

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 forecast of the DSG income / expenditure position that is currently estimated for the 2023/24 financial year.

Date (s) of any Previous Discussion at the Forum

The DSG's position for 2023/24 has begun to be considered within the consultation items presented in the autumn term. However, this is the first indicative DSG summary to be presented.

Background / Context

Our DSG allocation for 2023/24 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. £510m
- High Needs Block – funding provision for high needs children with additional needs valued at greater than £6,000 per annum, including Special schools, PRUs / AP and Post 16 students in Further Education Colleges, as well as SEND support services and other alternative provision and placements. c. £112m
- 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 pupil admissions, copyright licensing and other local authority statutory duties held in respect of state funded schools and academies. c. £3.6m

Each of the four blocks is now calculated on 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. 2023/24 is the sixth year of implementation of the NFF distribution.

Many aspects of the DSG for 2023/24 have now been confirmed and will not change. However, there are still some significant elements that will be confirmed by Government later in December and some that will only be confirmed during and after 2023/24, including Early Years Block funding and adjustments to the High Needs Block for imports and exports between authorities and for academy conversions.

With the Schools Forum's agreement, the Authority has previously established the principle of the 'ring-fencing' of all the four blocks, meaning that spending pressures and NFF-led funding level changes relating to each block are managed within that block. As set out in Document PG, the Authority continues to apply the principle of block ring-fencing, informally, to the management of brought forward balances. However, although the DSG is split into separate blocks, Forum 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 budget 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.

The Regulations (subject to confirmation for 2023/24) require a pass through of 95% of the Early Years Block (EYB) 3 & 4-year-old funding to the rates applied for 3 & 4-year-old entitlement providers. This has the effect of limiting the size of centrally managed funds that can be held within the EYB, as well as restricting the value of the EYB that can be transferred to other blocks or that can be used in support of the 2-year-old entitlement.

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 and more confirmed analysis of the 2023/24 DSG income position, and planned expenditure, will be provided for the Schools Forum on 11 January.

Details of the Item for Consideration

Appendix 1 provides a high level position statement for the 2023/24 DSG, based on current estimates and assuming that the proposals that have been put forward for formula funding arrangements and for centrally managed funds are fully implemented. This statement also makes assumptions about anticipated Early Years Block arrangements, which are discussed further in Document PB in advance DfE announcements.

There are a number of aspects of DSG income and expenditure that are still to be confirmed. The Schools Forum 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 2022 Census dataset, which will be available mid-December. As such, Forum members are asked to view this summary only as an estimate intended to help plan for decisions. A more confirmed and more detailed summary, as well as a DSG Management Plan, on which the Forum will be asked to make its recommendations on the 2023/24 planned budget, will be presented on 11 January. These aspects of the estimated position, shown in Appendix 1, are highlighted:

- **We estimate we will receive £33.74m (+5.3%) more income than we received in 2022/23 (ROW C)**
 - £25.48m (5.3%) within the Schools Block. Of this increase, £13.90m relates to the transfer of the Schools Supplementary Grant into the Schools Block, leaving £11.58m, which is actually new funding. The majority of this growth comes from the increase provided by the NFF-led settlement, rather than by a substantial net growth in our number of pupils (as has been the case in prior years). Our Schools Block income forecast is based on estimated total October 2022 Census pupil numbers recorded at 88,913, compared against a total of 88,871 recorded at October 2021; a net change of +42. Within this estimated total, primary-phase numbers are estimated to have reduced by 470 and secondary-phase numbers are estimated to have increased by 512 between October 2022 and October 2021.
 - £6.72m (6.4%) within the High Needs Block. This is new funding (rather than the impact of any transfers). The majority of this growth comes from the increase provided by the NFF-led settlement, through which Bradford is receiving + 6.8% per pupil. Our High Needs Block allocation in 2023/24 has not been affected by the DfE's High Needs Block growth ceiling, which was set at 7.00% per pupil.
 - £1.52m (3.6%) estimated within the Early Years Block. Of this increase, £1.02m relates to the transfer of the former Teacher Pay and Pensions Grants, allocated to schools and academies, into the Early Years Block, which we assume will take place. This leaves £0.50m, which is actually new funding. This growth in funding, as a cash value of £1.52m, is estimated using the entitlement numbers that are used by the DfE in 2022/23. Actual cash growth will be affected by changes in our entitlement delivery that will be recorded during 2023/24. We estimate that the values of funding per hour for entitlement delivery that Bradford will receive from the DfE in 2023/24 will increase by 1.0% for 2 year olds and by 1.0% for 3&4 year olds, as set out by the DfE in its summer consultation. Our estimate of the Early Years Block includes the continuation of the Maintained Nursery School Supplement at £1.17m. This has been adjusted for the Teacher Pay and Pensions Grants and for the re-distribution of Supplement funding, as proposed by the DfE.
 - We estimate that there won't be a significant change in the cash value of our Central Schools Services Block (CSSB) allocation in 2023/24. Whilst we will receive from the DfE growth in funding per pupil of 2.23% through the NFF-led settlement, which is new funding (rather than the impact of transfers), this growth will be offset by the DfE's continued reduction in funding relating to historic commitments, with our allocation being further reduced by £0.05m to £0.18m.
- **Whilst recognising that further discussion may be needed with the Schools Forum to achieve this, we anticipate presenting on 11 January planned DSG budgets for the Schools, Central Schools Services and Early Years Blocks, that do broadly balance 'in year' but which then use a proportion of surplus balances that are forecasted to be carried forward to specific formula funding-based activities. On current estimates however, we anticipate presenting a High Needs Block planned budget for 2023/24, which substantially exceeds the High Needs Block funding allocation, and which will require a significant proportion of surplus balance to absorb. (ROWS I and J).**

The most substantial uses of carry forward balances that are currently anticipated, are:

- Continuing to support the costs of the Early Years Single Funding Formula within the Early Years Block, whilst maximising rates of funding for providers delivering the entitlements.
- Supporting achieving a balanced Schools Block planned budget, where the funding formulae we have proposed is not affordable when the October 2022 dataset is used. Appendix 1 does not yet show this. The allocation of surplus balances may take place in combination with formulae adjustment. This will be further discussed with the Schools Forum on 11 January, once the impact of the October 2022 dataset is known and has been modelled.

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- Supporting the overall financial position of the High Needs Block in 2023/24, where we currently estimate an overspend of £7.63m. Of the £7.63m, £4.00m relates to new revenue budget for additional locally developed specialist places and £0.92m assumes the continuation of the Authority's inclusion investment plan spending, presented to the Forum in July 2022, which will be subject to an impact assessment in summer 2023. Without these two budgets, the overspend in 2023/24 would be lower, at an estimated £2.71m. However, the £4.00m for new places is a 'permanent' addition to spending within our High Needs Block, which must be absorbed. The DSG Management Plan, which will be presented to the Forum on 11 January, will discuss in more detail the on-going position of the High Needs Block.
- The retention of the ring-fenced Growth Fund balance held within the Schools Block to help meet the cost of Growth Fund allocations in 2023/24, rather than taking a higher value of new budget from the 2023/24 Schools Block allocation.
- The retention of the ring-fenced Falling Rolls Fund balance held within the Schools Block to meet the cost of Falling Rolls Fund allocations, rather than taking new budget from the 2023/24 Schools Block allocation.
- Continuing to use a proportion of the ring-fenced De-Delegated Funds balance held within the Schools Block to help reduce the values of contributions that would otherwise be taken from maintained school budgets in 2023/24.
- Continuing to use the ring-fenced Disability Access Funds (DAF) balance held within the Early Years Block to continue to uplift the value of DAF funding per child that is allocated to providers.
- **We anticipate that there won't be any transfers of DSG income between blocks in 2023/24 (ROW H).** We do plan to return to the Early Years Block the remaining proportion of expenditure on early years SEND provision that we moved to the High Needs Block as part of the mitigating action that we took on an exceptional basis to support the Early Years Block during the COVID-19 pandemic period. This represents a transfer of expenditure from the High Needs Block to the Early Years Block in 2023/24 however, rather than a transfer of income.
- **We forecast that our DSG account will not be in deficit, either at 31 March 2022 or 31 March 2023 (ROWS M AND N).**
- **We forecast that there will be a net surplus of balances held at 31 March 2023 in centrally managed funds within the Central Schools Services Block, as well as in De-Delegated Funds within the Schools Block, meaning that we do not anticipate that the 2023/24 Schools Budget will be needed to write off any net deficit balances in funds that are carried forward from 2022/23 (ROW F).**
- **We do not plan to hold 'safety net' provision (completely unallocated contingency) within the 2023/24 planned budget (ROW E).** We do plan to continue to prudently approach our estimates of growth in spending within the High Needs Block. We have however, removed from the 2023/24 planned budget the previously earmarked £1.0m that was held for the EHCP Banded Model and that was expected to be used as the 'stacking' functionality of this Model developed.

In 2023/24, any unexpected or higher than expected costs, where these cannot be met by savings elsewhere within that block, will be need to covered by brought forward balances or be carried forward to be dealt with in 2024/25. The total value of balances that are estimated to be carried forward at both March 2023 and March 2024 should ensure that our DSG account remains in surplus in 2023/24 and in 2024/25.

The positions of both the Early Years Block and the High Needs Block however, in particular, require close monitoring. The DSG Management Plan, which will be presented to the Forum on 11 January, will discuss in more detail the position of the High Needs Block. Regarding the Early Years Block, we are hopeful that our earmarking of £0.95m of Early Years Block balances to the cost of our 2023/24 EYSFF proposals, will represent that maximum value of balances that will be needed next year. This however, is subject to the DfE's announcements to come, and our analysis of their impact.

- **We do not plan any addition to the 2023/24 Schools Budget from non-DSG funds (ROW K).**

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

As outlined in this paper.

Recommendations

Forum members are asked to consider the information presented in the report, for reference, in advance of making final recommendations on 11 January 2023.

List of Supporting Appendices / Papers *(where applicable)*

Appendix 1 – 2023/24 Indicative DSG Summary.

Contact Officer *(name, telephone number and email address)*

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