

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 2020/21. This document gives Members a view of the estimated values of balances to be carried forward into 2021/22 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 2020/21 was agreed by the Schools Forum as part of its recommendations on the allocation of the DSG that were made on 8 January 2020. Final confirmation of balances brought forward from 2019/20 was presented on 16 September 2020.

Background / Context

The Local Authority finalises its forecast of the DSG planned budget for the following financial year for presentation to the School Forum's January meeting. This planned budget is constructed on known factors and known data, but also incorporates a number of estimates, especially of expenditure, that firm up during the year. The balances to be carried forward at the end of each financial year, which are initially presented to the Forum in December, are based on estimates pulled together at the end of November.

After our DSG planned budget is agreed by the Forum in January, and by Council 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. 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 forecasting, seeking to ensure that the DSG does not have the additional burden of needing to compensate for a deficit resulting from an over-estimation of income or 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 so that unexpected or higher than expected costs can be managed.

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 transferred between years 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 carried forward can be released back to maintained schools through adjustments to the values of the contributions taken for access to de-delegated funds in the next financial year. The DSG Regulations still require Forum approval for the writing off of any deficits related to de-delegated funds from the Schools Budget. To date we have not ever asked the Forum to do this.

The Growth Fund and Falling Rolls Fund are treated as ring-fenced funds within the Schools Block. It is our current practice to carry forward any unspent balances to be retained to be used for their purposes rather than this being recycled generally back into the Schools Block. The DSG Regulations require that the balances held within the Growth Fund and the Falling Rolls Fund, and in de-delegated funds, are specifically presented to the Schools Forum. The Disability Access Fund (DAF) monies within the Early Years Block are also expected by the DfE to be earmarked for this purpose only and identified separately.

The DfE has changed, within the February 2020 Finance Regulations, the provisions that relate to the addition of non-DSG income into the Schools Budget and to the treatment of DSG account deficits, with the affect that:

Background / Context

- The Authority is not longer required to obtain the permission of the Schools Forum to carry forward or write off deficits within the DSG. Authorities are now required either to carry forward any cumulative deficit in their Schools Budget to set against DSG in the next funding period (Y+1); or to carry forward some or all of the deficit to the funding period after that (Y+2), in order to determine how much resource is available to be spent during the funding period (Y+1).
- Authorities must receive permission from the Secretary of State to add non-DSG income into the Schools Budget, either for the purposes of contributing to a deficit or to support (match fund) activities funded by the DSG.

So the statutory basis is now that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises a local authority not to do this, and that authorities are not permitted to fund any part of the deficit from sources other than the DSG (and any specific grants whose conditions allow them to be applied to the schools budget) without the authorisation of the Secretary of State. Bradford's DSG account is not in deficit at the end of 2020/21 and there are no additional contributions from non-DSG income sources into the Schools Budget in 2020/21 or proposed for 2021/22.

The DfE, through the DSG's Conditions of Grant, 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 £6m.

The DfE also now expects all local authorities to regularly present to their School Forums a DSG Management Plan, which sets out the expected future year DSG position and explains the pressures on spending and mitigating actions that are to be taken, especially with reference to high needs provision. We expect to present an outline draft DSG Management Plan to the Forum on 13 January.

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2020/21 Forecasted DSG Spending Position vs. Planned Budget

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 2020/21 DSG financial year. These figures exclude balances held by individual maintained schools. The table below summarises the estimated positions by block and gives a comparison against what balances were estimated would be held at the end of 2020/21 in the planned budget presented to the Schools Forum in January 2020. (£m)

	Schools Block	High Needs Block	Early Years Block	Central Schools Services Block	Total
Planned Budget Estimate of 31/3/21 Balances	+£5.746	+£11.098	+£3.841	£0.000	+£20.685
Additional Balances Brought Forward 19/20 *	+£0.434	-£0.538	+£0.272	£0.000	+£0.168
Variance from 20/21 Planned Budget	+£0.370	+£4.708	-£0.267	£0.000	+£4.811
Revised Estimate of Balances at 31/3/21 **	+£6.550	+£15.268	+£3.846	£0.000	+£25.664

* Presented to the Schools Forum on 16 September 2020

** £25.664m is 4.1% of the 2021/22 DSG allocation (£4.811m is 0.9% of the 2020/21 planned budget)

Please note that the £25.664m figure is estimated. In particular, it does not yet include any cost that might come from protected spring term 2021 Early Years Single Funding Formula arrangements, which may reduce the balance to be carried forward in the Early Years Block. The estimate also make a series assumptions about high needs provision costs. An updated estimate will be presented on 13 January. The reconciliation of funds, which takes place as part of the Authority's year end closedown process and which will be presented to the Forum in July 2021, will confirm the values of balances that have been carried forward at 31 March 2021.

We currently forecast that the **Schools Block** will under spend in total by £0.370m (0.06%) vs. the planned budget, for the following main reasons:

- £250,000 estimated under spend in the Falling Rolls Fund. We do expect to agree allocations from this fund with the Schools Forum in March 2021. However, we have shown the Fund as unspent at this time so that the Forum can clearly see that two years' of budget provision totalling £500,000 is now available. This helps to explain the rationale for proposing that we 'pause' taking new budget provision from the 2021/22 Schools Block.
- £169,000 under spend in the Growth Fund, after the planned use of balance for the Beckfoot Upper Heaton Academy support is deducted. Please see Document MF for more detailed information.

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- £128,000 estimated saving in business rates as a result of academy conversions during 2020. This figure is likely to increase as further conversions are planned before the end of 2020/21 DSG financial year.
- £184,000 estimated net total over spending within de-delegated funds, which is primarily the result of the deliberate use of balance brought forward from 2019/20 to support the cost of the primary phase maternity / paternity insurance scheme.

We currently forecast that the **Early Years Block** will over spend by £0.267m (0.6%) vs. the planned budget. The planned budget included the allocation of £0.488m of balance brought forward from 2019/20. The current estimate does not yet include any costs that might come from protected spring term 2021 Early Years Single Funding Formula arrangements, which may reduce the balance to be carried forward in the Early Years Block. This is discussed in more detail in Document MG. The main factors behind the current figures are:

- An estimated £0.750m under spend of the Early Years Inclusion Fund (EYIF). EYIF is a relatively new budget and we have sought to be prudent in setting the planned budget until we understand the typical annual spending level. We have over budgeted in 2020/21 and we will adjust for this in the 2021/22 planned budget. This under spend does however, quite significantly offset (and help to manage) the forecasted over spend in the cost of funding allocated in respect of the delivery of the early years entitlements as a result of COVID-19.
- An estimated £136,000 under spend in the Disability Access Fund (DAF). This money is required to be earmarked for this purpose. We continue to under spend this fund within the Early Years Block. As well as carrying out work to better understand why providers may not be claiming DAF funds, and to encourage higher take up, we propose to increase the value of the DAF allocation paid per child in 2021/22, which will help support provider costs and will also complement the EYIF.
- An estimated £1.597m total over spend in the cost of funding the early years entitlements for 2, 3 and 4 year olds, of which £0.488m was planned as part of our 2020/21 budget setting. Following DfE guidance, we have protected both summer and autumn term EYSFF allocations following COVID-19. We also temporarily uplifted our EYSFF rates by £0.20 for the autumn term, in support of provider costs recognising that early years providers have not been eligible to access the DfE's national school COVID-19 exceptional costs support fund. Although the DfE has adjusted the Early Years Block methodology, to fund us for autumn using January 2020 census numbers, our autumn term protected arrangements have cost us locally in the region of an additional £1m.
- We wish to warn the Schools Forum that there is potential for significant change in the value of the Early Years Block balance to be carried forward at 31 March 2021 depending on the spring term 2021 EYSFF arrangements. This is discussed in more detail in Document MG.

We currently forecast that the **High Needs Block** will under spend by £4.708m (5.8%) vs. the planned budget. Members will identify from Appendix 1 that there are a number of movements, both over spends and savings, against the planned budget.

Firstly, Members are asked to note that the figures in Appendix 1 for the High Needs Block are based on estimates of anticipated spending between December 2020 and March 2021. There continues to be a significant amount of structural financial change, including from the creation of specialist places, the restructuring of provisions for permanent exclusions and the establishment of Authority-led resourced provisions, which is taking place on a backdrop of continued growth in the numbers of EHCPs. These changes 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. This uncertainty knocks into the setting of the planned budget for 2021/22, where the 2020/21 financial year spending base is used in certain areas e.g. mainstream EHCPs and OLA, NMSS and independent placements as a starting point to estimate the budget required going forward.

Secondly, Members are reminded that one of our main aims has been to set a High Needs Block planned budget, which builds sustainable affordable capacity for the medium to longer terms. The reason for under spending against planned budget in 2020/21 in many High Needs Block areas therefore, is that this planned budget was calculated on a full year full places occupancy basis, with an understanding that the filling of this capacity will be achieved in a managed way. Our place-plus funding driven costs are lower in the immediate short term than the planned budget, which secures affordable capacity for the medium to longer terms. Roughly £4.244m of the £4.708m net under spending estimated in Appendix 1 comes from this approach.

To highlight other key additional points from Appendix 1:

- £1.225m is estimated to remain from the £2.000m contingency that was held in support of our transition to our new EHCP Banded Model at April 2020.
- We estimate that we will over spend the PRU / AP planned budget by £0.866m. This is the result of the number of places commissioned for permanent exclusions being increased to 165 from 103.
- We did not make provision within the planned budget for any allocation to District PRU from 1 September 2020. We estimate spend of £0.758m from SIFD monies for the period September 2020 to March 2021.

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- We estimate that we will over spend the planned budget for the Education in Hospital, Medical Home Tuition and Tracks Service by £0.380m primarily due to the delay in the planned restructure as a result of COVID-19. This restructure is now taking place to be implemented from January 2021.
- The relative contributions – between education, social care and health – to the cost of OLA, NMSS and independent placements is continuing to be reviewed and may affect the estimates shown in Appendix 1. We currently estimate that the cost of OLA, NMSS independent placements will increase in 2020/21 by £1.247m on 2019/20 spend but with this increase being £0.395m lower than initially estimated for the 2020/21 planned budget. However, this can be a particularly changeable budget due to the high cost of individual placements so this estimate must be treated with caution.
- We estimate that the cost of top up funding for EHCPs in mainstream provisions will increase by £1.837m in total in 2020/21 on 2019/20 but with this increase being £0.646m lower than estimated for the 2020/21 planned budget. Roughly half of this £1.837m increase comes from growth in the numbers of EHCPs and half from the increase in top up funding allocated through our revised Banded Model. Again, this is a particularly changeable budget that is difficult to forecast.

We currently forecast at this stage that there will not be a carry forward balance within the **Central Schools Services Block**. In Appendix 1 however, we do signal some potential pressures, especially within Pupil Admissions. A final reconciliation will take place within the Council's year end closedown process and we will present to the Forum in July 2021 the final balances position for the CSSB. We have previously established with the Forum a policy of transferring any net overall under spend in CSSB budgets to the carry forward balance retained within the Schools Block. We transferred £0.151m of surplus balance from the CSSB to the Schools Block at the end of 2019/20. If the CSSB holds a net deficit at 31 March 2021, which is at a value lower than or equal to £0.151m, we would expect to charge this to the Schools Block carry forward balance and we will ask for the Forum's approval of this.

Allocation and Retention of Balances Brought Forward From 2020/21

Appendix 2:

- a) Shows (repeats from Appendix 1) the values of balances that are currently estimated to be carried into 2021/22. It then shows the values that are already committed as a result of previous decisions, and
- b) Puts forward proposals for the allocation and / or retention of the remaining balances. The Forum will be asked to make final recommendations on this on 13 January.

Schools Block (£6.550m)

- A balance of £1.091m in de-delegated funds for maintained schools is estimated to be retained across the financial year end. A breakdown of this balance is provided in the separate report (Document MN Appendix 2). The Authority proposes to release an amount of this balance (£0.200m) to support the cost of the primary phase maternity / paternity insurance scheme in 2021/22. The balance will also be used to support, as priority, any costs arising from new deficits held by sponsored primary academy converters, as the Authority continues to propose that no new budget is de-delegated for this purpose in 2021/22. The rest of the balance is ring-fenced and is proposed to be retained.
- £1.386m of balance relating to the Growth Fund. £0.430m (estimated) of this is to be allocated to Beckfoot Upper Heaton Academy (BUHA) in 2021/22 via the model agreed with the Schools Forum. The remaining balance is proposed to be retained for general Growth Fund purposes. Please note that 2021/22 is the final year of allocation to BUHA. Any funds remaining from the specific monies previously set aside within carry forward balances have been transferred into the main Growth Fund balance.
- £0.500m of balance relating to the Falling Rolls Fund. We do expect to agree allocations from this fund with the Schools Forum in March 2021. However, we have shown the Fund as unspent at this time so that the Forum can clearly see that two years' of budget provision totalling £500,000 is now available. This helps to explain the rationale for proposing that we 'pause' taking new budget provision from the 2021/22 Schools Block.
- The £0.650m previously set aside by the Schools Forum to support the cost of the deficit of a secondary school continues to be held. The £0.650m is expected to be retained for this purpose and to be allocated in 2021/22.
- The Forum is reminded that a sum of £0.540m of Schools Block funding, specifically for the primary phase, was unallocated by the Forum in the 2020/21 planned budget and is still retained. Within the discussions over autumn about the impact of COVID-19, the Forum has identified that there may be a funding issue due to the increased numbers of primary (reception) aged pupils placed in autumn on appeal after the October 2020 Census was taken. We presented verbally to the Forum on 14 October an outline of an option in response to this - that we could use the reception uplift factor in 2022/23. This factor would retrospectively allocate additional formula funding to schools and academies for reception aged pupils that are recorded in the January 2021 Census but that were not recorded in the October 2020 Census. This is not a factor we currently use (as it is not used in the NFF) so we don't have any on-going budget

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budget base in the Schools Block to cover the cost. We propose that the Schools Forum, if Members wish to respond to this issue, considers retaining the £0.540m for a further year in order to cover the one off cost of the reception uplift factor to be applied only in 2022/23. However, in putting this forward for consideration, we stress that the Forum needs to consider the £0.540m 'in the round' and with sight of the final Schools Block / formula funding cost position for 2021/22 as the £0.540m may need to be / perhaps might be better allocated in 2021/22. This will be presented on 13 January.

- A balance of £2.384m reserve, which includes provision for the confidential item discussed by the Schools Forum in May 2016, is then estimated to be retained. £2.384m is 0.5% of the Schools Block. The Appendix 2 reserve figure of £2.952m currently assumes that the cost of our Schools Block arrangements in 2021/22 will be £0.568m lower than our 2021/22 DSG Schools Block allocation. This is the current position prior to calculating final core formula funding allocations for schools and academies using updated October 2020 census data. Members therefore, should treat the £2.952m figure with caution pending presentation of the confirmed position on 13 January.

Early Years Block (£3.846m)

- The current estimate of £3.846m does not yet include any further costs that might come from protected spring term 2021 Early Years Single Funding Formula arrangements, which may reduce the balance to be carried forward in the Early Years Block. This is discussed in more detail in Document MG.
- A balance of £0.072m in de-delegated funds is estimated to be retained across the financial year end. This balance is ring-fenced and is proposed to be retained, as it is in the Schools Block.
- A balance of £0.460m in the Disability Access Fund (DAF) is also estimated to be retained. This money is required to be earmarked for this purpose. We continue to under spend this fund within the Early Years Block. As well as carrying out some work to better understand why providers may not be claiming DAF funds, and to encourage higher take up, we propose to increase the value of the DAF allocation paid per child in 2021/22, which will help support provider costs and will also complement the EYIF.
- A sum of £1.436m is currently estimated to be needed to deliver the Early Years Single Funding Formula in 2021/22 that we have previously (in our planning) aimed to provide but which now is clearly subject to the detail of the DfE's announcements and a view about the pros and cons of further significant use of a reducing value of Early Years Block reserves. Please see Document MK. This includes the desire to improve the increases in the Universal Base Rates in 2021/22 above the values the DfE is passing through to us in the Early Years Block. This will be helped by the continued planned reduction in the proportion of the budget spent on the Deprivation & SEND Supplement. We stress however, that it is very difficult at this time to forecast the cost of our EYSFF in 2021/22 due to the potential for continued impact from COVID-19, which is creating additional cost to the EYB, but also because COVID-19 has meant that we do not have an accurate 'actuals base' for hours delivered by providers in 2020/21 to use to estimate delivery next year. This is especially difficult for the calculation of estimates for the delivery of the 2 year old offer, where there is expected to be an overall reduction in the numbers of 2 year olds due to reducing birth rate. There is potential for us to need to use a substantial amount of brought forward balance in 2021/22 and we may be minded to recommend that we retain as much balance brought forward as possible to support the management of additional costs and possible protections. We are also conscious that we have previously anticipated that we will have reserve available in future years to continue uplifting base rates and to support maintained nursery schools in any transition that the national funding review may require. The absence of reserve in future years will cause us to review this strategy.
- At this time, we estimate an unallocated remaining balances sum of £1.879m (4.2% of the Early Years Block). However, as explained above, this figure should be treated with caution. It may be substantially affected by the cost of spring 2021 arrangements and by additional EYSFF cost in 2021/22.

High Needs Block (£15.268m)

At this time, we estimate that we will not need to allocate a significant proportion of the £15.268m into the 2021/22 planned budget. 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. We may need to use a small proportion in order to 'balance' the final HNB planned budget, which will be presented on 13 January. The next call on the £15.268m will be meeting in year the cost of change as well as supporting any unexpected costs that may arise across 2020 and 2021. The £15.268m will then support the avoidance of cumulative deficit in the High Needs Block over the medium term, forming part of our DSG Management Plan. We expect to present an outline draft of our DSG Management Plan to the Schools Forum on 13 January.

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

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

Recommendations

Members are asked to consider whether sufficient information has been provided to enable final recommendations to be made on 13 January on the allocation and / or retention of estimated DSG balances.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – 2020/21 DSG Spending Forecast Report

Appendix 2 – Statement of uses & retention of balances forecasted to be carried forward into 2021/22

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