

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 Forum members on the forecasted spending positions of each of the DSG Blocks in 2021/22. This document gives members a view of the estimated values of balances to be carried forward into 2022/23 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 2021/22 was agreed by the Schools Forum as part of its recommendations on the allocation of the DSG that were made on 13 January 2021. Final confirmation of balances brought forward from 2020/21 was presented on 7 July 2021.

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 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 mid-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. 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 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, 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. 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 to the four block DSG structure. Balances can be used across all blocks. In practical terms however, in the National Funding Formula context, 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 across financial year-end that are associated with 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 in 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 and identified separately.

The DfE 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; or to carry forward some or all of the deficit to the funding period after that, in order to determine how much resource is available to be spent during the funding period.
- Where an authority's DSG account is in deficit, the Authority 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 account 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 (or 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 2021/22 and there are no additional contributions from non-DSG income sources into the Schools Budget in 2021/22 or proposed for 2022/23. Through the DSG's Conditions of Grant, the DfE 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 challenge 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 update of DSG Management Plan to the Forum on 12 January.

Details of the Item for Consideration

2021/22 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 2021/22 financial year. These figures exclude balances held by maintained schools. The table below summarises the estimated positions by block and gives a comparison against the values of balances that were estimated would be held at the end of 2021/22 within the planned budget that was presented to the Schools Forum on 13 January 2021. (£m)

	Schools Block	High Needs Block	Early Years Block	Central Schools Services Block	Total
Estimate of Balances carried from 20/21*	+£6.550	+£15.449	+£3.272	£0.000	+£25.271
Net Value of Balances allocated in 21/22 *	+£0.037	-£0.235	-£0.615	£0.000	-£0.813
Estimate of Balances to be held at 31/3/22 *	+£6.587	+£15.214	+£2.657	£0.000	+£24.458
Additional Balances carried from 20/21 **	+£0.102	+£1.341	+£0.836	£0.000	+£2.279
Net Spend Variance on Planned Budget 21/22	-£0.296	+£4.462	+£0.511	£0.000	+£4.677
Revised Estimate of Balances at 31/3/22 ***	+£6.393	+£21.017	+£4.004	£0.000	+£31.414
Diff Between Original and Current Estimate	-£0.194	+£5.803	+£1.347	£0.000	+£6.956

* 2021/22 Planned Budget presented to the Schools Forum on 13 January 2021. Document MO.

** Confirmation of final balances held 31 March 2021 was presented to the Schools Forum on 7 July 2021

*** £31.414m is 4.97% of the 2022/23 DSG allocation (£4.677m is 0.77% of the 2021/22 planned budget)

Please note that the £31.414m figure is estimated. In particular, we highlight that the balance to be held in the Early Years Block is calculated on estimates of spring term 2022 EYSFF allocations, and the High Needs Block balance is based on a series of assumptions about the cost of high needs provision between December and March. An updated estimate will be presented on 12 January. The reconciliation of funds, which takes place as part of the Authority's year-end closedown and which will be presented to the Forum in July 2022, will confirm the final values of balances that have been carried forward at 31 March 2022.

We currently forecast that the 2021/22 planned budget for the **Schools Block** will be over-spent by £0.296m (0.06%), for the following reasons:

- - £447,000 estimated net over-spend within de-delegated funds, which is partially the result of the deliberate use of balance brought forward to support the cost of the primary phase maternity / paternity insurance scheme, and partially the result of allocations from the exceptional circumstances / schools in financial difficulty fund in support of maintained primary schools.
- + £37,500 estimated saving from the reduction in NNDR (business rates) following academy conversions.

Details of the Item for Consideration

- + £35,750 estimated saving from the 2021/22 Growth Fund provision plus + £78,000 saving in the cost of the final allocation to Beckfoot Upper Heaton Academy. Please see Document NO for more information on Growth Fund spending.

Incorporating these variances, the current estimate of the total value of balance to be held at 31 March 2022 within the Schools Block is materially very similar to the value that was originally estimated and presented to the Schools Forum on 13 January 2021.

We currently forecast that the 2021/22 planned budget for the **Early Years Block** will be under-spent by £0.511m (1.1%). Including the additional £0.836m of balance brought forward from 2020/21, we estimate that the value of balance to be held at 31 March 2022 within the Early Years Block will be £1.347m greater than the value originally estimated and presented to the Schools Forum on 13 January 2021. Whilst it must be stressed that the updated position is still significantly estimated, the main reasons for the improvement against the original estimates, are:

- We originally estimated that our 2021/22 EYSFF arrangements would exceed the Early Years Block funding we receive from the DfE by £0.615m. This estimate was calculated prior to the DfE announcing the change in the Early Years Block funding methodology that has been implemented in response to the COVID-19 pandemic. The DfE announced on 18 March that the Early Years Block this year will be funded on a 3 terms-basis, rather than on the normal January 2021 and January 2022 censuses-based approach. This 3 terms-basis has meant that our Early Years Block funding reflects more accurately our actual delivery of the entitlements than the normal January censuses methodology would have. This is primarily because of the way that the COVID-19 pandemic affected the entitlement delivery data that was recorded in the January 2021 Census and that would have then normally been used to fund the Early Years Block for summer term entitlement delivery. On current calculations, we estimate that this change in methodology will allocate £0.50m more Early Years Block funding to us in 2021/22 than the normal method would have. The impact of this change in itself explains the variance between the original £0.615m and the reduced £0.104m over-spend that we now estimate. We have only been able to re-calculate this position recently, following the collection of the autumn term entitlement delivery data.
- Within this overall position, we highlight that the 3 terms methodology has helped us manage better the cost of our EYSFF in relation to the delivery of the 2-year-old entitlement. We explained in reports, presented to the Forum on 13 January 2021, how the cost of our 2-year-old EYSFF is beginning to more significantly exceed the 2-year-old funding we receive from the DfE within the Early Years Block. Although the purpose of the DfE's 3 terms methodology has been to support the Early Years Block through the immediate impact of the COVID-19 pandemic, this methodology has had an additional positive knock on impact in better protecting our Early Years Block funding against the impact of the wider on-going demographic changes that we will need to continue to manage from April 2022.
- The value of balance brought forward from 2020/21 was £0.836m higher than the estimates presented to the Schools Forum on 13 January 2021, meaning that Early Years Block in 2020/21 over-spent by £0.491m rather than by £1.327m as estimated. This £0.836m variance, together with the £0.511m under-spend in the 2021/22 budget, explains the £1.347m improvement in the value of balance now estimated to be held within the Early Years Block at the end of 2021/22. The £0.836m was reported to the Schools Forum on 7 July 2021 (Document NA). Within Document NA, we explained that the full net cost to the Early Years Block of entitlement delivery for the spring term 2021 was not yet included in the amended balance figure we presented at that time and that 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), was still to be charged. We estimated that the net impact of this would be £0.20m, meaning that, although our Early Years Block funding would reduce by £1.20m, the value of funding allocated to providers would only reduce by £1.00m. As now presented within Appendix 1, the final net cost of the confirmed adjustment for spring term 2021 is £0.042m (our Early Years Block income has been reduced by £1.043m and provider funding has reduced by £1.001m).

In presenting an estimated £1.347m improvement in the Early Years Block balance, we remind the Schools Forum that, within the 2021/22 planned budget, we transferred to the High Needs Block £0.448m of contribution that the Early Years Block normally makes to the provision of early years SEND services. This transfer sought to protect the Early Years Block at a time when this block's position was uncertain and was appearing to be under significant stress. In particular, we were concerned about the impact of low January 2021 Census numbers on our 2021/22 Early Years Block funding.

We do not propose to move this £0.448m contribution back to be charged to the Early Years Block in 2021/22, meaning that this transfer increases the value of balance to be carried forward at 31 March 2022 on a one-off basis, and provides additional funding to be used in support of the pressures that will need to be managed within the Early Years Block going forward.

Details of the Item for Consideration

We currently forecast that the 2021/22 planned budget for the **High Needs Block** will be under-spent by £4.462m (4.8%).

Members will identify from Appendix 1 that there are a number of movements, both over and under spends, against the planned budget that was presented to the Schools Forum on 13 January 2021.

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 2021 and March 2022. There continues to be a significant amount of structural financial change, which is taking place on a backdrop of continued growth in the numbers of EHCPs and places creation. These changes combine to mean that it is challenging to forecast with certainty what the profile of spend will be for the rest of this financial year. This uncertainty knocks into the setting of the planned budget for 2022/23, where the 2021/22 financial year spending base will be used in certain areas e.g. mainstream EHCPs and Other Local Authority, Non Maintained Special School and Independent placements, as a starting point to estimate the budget required going forward. Variances in actual vs. estimated spending growth in the period December 2020 to March 2021 therefore, contribute to the movements in spending now reported in Appendix 1 against the 2021/22 planned budget.

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. A contributing factor to the overall under-spend against the planned budget in 2021/22 therefore, is that this planned budget in a number of areas e.g. special schools and academies, and resourced provisions, 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, because the planned budget is calculated to secure affordable capacity for the medium to longer terms.

To highlight some specific additional points from Appendix 1:

- The budget provision for additional specialist places creation is estimated to under-spend by £2.89m. The position of places creation is presented in more detail in Document NW under agenda item 12 (Annual SEND Sufficiency Statement).
- An underspend of £1.620m is estimated in the cost of mainstream EHCP placements. This is the result of over-estimation of a) the growth in EHCPs between December 2020 and March 2021 (knocking into the starting position for the 2021/22 planned budget), b) the growth in EHCP numbers during 2021 and c) the cost of the new SEND Funding Floor mechanism that was introduced at April 2021 (including some allowance for cost increase during the year). The basis of estimates in these areas will be reviewed for the 2022/23 planned budget.
- The £1.0m provision for new EHCP Banded Model impact is shown as unspent. However, this is for simplicity of reporting. This £1.0m provision is held in order to support the embedding of the EHCP Banded Model, especially the expansion of its 'stacking' facility (where the SEND Panel can add more than one value of Band funding together to find the best fit for an individual EHCP). Stacking will continue to increase the cost of the EHCP Banded Model going forward. In Appendix 1, the cost of stacking, and of other band amendments, are included within respective Place-Plus funded lines (being difficult to separate out).
- There has been significant growth in spending on placements in Post 16 Further Education Colleges and SPIs. We currently estimate that the planned budget will over-spend by £0.997m. We expect spending pressure to continue and to increase going forward, as the school population bulge reaches post 16.
- There has been continued growth in spending on placements in other local authority maintained, non-maintained and independent provisions. We estimate that the over-spend against planned budget may be in the region of £1.705m. A key reason for this over-spend is that the cost of placements in 2021/22 (the growth in cost between December 2020 and March 2021) was higher than estimated and this has affected the adequacy of the 2022/23 planned budget we established in January 2021. The growth in spend in this area overall was £1.92m in 2020/21. On current estimates, spend in 2021/22 will have grown by £2.33m. However, this is a somewhat volatile budget, which is difficult to predict.
- We estimate that we will under-spend the PRU / Alternative Provision planned budget by £0.630m. A greater number of places (increasing to 165) to be available for the placement of permanent-exclusions continues to be established. Against this under-spend, we estimate that the costs relating to the closure of District PRU at 31 March 2021 will be £0.364m.

Details of the Item for Consideration

We currently forecast that there will not be a carry forward balance held within the **Central Schools Services Block** (CSSB) at 31 March 2022. Whilst there are service pressures, which we ask the Forum to consider in the allocation of the CSSB headroom available in 2022/23 (please see Document NX), we expect that the overall net position of the CSSB at 31 March 2022 will either be a zero or a small surplus balance. A final reconciliation will take place within the Council's year end closedown process and we will present to the Forum in July 2022 the final position. For wider reference, 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 £0.005m at the close of 2018/19, and £0.151m at the close of 2019/20. Against this, we asked the Forum in July 2021 to approve writing off a deficit of £0.078m held within the CSSB at the close of 2020/21. Overall therefore, the net position of the transfer of balances is still in favour of the Schools Block. If the CSSB does hold a net deficit at 31 March 2022, which is at a value lower than or equal to £0.078m, we would anticipate that this could be charge to the Schools Block carry forward balance and we may ask for the Forum's approval for this.

Allocation and Retention of Balances to be Brought Forward from 2021/22

Appendix 2:

a) Shows (repeats from Appendix 1) the values of balances that are currently estimated to be carried into 2022/23. It then shows the values that are already committed as a result of previous decisions, and

b) Puts forward indicative proposals / considerations for the allocation and / or retention of the remaining balances. The Forum will be asked to make final recommendations on this on 12 January.

Schools Block (£6.393m)

- A balance of £0.795m held in de-delegated funds for maintained schools is estimated to be retained. A breakdown of this balance is provided in the separate report (Document NX Appendix 2). The Authority proposes to release a small proportion of this balance (£0.150m) to support the cost of the primary phase maternity / paternity insurance scheme in 2022/23. The balance will also be used to support, as priority, exceptional circumstances requests, as well as 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 2022/23. The rest of the balance is ring-fenced and is proposed to be retained.
- £1.070m of balance relating to the Growth Fund, which is ring-fenced and is proposed to be retained to support on-going Growth Fund costs, with the intention to reduce the new budget provision that needs to be taken annually in the run up to the introduction of the 'hard' National Funding Formula. Forum members are asked to note that the support model for Beckfoot Upper Heaton Academy, for which an identified proportion of balance was being retained, has now been completed.
- £0.500m of balance relating to the Falling Rolls Fund for the primary-phase. We will present a final position statement for 2021/22 to the Forum in March 2022. However, based on current modelling, we anticipate that no primary-phase schools or academies will be eligible. We wish to discuss further with the Schools Forum how the £0.500m should be treated, whether this is retained or (partially) released in 2022/23. We anticipate that this will be considered within the discussions that will be had with the Forum on 12 January relating to 'Decision 6' of the Schools Block formula funding proposals. 'Decision 6' is how we manage the Schools Block if the cost of our formula funding proposals exceeds the value of our Schools Block funding, when the October 2021 Census dataset is used.
- 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. It is anticipated that this will be used in 2022/23.
- £0.917m of balance relating to primary phase £GUF monies. As the Forum is already aware, we have proposed within our consultation on 2022/23 arrangements that a proportion of this balance, estimated at £0.493m, is used to apply the Reception Uplift Factor in 2022/23. This will be considered further with the Forum on 12 January, within the discussion that will be had about 'Decision 6' and affordability. The Forum will also be asked to consider the position of the remaining unspent balance.
- A balance of £2.461m of reserve is then estimated to be retained, again subject to discussions with the Forum on 12 January regarding 'Decisions 6'. £2.461m is 0.5% of the Schools Block. The Appendix 2 reserve figure of £3.452m currently assumes that the cost of our Schools Block arrangements in 2022/23 will be £0.990m lower than our 2022/23 DSG Schools Block allocation. This is the current position prior to calculating final formula funding allocations for schools and academies using the October 2021 Census dataset. Members therefore, should treat the £3.452m figure with caution, pending presentation of the confirmed position on 12 January.

Details of the Item for Consideration

Early Years Block (£4.004m)

- 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 continue to be retained, as it is in the Schools Block.
- A balance of £0.458m in the Disability Access Fund (DAF) is estimated and is to be retained. This money is required by the DfE to be earmarked for this purpose. We have previously under-spent this fund within the Early Years Block. We increased the value of the DAF allocation paid per child in 2021/22, from £615 to £1,000, with the expectation that this increase will help support provider costs and will complement the Early Years Inclusion Fund, but will also help to begin to release this balance to providers. We will continue to keep this balance, and action to spend it, under review.
- A sum of £0.826m is currently estimated to be needed to be available to secure the delivery of the Early Years Single Funding Formula that we propose for 2022/23. Please see Document NP for further information.
- At this time, on current calculations and using available data, we estimate an unallocated balance of £2.648m (6% of the Early Years Block) will be retained to support the pressures that will need to be managed within the Early Years Block going forward from April 2023. These pressures are discussed further in Document NP. This includes bringing our EYSFF spending more in line with our Early Years Block annual allocation, rather than relaying substantially on reserves.

High Needs Block (£21.017m)

- Forum members will identify that we estimate we will hold a sizeable surplus balance in the High Needs Block at the end of this financial year, increased on the balance held at March 2021. Forum members will also identify that our high needs spending and our number of specialist places have substantially increased across the recent 3-4-year funding period.
- We do wish to remain cautious about how the £21.017m balance is viewed. We will continue to consult with the Schools Forum about how this balance may be retained / used.
- When previously considering the balance held within the High Needs Block, the Forum has agreed with the Authority that this balance should not be allocated in support of on-going expenditure increases or pressures.
- We currently estimate that we may need to earmark a value of £0.457m of the £21.017m balance to establish a planned budget for the High Needs Block for 2022/23 that balances back to zero. This figure will be confirmed within the information that will be presented to the Schools Forum on 12 January.
- A first call on the £21.017m will be meeting in year the cost of change, as well as supporting any unexpected costs that may arise across 2021 and 2022 after the planned budget for 2022/23 has been agreed.
- The second, perhaps more important call, on the £21.017m balance will be supporting 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 update of this Plan to the Forum on 12 January. We anticipate that we will have less flexibility and headroom within our High Needs Block going forward. We are also conscious of two significant uncertainties, that may have financial implications for our High Needs Block from April 2023:
 - The implications of the outcomes of the national reviews on SEND, EHCP and Alternative Provision systems and funding, which are now scheduled to be published by the end of March next year. It is likely that changes that come from these reviews will alter the cost base that our High Needs Block will need to manage from April 2023.
 - Whether the annual increase in High Needs Block funding allocated by the DfE continues to keep pace with increasing costs. Whilst the 2021 Spending Review has helpfully set out that there will be continued growth in the national core schools budget, the values of the annual cash increases in this budget in 2023/24 and 2024/25 appear to be lower than the annual cash increases that have been delivered across 2019-2022 i.e. funding settlements going forward may not be at the same level as seen over the last 3 years. We also do not know how the growth in the core schools budget will be split between mainstream and high needs funding. The sufficiency of the continued uplift will also need to be assessed, as further information is published, with reference to growth in costs that will be driven by increasing needs / demands and increasing provider costs, especially salaries costs.

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 12 January on the allocation and / or retention of estimated DSG balances.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – 2021/22 DSG Spending Forecast Report

Appendix 2 – Statement of uses & retention of balances forecasted to be carried forward into 2022/23

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