

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 provides the initial confirmation of carry forward balances held within the Dedicated Schools Grant at the close of the 2020/21 financial year.

Date (s) of any Previous Discussion at the Forum

Final confirmation of balances brought forward from 2019/20 was presented on 16 September 2020. Estimates of balances to be held at 31 March 2021 were presented to the Schools Forum on 9 December 2020 and again on 13 January 2021. These estimates were included in the Schools Forum's DSG recommendations and decisions process for the 2021/22 financial year.

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 annual January meeting. This planned budget is constructed on known factors and data, but also incorporates 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, and then again in January, are based on estimates pulled together at the end of November.

After our DSG planned budget is agreed 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 safely 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 Schools Forum recommended the use / retention of the balances estimated to held at 31 March 2021 at the meeting held on 13 January 2021. £1.280m of balances have been committed for spending within the 2021/22 DSG planned budget (see Appendix 1 for the Block distribution of this).

We now 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. 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 financial 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 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 these 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 expected by the DfE to be earmarked for this purpose only and identified separately.

Within the February 2020 Finance Regulations, the DfE amended 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 no 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 an overall 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.

The DfE, through the DSG's Conditions of Grant, 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. Our DSG account is currently in surplus.

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 last presented a DSG Management Plan to the Forum on 13 January 2021.

The Schools Forum will receive, as normal in the autumn term and usually in December, an analysis of the forecasted position of DSG balances at the end of the 2021/22 financial year.

In presenting to the Forum on the 13 January 2021 the estimated DSG balances that would be held at 31 March 2021, we highlighted these two matters in particular:

- Spending pressure in the Pupil Admissions service, funded by the Central Schools Services Block (CSSB). We signalled that, following the confirmation of the final balances position for the end of the 2020/21 financial year, if the CSSB holds a net deficit balance at 31 March 2021, which is at a value lower than or equal to £0.156m, we would expect to charge this deficit to the Schools Block carry forward balance and we would ask for the Forum's approval to do this
- How uncertain the cost of our early years entitlement arrangements for the spring term 2021 were, in relation to the Early Years Block funding we will receive based on the DfE's amended funding arrangements in response to the COVID-19 pandemic. We explained that we might find a greater than normal size of variance in the difference between estimated and final balances held within the Early Years Block for this reason. We further expressed to the Forum at the meeting held on 10 March 2021 how uncertain the Early Years Block's financial position still was at that time.

Details of the Item for Consideration

Summary - Initial Confirmation of DSG Balances Brought Forward from 2020/21

Appendix 1 presents:

- **The balances by DSG block that were estimated to be held at the end of the 2020/21 financial year – a total of £25.271m.** This estimate was calculated in December 2020 and reported to the Schools Forum within Document MU presented on 13 January 2021.
- **The actual balances by DSG block that have now been initially confirmed following the closure of the financial year at 31 March 2021 – a total of £27.550m, representing an additional £2.279m on the estimated figure.** Please note that this is an initial confirmation not yet inclusive of the final Early Years Block adjustments relating to the spring term 2021, which are discussed in more detail later in this report.

Details of the Item for Consideration (continued)

Members are asked to note:

- £1.242m of the confirmed £6.652m Schools Block balance is attached to maintained school de-delegated funds and is ring-fenced. Members are reminded that the Schools Forum, in its recommendations for the 2021/22 planned budget, released an estimated £0.200m of the forecasted de-delegated funds balance to support the cost of the maternity / paternity scheme for maintained primary schools.
- £1.386m of the confirmed £6.652m Schools Block balance is attached to the Growth Fund and is ring-fenced. The £1.386m includes £0.430m held for the estimated cost of the final year of allocation to Beckfoot Upper Heaton Academy (BUHA) under the agreed support model.
- £0.500m of the confirmed £6.652m Schools Block balance is attached to the primary phase Falling Rolls Fund and is ring-fenced. We confirmed with the Schools Forum in March that there are no Falling Rolls Fund allocations in 2020/21 and so the full value of the fund for two years is carried forward into 2021/22. The Forum's sub-group will be re-convened to consider further the on-going position of the Falling Rolls Fund and the position of this balance.
- £0.458m of the £4.108m Early Years Block balance is attached to the Disability Access Fund (DAF) and is ring-fenced in line with the DfE's expectations. Members are reminded that the Schools Forum, in its recommendations for the 2021/22 planned budget, increased the value of DAF allocation per pupil in 2021/22 from £615 to £1,000 to support the fuller in year allocation of the DAF funding available through the Early Years Block. £0.072m of the £4.108m is attached to de-delegated funds and is also ring-fenced. The £4.108m balance held in the Early Years Block, and the variance from the previous estimate, is discussed in more detail later in this report.
- The difference of + £1.341m in carry forward balance held within the High Needs Block against the estimate is the cumulative result of smaller differences between the forecasted and actual cost of high needs model allocations between December 2020 and March 2021 across funded providers. There continues to be a significant amount of structural financial change, including from the creation of specialist places, the re-structuring of PRU provision, and the establishment of Authority-led resourced provisions and associated centrally managed staffing, 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 in December (based on information available up to November) what the profile of spend will be for the rest of the financial year up to March. Members are reminded that one of our main aims has been to set a High Needs Block planned budget, and an approach to forecasting spend, which builds sustainable affordable capacity for the medium to longer terms.

Central Schools Services Block – Deficit Balance Write Off from the Schools Block

The Central Schools Services Block closed at 31 March 2021 with a total combined deficit of £0.078m. As stated in Document MU (paragraph 5.3), presented to the Schools Forum on 13 January 2021: "We have signalled (to the Forum on 9 December 2020 Document MH) some potential spending 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 for the end of the 2020/21 financial year. 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 from the CSSB to the Schools Block £0.005m of surplus balance at the end of 2018/19 and £0.151m at the end of 2019/20. If the CSSB holds a net deficit balance at 31 March 2021, which is at a value lower than or equal to £0.156m, we would expect to charge this deficit to the Schools Block carry forward balance and we will ask for the Forum's approval to do this."

In presenting the balances position at Appendix 1 therefore, we have charged the £0.078m deficit from the CSSB to the Schools Block.

The Schools Forum is asked to approve this action.

The spending pressure within Pupil Admissions is a matter that the Authority will carefully monitor. The Pupil Admissions budget in the 2021/22 CSSB planned budget was increased from £0.614m to £0.737m (to allow for the current pressure plus pay award and inflation).

The balance held within the Early Years Block at 31 March 2021

In setting the planned budget for 2021/22 in January, we estimated that the balance held within the Early Years Block at 31 March 2021 would be £3.272m. We now initially confirm the balance to be £4.108m, increased by £0.836m on our estimate. £0.718m of the £0.836m relates to the funding of the early years entitlements. £0.118m relates to the other Early Years Block factors (Early Years Inclusion Fund, DAF, EYPP).

Details of the Item for Consideration

Our forecast of a £3.272m balance included our estimate of the impact of the COVID-19 pandemic on early years entitlement costs for the spring term 2021; the net impact of the loss of Early Years Block funding, against the reduction in cost of early years entitlement allocations to providers, resulting from a reduction from 'normal' levels of entitlement take up recorded in the January 2021 Census. We also factored into our estimate some provision for additional entitlement funding costs, in anticipation that entitlement delivery would grow back towards normal levels during the spring term but after the January Census was taken. In this situation, although the Early Years Block would not receive additional funding, we would still have to cover the cost to providers of a greater volume of delivery of entitlement in the later part of the spring term.

In understanding the £0.836m increase in Early Years Block balance, at this stage, it is critical to identify that the full net cost to the Early Years Block of entitlement delivery for the spring term 2021, which was factored into our estimate of £3.272m, is not actually included in the £4.108m figure. The combined impact of the loss of Early Years Block funding, against the reduction in cost of allocations to schools (fully) and to PVI providers (partially), is still to be charged to the Early Years Block in 2021/22. The DfE will not confirm nor adjust 2020/21 Early Years Block allocations, to include the spring term 2021 final position, until later in autumn 2021. The Authority did adjust the majority of allocations for PVI providers for the spring term in the March 2021 funding adjustment and so the impact of this is included within the £4.108m figure. However, the adjustment for allocations for schools and academies, as well as the adjustments for all providers for claims submitted for growth in entitlement delivery later in the term, have been enacted between April and June 2021.

So, within the Early Years Block balance, initially confirmed at £4.108m:

- £0.530m is ring-fenced for the Disability Access Fund and for de-delegated funds.
- £0.615m is allocated to the 2021/22 Early Years Block planned budget (in support of maximising the value of the Universal Base Rates in 2021/22).
- A proportion of this balance (currently estimated at £0.20m) will be needed to cover the net charge to the Early Years Block that is still to be actioned carried over from spring term 2021. This will be the net of the reduction in Early Years Block funding minus the outstanding reduction in the cost of entitlement funding allocations to providers. On current figures, we estimate that our Early Years Block funding will reduce by £1.20m due to lower numbers recorded in the January 2021 Census. Against this, allocations to providers relating to spring term 2021 have been reduced by a further £1.00m between April and June. This means that we currently estimate there will be a £0.20m additional net charge to the 2021/22 Early Years Block in respect of spring term 2021 entitlement arrangements.

The position of the Early Years Block, with reference to the impact of spring term 2021 arrangements, is discussed in more detail in Document ND under agenda item 12.

Recommendations

- (1) The Schools Forum is asked to note the information presented.**
- (2) The Schools Forum is asked to approve the transfer of £0.078m to the Central Schools Services Block (CSSB) of surplus balance held within the Schools Block in order to write off the deficit balance held within the CSSB at 31 March 2021.**

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – Initial Confirmation of DSG Balances held 31 March 2021

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