

SCHOOLS FORUM AGENDA ITEM

For Action



For Information



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

To provide a summary-level indicative forecast of the DSG income / expenditure position for the 2021/22 financial year.

Date (s) of any Previous Discussion at the Forum

The DSG's position for 2021/22 has begun to be considered within the consultation items presented in the autumn term. However, this is the first indicative summary to be presented.

Background / Context

Our DSG allocation for 2021/22 will continue to be split into four blocks (in size order):

- Schools Block – funding mainstream Primary & Secondary school and academy core formula allocations, School Block de-delegated items (maintained schools) and Growth & Falling Rolls Funds. c. £470m
- High Needs Block – funding provision for high needs children with needs valued at greater than £10,000 (or £6,000) per annum, including Special schools, PRUs and Post 16 students in Further Education Colleges as well as support services. c. £92m
- Early Years Block – funding the Early Years Single Funding Formula and centrally managed items relating to early years entitlement provision (the 2, 3 and 4 year old entitlements). c. £43m
- Central Schools Services Block – established at April 2018 to fund items previously 'collected' via 'top-slice' within the Schools Block, including admissions, copyright licensing and other local authority statutory duties (transferred from ESG). c. £3.4m

Each of these four blocks has a National Funding Formula (NFF) basis, which includes protection (for losers) and damping (for winners) as the DSG system moves towards the fuller implementation of NFF over time. 2021/22 is the fourth year of implementation of the NFF distribution.

Many aspects of the DSG for 2021/22 have now been confirmed and will not change. However, there are still some critical elements that will be confirmed by Government later in December and some that will only be confirmed during 2021/22, including Early Years Block funding and adjustments to the High Needs Block for imports and exports between authorities and academy conversions. Members are also reminded of the potential for continued variance from 'normal' DSG arrangements during 2021/22 in response to COVID-19. This may especially be the case for the funding of the early years entitlements within the Early Years Block (EYB), which may require use of reserves to manage pressures in such a way as to minimise as best as possible the impact on early years providers. We wish to prioritise EYB reserves for this purpose.

The Authority, with the Schools Forum, has previously established the general starting principle of the 'ring-fencing' of all the four blocks, meaning that the spending pressures / funding adjustments relating to each block are contained within that block. As set out in Document MH, the Authority continues to apply the principle of block ring-fencing, informally, to the management of brought / carry forward balances. However, although the DSG is split into separate blocks, members should continue to recognise the inter-connectivity that exists, especially between the High Needs Block and the Schools and Early Years Blocks. The Schools Block is formally ring-fenced in Regulations. Authorities continue to be permitted to transfer a maximum of 0.5% of the Schools Block (net of the Pay and Pensions Grants transferred in 2021/22) to other blocks, including to the High Needs Block, with the approval of the Schools Forum. Larger transfers must be approved by the Secretary of State. This means that 99.5% of Schools Block monies must be spent on Schools Block activities. The Regulations also require a pass through of 95% of the Early Years Block (EYB) 3 & 4 year old funding to the funding rates for 3 & 4 year old providers. This has the effect of limiting the size of centrally managed budgets within the EYB as well as restricting the value of the EYB that could be transferred to other blocks. There are no formal 'ring-fencing' restrictions set in the Regulations for the Central Schools Services Block or for the High Needs Block.

Additional reports to this meeting provide more details of the management of spending within each of the blocks. A more detailed analysis of the 2021/22 DSG income position, and planned expenditure, will be provided for the Schools Forum on 13 January.

Details of the Item for Consideration

Appendix 1 provides a high level position statement for the 2021/22 DSG based on current estimates and assuming that the proposals that have been put forward for formula funding arrangements and centrally managed funds are fully implemented. This statement also makes assumptions about anticipated EYB arrangements, which are discussed in Document MK.

As stated earlier in this report, there are a number of aspects of DSG income and expenditure that are still to be confirmed. The Schools Forum also still has to make its final recommendations on formula funding arrangements in the light of feedback from the consultations. In addition to early years funding, one of the more significant aspects to confirm is the cost of Schools Block formula funding calculated on the October 2020 Census dataset, which will be available mid December. Another is the split of responsibilities for the funding of independent and out of authority placements within the High Needs Block. As such, Members are asked to view this summary as an estimate intended to help plan for decisions. A more confirmed more detailed summary, as well as a DSG Management Plan, on which the Forum will be asked to make its recommendations on the 2021/22 planned budget, will be presented on 13 January. The following aspects of the estimated position shown in Appendix 1 are highlighted below in summary:

- We estimate we will receive £44.50m more DSG in 2021/22 than we received in 2020/21 (ROW C)
 - £32.75m within the Schools Block, of which £18.86m comes from the transfer in of the former Teacher Pay and Pensions Grants. This £18.86m therefore, is not new money into school budgets. The remaining £13.89m is new funding. £2.0m from a net greater number of pupils recorded in primary and secondary schools and academies in the October 2020 Census (a net increase of 206, made up of a reduction of 562 in primary and an increase of 768 in secondary). £12.83m from the increases provided by the NFF-led settlement (the headline increase of +3% per pupil, a +2% minimum per pupil for all schools and the significant +6.7% increase in the primary-phase minimum level of per pupil funding) net of other smaller adjustments. Due to the change in our rate of growth in pupil numbers, we estimate within our Schools Block settlement that we have lost £0.93m in growth funding now calculated using the DfE's DSG-level growth funding formula.
 - £10.84m within the High Needs Block, of which £1.21m comes from the transfer in of the former Teacher Pay and Pensions Grants and is therefore, not new money, and £0.40m from increased pupil numbers recorded in special schools (including the numbers now recorded following the amalgamation of Ellar Carr PRU into Beechcliffe Special School). Our main core High Needs Block NFF-based allocation is increased (and capped) at +12% per pupil and this mechanism drives the bulk of our High Needs Block increase.
 - £0.51m within the Central Schools Services Block (CSSB), of which £0.41m comes from the transfer in of the former Teacher Pay and Pensions Grants in respect of centrally employed teachers and is therefore, not new money. The DfE continues to reduce funding related to historic commitments, with our allocation in 2021/22 being reduced by £0.07m to £0.281m. This adjustment reduces our overall growth in CSSB income as determined by the NFF-led settlement.
 - £0.40m within the Early Years Block. This is prior to the transfer of the Teacher Pay and Teacher Pensions Grants and any alteration in the protection supplement received in respect of maintained nursery schools. It is also prior to any adjustment related to COVID-19 that may be announced and as discussed further in Document MK e.g. whether January 2020 or January 2021 census numbers are used at Early Years Block level (not provider level) to fund the period April to August 2021. We do not yet know our 2021/22 Early Years Block settlement but have estimated that our rates of funding from the DfE will increase by 1%. We expect that the DfE will announce the settlement prior to the meeting on 9 December and therefore, anticipate being able to update the Forum on this at the meeting.
- On current estimates, we anticipate presenting to the Schools Forum on 13 January a planned DSG budget for 2021/22, which balances 'in year' but which does also allocate a proportion of balances that are forecasted to be brought forward from 2020/21, on a one off basis, to specific defined activities and commitments. The use of balances brought forward is discussed in more detail in Document MH.
- The most substantial use of balances is expected within the Early Years Block, where the Authority remains concerned about the potential continued impact of COVID-19 on the early years sector and also on Early Years Block 2021/22 DSG income. This is linked to the additional financial pressure that protecting early years providers may produce, where it is necessary and permitted to continue to do so, and also to any transition that is initiated following the DfE's review of the funding of maintained nursery schools. The Authority is minded to seek to retain as much reserve as possible, within the Early Years Block, in support of managing these matters, rather than committing reserves now to other spending within the 2021/22 planned budget.

Details of the Item for Consideration

- We anticipate that we can afford in full the formula funding proposals that we have set out for consultation in the Schools and High Needs Blocks. The main caveat to this statement relates to the Schools Block; whether the cost of formula funding for mainstream primary and secondary schools and academies substantially changes when the October 2020 based Census dataset is used. We will present a reconciliation of this to the Forum on 13 January. Adjustments to proposals may be required where the overall cost is significantly higher. However, the Forum may also need to consider the allocation of further headroom where formula cost reduces.
- We do not plan to hold 'safety net' provision (completely unallocated contingency) within the 2021/22 planned budget. We do plan to continue to hold an earmarked £1.5m provision within the High Needs Block for the EHCP Banded Model, which is expected to be at least partially used. However, except for this, any unexpected or higher than expected costs, where these cannot be met by savings elsewhere within that block, will be covered by brought forward balances. The total value of balances that are estimated to be carried forward at both March 2021 and March 2022 should ensure that the DSG remains resilient as we move towards hard NFF within the Schools Block and also as we continue to managed growth in pressure in high needs provision and the expansion of high needs places capacity. The balances held within the Early Years Block, although more limited and with the potential to be quickly exhausted, will also help manage possible continuing COVID-19 related issues in 2021/22 as well as supporting any transition in the funding of maintained nursery schools.
- We do not forecast that our DSG account will be in deficit, either at 31 March 2021 or 31 March 2022. We also do not forecast at this time that there will be a deficit balance to reconcile in centrally managed funds at 31 March 2021 (including specifically in de-delegated funds held within the Schools Block). There is some pressure currently however, in Pupil Admissions, which may result in an overall deficit in the Central Schools Services Block. We will discuss this further with the Schools Forum following the Authority's 2020/21 year end closedown.
- We do not plan any new 'material' transfers of either income or expenditure between the four DSG blocks in 2021/22. We do propose to transfer a proportion of the Teacher Pay and Pensions Grant income that will be added to our Central Schools Services Block (CSSB), but will in fact be spent on High Needs Block (HNB) funded services. This is a technical transfer to ensure that the income and expenditure are managed within the same block.
- We will present on 13 January more detailed information about the distribution of the High Needs Block in 2021/22, and the estimated spending trajectory for the next four years, as part of our outline DSG Management Plan.

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

As outlined in this paper.

Recommendations

Members are asked to consider the information presented in the report, for reference, in advance of making final recommendations on 13 January 2021.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – 2021/22 Indicative DSG Summary.

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