

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 2021/22 financial year.

Date (s) of any Previous Discussion at the Forum

Estimates of balances to be held at 31 March 2022 were presented to the Schools Forum on 8 December 2021 and again on 12 January 2022. These estimates were included in the Schools Forum's DSG recommendations and decisions process for the 2022/23 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 known data, but also incorporates a number of estimates, especially of expenditure, that firm up during the year. The forecast of balances to be carried forward at the end of each financial year, which form part of the planned budget and which are presented to the Forum in December and again in January, 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 net 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 Schools Forum recommended the use / retention of the balances estimated to held at 31 March 2022 at the meeting held on 13 January 2022. £1.434m of balances have been committed for spending within the 2022/23 DSG planned budget (see Appendix 1 for the Block distribution of this).

We 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 between financial years within de-delegated funds in the Schools Block 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 currently permit the writing off of any net deficits related to de-delegated funds from the Schools Budget. To date however, we have not ever done this.

The Growth Fund and Falling Rolls Fund are treated as ring-fenced funds within the Schools Block. Our practice has been 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 also expected by the DfE to be earmarked for this purpose and identified separately.

By 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 not required to obtain the permission of the Schools Forum to carry forward or write off deficits within the DSG. Authorities are 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.

The statutory basis then, that applies to the 2021/22 DSG account, is that an overall deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises an 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 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 in 2022/23.

Through the current DSG Conditions of Grant, the DfE 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 in surplus at the end of 2021/22.

The DfE also 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 our DSG Management Plan to the Forum on 12 January 2022.

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 2022/23 financial year. The Authority has been / is currently reviewing and considering, with the Schools Forum, the position of the surplus balance that is held within the High Needs Block. An update on this is provided in Document OR.

Details of the Item for Consideration

Summary - Initial Confirmation of DSG Balances Brought Forward from 2021/22

Appendix 1 presents:

- **The balances by DSG block that were estimated to be held at the end of the 2021/22 financial year – a total of £32.115m.** This estimate was calculated in December 2021 and reported to the Schools Forum within Document NZ, presented on 12 January 2022.
- **The actual balances by DSG block that have now been initially confirmed, following the closure of the financial year at 31 March 2022 – a total of £33.825m, representing an additional £1.710m on the estimated figure.** Please note that this is an initial confirmation, which is not yet inclusive of the final Early Years Block funding adjustment, which will be confirmed by the DfE in autumn based on our January 2022 Census. Of the £33.825m, £23.021m is held within the High Needs Block.

Members are asked to note:

- £1.034m of the confirmed £6.684m 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 2022/23 planned budget, released an estimated £0.150m of the forecasted de-delegated funds balance to support the cost of the maternity / paternity scheme for maintained primary schools.
- £1.051m of the confirmed £6.684m Schools Block balance is attached to the Growth Fund and is ring-fenced.
- £0.500m of the confirmed £6.684m 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 2021/22 and so the full value of the fund is carried forward into 2022/23.

Details of the Item for Consideration (continued)

- £0.593m of the £3.889m 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 2022/23 planned budget, continued the increased value of DAF allocation per pupil (increased from the new minimum of £800 to £1,000 per pupil) to support the fuller in year allocation of the DAF funding available through the Early Years Block. £0.072m of the £3.889m is attached to delegated funds and is also ring-fenced.
- The difference of + £1.282m in carry forward balance held within the High Needs Block against the estimate, which is the cumulative result of differences between the forecasted and actual cost of high needs model allocations, and the cost of other placements and centrally managed services, between December 2021 and March 2022. There continues to be a significant amount of financial movement, which is taking place on a backdrop of continued growth in the numbers of EHCPs. This movement combines 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 to take an approach to forecasting expenditure, which builds sustainable affordable capacity.
- £0.231m surplus balance is held within the Central Schools Services Block (CSSB). We have previously transferred any net 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. Against this cumulative surplus transfer, because the CSSB held a deficit at March 2021, we charged the Schools Block balance for the value of this deficit (£0.078m). This was approved by the Schools Forum on 7 July 2021. Because we anticipate that the CSSB will come under greater financial pressure going forward, as result of reduced annual uplift, continued reduction to final cessation of the historic commitments funding, and reducing pupil numbers in mainstream schools and academies, we are minded to retain the £0.231m balance at this time in support of the CSSB going forward. Appendix 1 is presented on this basis.

Recommendations

The Schools Forum is asked to note the information presented.

List of Supporting Appendices / Papers (where applicable)

Appendix 1 – Initial Confirmation of DSG Balances held 31 March 2022

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