, the DSG Regulations permit balances to be used across all the blocks. What we have established is a locally determined informal block ring-fencing policy.

Balances held over financial year end within de-delegated funds in the Schools and Early Years Blocks are 'ring-fenced' to maintained schools. This is because only maintained schools contribute to these funds. Surplus balances in the funds carried forward can be released back to maintained schools through adjustments to the values of the contributions for access to de-delegated funds taken in the new year. The Growth Fund and Falling Rolls Funds are also treated as ring-fenced funds within the Schools Block. It is our current practice to carry forward any un-spent Growth Fund balance to be retained to be used for this purpose rather than this being recycled generally back into the Schools Block.

The DSG Regulations place some restrictions on the way that DSG year-end balances can be managed:

- The Schools Forum is required to approve the write off of a deficit brought forward where this reduces the amount of Schools Budget in the new year i.e. the brought forward is a net deficit.
- The Schools Forum is required to approve the write off of a net deficit brought forward within de-delegated funds from the Schools Budget where this is not met by an increasing de-delegation contribution values in the new year.
- The balances held within the Growth Fund and the Falling Rolls Fund, and in de-delegated funds, should specifically be presented to the Schools Forum.

Background / Context

The DfE, through the DSG's Conditions of Grant, also now requires local authorities that have an overall cumulative DSG deficit of 1% or more at the end of the financial year to submit a report to the ESFA on how this deficit will be recovered. We have previously reported that the DfE has introduced this in the light of the growing number of local authorities setting deficit DSG accounts, largely due to over-spending within their High Needs Blocks. 1% of our DSG is roughly £5m. We do not forecast that we will hold a cumulative deficit DSG account at the end of 2019/20 nor at the end of 2020/21.

The DfE has recently consulted on amending the DSG's Conditions of Grant to require local authorities to gain the permission of the Secretary of State where they intend to use non-DSG funds e.g. Council base budget to support DSG expenditure, including explicitly where this is to cover a deficit in the DSG account. This proposal we believe has been put forward in response to pressure that has been applied from local government bodies seeking to protect Council budgets from DSG deficits. The inference in this change is that the default position going forward will be that DSG pressures must be met within the DSG account.

Details of the Item for Consideration

2019/20 Overall Forecasted Spending Position

Appendix 1 provides a detailed spending forecast as well as an updated view of the values of balances that are estimated to be held at the end of the 2019/20 financial year. These figures exclude balances held by individual maintained schools.

The table below summarises the estimated position and gives a comparison against what balances were estimated would be held at the end of 2019/20 in the planned budget presented to the Schools Forum in January 2019. (£m)

	Schools Block	High Needs Block	Early Years Block	Central Schools Services Block	Total
Planned Budget Estimate of 31/3/20 Balances	+£4.68	+£3.60	+£2.99	£0.00	+£11.27
Additional Balances Brought Forward 18/19 *	+£0.75	+£1.02	+£0.28	£0.00	+£2.05
Under-Spend vs. 19/20 Planned Budget	+£0.20	+£6.48	+£1.06	£0.00	+£7.74
Updated Estimate of Balances at 31/3/20 **	+£5.63	+£11.10	+£4.33	£0.00	+£21.06

* Presented to the Schools Forum on 18 September 2019

** £21.06m is 3.7% of the 2020/21 DSG allocation (£7.74m is 1.4% of the 2019/20 planned budget)

Please note that the £21.06m figure is estimated at this stage. The reconciliation of funds will take place in April / May 2020 within the Council's year end closedown process. The confirmed values of balances carried forward into 2020/21 will be presented to the Schools Forum in July 2020 and then again in September 2020 (taking account of the final determination of Early Years Block income).

2019/20 Schools Block

We currently estimate that the Schools Block will under-spend by £0.2m (0.05%) vs. the planned budget figure. The main reason for this is a £0.17m saving in business rates as a result of x2 academy conversions during 2019 (typically business rates costs reduce to 20% of the maintained school value on conversion). Any further conversions up to 31 March 2020 will increase this saving. We estimate there will be small under-spends in the Growth Fund and in de-delegated funds, where the balances are ring-fenced. We currently assume that the £0.25m Primary Phase Falling Rolls Fund will be fully spent. Allocations are expected to be presented to the Schools Forum in March.

2019/20 Early Years Block

We currently forecast that the Early Years Block will under-spend by £1.06m (2.4%) vs. the planned budget figure. The main reason for this is the forecasted under-spend of £0.8m on Early Years SEND Inclusion Fund (EYIF). Members will recall that we introduced during 2019 a new holistic EYIF approach. This was introduced initially in pilot and then fully from 1 September. The 2019/20 planned budget was calculated on estimates of the additional volume of applications that would come through the new system when this is extended to incorporate all providers, including schools. It is now recognised that the planned budget set at £1.5m was over-estimated for the first year of operation. This has been reduced to £1.15m in 2020/21. However, the value of the budget on an on-going basis needs to be monitored closely, as we do not yet have a full year dataset and we expect the volume of EYIF allocations to increase as the new system embeds.

The £0.25m forecasted under-spending on 2, 3 and 4 year old EYSFF allocations is calculated on estimates of spring term delivery numbers and is subject to confirmation following the January 2020 Census.

Details of the Item for Consideration

2019/20 High Needs Block

We currently forecast that the High Needs Block will under-spend by £6.48m (8.8%) vs. the planned budget figure. Members will identify from Appendix 1 that there are estimated to be a number of movements and savings against the planned budget, as summarised in the bullet points below.

Members are asked to note that the figures in Appendix 1 for the High Needs Block are based on estimates of anticipated spend between January and March 2020. There is a significant amount of structural financial change taking place currently, including the creation of specialist places, the re-structuring of the PRUs and the establishment of Authority-led resourced provision, alongside the Authority's processes for the completion of outstanding EHCP assessments. These combine to mean that it is challenging to forecast with certainty what the profile of spend will be for the rest of the financial year. In particular, spending on mainstream EHCPs, places in special schools and resourced provisions and on out of authority / independent placements is a little uncertain. This uncertainty knocks into the setting of the planned budget for 2020/21, where the spending base at the end of the 2019/20 financial year would normally be used as a starting point to estimate the budget required going forward.

- There is movement of budget from delegated Education in Hospital provision to the new centrally managed Education in Hospital and Medical Home Tuition Service, which was established at September 2019. It is estimated however, for 2019/20, that these movements are cost neutral.
- A net saving of £0.64m is estimated from the continued re-alignment of responsibility between the High Needs Block and schools for the funding of alternative provision that is commissioned by schools. The planned budget for 2019/20 was set on a cautious basis, which included safety net. It is estimated that there will be a net £0.64m under-spend against the combined budgets set for the Primary Behaviour Centres, District PRU, junction and for placement with independent alternative providers.
- The 2019/20 planned budget included £4.53m for the creation of 354 additional specialist places. An update on the delivery of these places was presented to the Forum on 16 October (a summary table was presented, which stated that 228 of the 354 places were being funded at that time, and it was confirmed that these places are on track to be delivered and exceeded going forward, with a number of new places coming online between January and April). There have been some issues with regard to capital building works, which have delayed places in some circumstances. These issues are being worked through. It is estimated that £2.71m of the £4.53m budget will be spent up to 31 March 2020. This means that £1.82m of the initial budget provision is estimated to be carried forward into 2020/21.
- A £1.24m under-spend in total is estimated on EHCP top-up funding as a result of fluctuation in occupancy of existing places – existing prior to the 354 - in specialist and FE settings. The breakdown of this is as follows: £0.33m resourced provisions; £0.12m early years enhanced provisions; £0.56m special schools and special school academies; £0.23m FE sector. The planned top-up budget for existing places, with the agreement of the Schools Forum, is normally calculated to assume full occupancy all year. Occupancy does fluctuate and there have been some settings with lower occupancy for periods of time during 2019. However, it is difficult to quantify what the extent of fluctuation will be and we have previously viewed it to be prudent to assume that this will not have a significant cost impact. It is also now the case, looking from September 2019 in the special school sector especially, that existing places are now mostly occupied.
- Forum Members will recall, in setting the 2019/20 planned budget, that there were many uncertainties, and it was agreed that it would be prudent to hold 'safety net' provision so that, if unexpected costs or higher than expected on-going costs were incurred, or planned changes were not delivered according to the estimated timescales, budget would be available. The Authority was also in discussion at that time with the District Achievement Partnership about the special school funding model and the pressures that special school budgets faced. These matters were being considered at a time, prior to the autumn 2019 announcement of the significant uplift to our High Needs Block funding in 2020/21, when the trajectory for our High Needs Block was very uncertain but suggested a significant deficit budget going forward. We held a number of smaller safety nets within the planned budget, but the larger ones were £0.50m for special schools and £0.45m for FE Colleges, totalling £0.95m. This £0.95m is now not expected to be needed and is estimated to be carried forward into 2020/21. Members will see in the calculations for the 2020/21 planned budget that all safety net provision of this kind has been removed, with the expectation that balances brought forward in the High Needs Block will be used to meet any unexpected costs.
- The Authority has discussed previously with the Schools Forum the current processes for the completion of outstanding EHCP assessments. In setting the 2019/20 planned budget, we assumed an acceleration of growth in the cost of EHCPs in mainstream settings. Whilst there has been growth, the month on month increase in cost during 2019/20 has been lower than estimated. As a result, it is currently estimated that the mainstream EHCP budget will under-spend by £0.86m. The growth in cost will continue to be closely monitored as remaining outstanding EHCPs are progressed. There is likely to be further permanent change in the cost base that will need to be built into future budget projections.

Details of the Item for Consideration

- We currently estimate that the actual spend on out of authority and independent placements will be £1.19m lower than estimated in the planned budget. This is moveable estimate however, and is based on assumptions about new placements in the spring term as well as the apportionment of the cost of placements between education, health and social care. The apportionment of placement costs is currently an area of review and this review could result in changes to the net cost to the High Needs Block both in 2019/20 and on-going.

2019/20 Central Schools Services Block

We currently forecast that there will not be a carry forward balance within the Central Schools Services Block. Services costs are expected to be on budget. A reconciliation of this position will take place in April / May 2020 within the Council's year end closedown process.

Use / Retention of Balances Brought Forward From 2019/20

Appendix 2:

- a) Shows the values of balances that are estimated to be carried into 2020/21 that are already committed as a result of previous decisions, and
- b) Puts forward proposals for the use and / or retention of these balances. The Forum will be asked to make recommendations on this under agenda item 12.

Schools Block (£5.63m)

- A balance of £1.25m in de-delegated funds is estimated to be retained across the financial year end. A breakdown of this balance is provided in the separate report (Document LI Appendix 2). The Authority proposes to release an amount of this balance (£0.3m) to support a reduction in the cost of contribution to the maternity / paternity insurance scheme in 2020/21. The balance will also be used to support any further costs arising from new deficits held by sponsored primary academy converters, as the Authority proposes that no value of budget is de-delegated for this purpose in 2020/21. The rest of the balance is ring-fenced and is proposed to be retained.
- £1.64m of balance relating to the Growth Fund. £0.43m (estimated) of this is to be allocated to Beckfoot Upper Heaton Academy in 2020/21 via the model agreed with the Schools Forum. The remaining balance of £1.21m is proposed to be retained for Growth Fund purposes, including an identified sum of £0.78m, which has been set aside to meet the final year's cost of support for Beckfoot Upper Heaton Academy in 2021/22.
- £0.65m previously set aside by the Schools Forum to support the cost of the deficit of a secondary school. The £0.65m is expected to be retained for this purpose.
- A balance of £2.09m reserve, currently estimated, which includes provision for the confidential item discussed by the Schools Forum in May 2016. £2.09m is 0.4% of the Schools Block.

Early Years Block (£4.33m)

- A balance of £0.07m in de-delegated funds is estimated to be retained across the financial year end. The balance is ring-fenced and is proposed to be retained.
- A sum of £0.49m, currently estimated, to be used to deliver an uplifted 3 & 4 year old setting base rate through the 2020/21 EYSFF as proposed within the Authority's consultation - to uplift the base rate by £0.08 per hour - and to uplift the 2 year old funding rate also by £0.08 per hour. Please note that the actual cost to one off monies will be influenced by the actual number of hours delivered during 2020/21. To emphasise, our setting base rates for providers are in line with national median averages.
- The remaining sum of £3.77m (8.6% of the Early Years Block), currently estimated, is proposed to be held to be available to support spending and the protection of funding rates in the Early Years Block after March 2021.

High Needs Block (£11.10m)

As stated earlier in this report, Forum Members will see in the calculations for the 2020/21 planned budget that all safety net provision has been removed, with the expectation that balances brought forward in the High Needs Block will be used to meet unexpected or higher than estimated costs. There is a significant amount of continuing structural change taking place within Bradford's high needs provision, as well as continuing

Details of the Item for Consideration

uncertainty in the national funding picture, and in other factors, that are very likely to alter our cost base going forward. These include the further creation of specialist places, the clearance of EHCP assessments, the introduction of a new EHCP banded model and the review of the apportionment of placement costs. A number of estimates are used within the 2020/21 planned budget. The £11.10m itself is significantly estimated.

We do not propose to allocate any proportion of the £11.10m in 2020/21 at the planned budget stage. Surplus balances brought forward are available to be spent on a one off basis only. When previously considering such balances, the Forum has sought to avoid allocating these in support of on-going expenditure pressures.

The first call on the £11.10m will be meeting the cost of change as well as supporting any unexpected costs that may arise across 2019 and 2020.

The £11.10m will also then support the avoidance of cumulative deficit in the High Needs Block over the medium term. Although this cannot be guaranteed, it may also mean that we will not need to enact further transfer of budget from the Schools Block over this period. The indicative trajectory (Document LG Appendix 2) however, does suggest that the High Needs Block will continue to face financial pressure going forward, with the £11.10m supporting financial resilience.

Implications for the Dedicated Schools Grant (DSG) (if any)

These balances must be spent on DSG functions and in accordance with the Regulations.

Recommendations

The Forum is asked to note the information provided. This will inform decisions and recommendations to be taken under agenda item 12.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – 2019/20 DSG Spending Forecast Report

Appendix 2 – Statement of uses & retention of balances forecasted to be carried forward into 2020/21

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