

Decision Pathway – Report Template



PURPOSE: Key decision

MEETING: Cabinet

DATE: 22 January 2019

TITLE	Dedicated Schools Grant 2019/20 Budget Proposals		
Ward(s)	ALL		
Author: David Tully	Job title: Finance Business Partner		
Cabinet lead: Cllr Craig Cheney and Cllr Anna Keen	Executive Director lead: Denise Murray, Director of Finance		
Proposal origin: BCC Staff			
Decision maker: Mayor			
Decision forum: Cabinet			
<p>Purpose of Report: Schools Forum has some limited powers to determine a small number of specific budgets. It must be consulted on all aspects of the use of the Dedicated Schools Grant (DSG) and the School Funding Regulations limit the scope for how funding may be used. Nonetheless, decisions on the amount of funding to distribute to schools and early years settings, the distribution mechanisms, the proposed spend on central services and the High Needs budget are matters to be determined by Cabinet and Council. This report sets out the proposed use of the DSG and how associated grants are to be applied during 2019/20.</p>			
<p>Evidence Base: Officers have presented papers to Schools Forum and have engaged with schools to consider how best to use available funding in 2019/20 to address the financial issues facing Bristol schools, including academies. This paper reflects the strategy that has been agreed with the Schools Forum in the context of the available funding for 2019/20, subject to decisions and feedback from their meeting on 16th January 2019.</p> <p>In December 2018, the final allocations of DSG from the ESFA took account of 1,010 more pupils in October 2018, compared to October 2017. This produces £5.2m more than the indicative Schools Block allocation advised in July 2018, but this funding will substantially be needed to fund schools for those extra pupils. This is partly offset by a -£1.3m reduction in the Growth Fund allocation, compared to the indicative budget, but the DfE had provided some details of this and that loss had been anticipated. Finally, the DfE announced additional funding for High Needs beyond that advised in July 2018: £1m more for 2018/19, helping reduce the historic deficit in High Needs, plus another £1m for 2019/20, helping fund more of the pressures identified in the High Needs budget for that year.</p> <p>The key papers submitted to Schools Forum on 16th January 2019 are provided as appendices for reference:</p> <ul style="list-style-type: none"> • Appendix A.1: DSG Overview, explaining the latest budget monitoring position for 2018/19 and an update on the implementation of the agreed strategy, now that the ESFA has confirmed the available DSG for 2019/20. Schools Forum had given conditional consent to permit further transfers to the High Needs block if the Growth Fund in the Schools Block allocation was greater than £3.9m. This would have been conditional on the Secretary of State for Education's approval, but the Growth Fund allocation was £3.9m, so no additional funds are available to transfer. • Appendix A.2: Schools Block, which sets out how much funding is available and how it should be distributed through the funding formula for mainstream schools. The funding allocations for mainstream schools are paid directly to them each month; the funding allocations for academies and free schools are recouped by the Education and Skills Funding Agency from the DSG before it is received by the City Council. 			

- **Appendix A.3: Central School Services Block**, which includes the proposed use of the available funding, subject to the explicit approval of Schools Forum.
- **Appendix A.4: High Needs Block**, which includes the proposed allocation of available funding, after transfer of £2.566m into High Needs from other blocks. This is estimated to be insufficient to cover estimated commitment at existing rates, with existing policies; a cumulative deficit of £3.3m is estimated by the end of March 2020. A short-term deficit is possible, but there are risks that it may either grow or become difficult to recover without impacting on services. Transfers from other blocks have been possible because of fortuitous circumstances for Growth Fund and ceased central commitments, neither of which is likely to be available for much longer.

In order to fund the High Needs Budget in the short-term, the recommendation is to plan to use High Needs DSG from 2020/21 in advance to cover the in-year shortfall. This is permissible under the DSG regulations, but it does not address the underlying shortfall in the High Needs DSG. The High Needs budget is expected to operate under current policies and current rates of funding for schools. Expected changes in demand have been factored in. This will prevail until the High Needs Transformation programme recommends any changes. This would suggest that the forecast spend of £58.2m on High Needs is the best estimate currently, regardless of what figure is agreed as the formal budget for the year. So, £3.3m cumulative deficit is the expected position at March 2020, with or without the use of future DSG.

Using future DSG does have a particular advantage, however, in that DfE officials have indicated that they may be looking to re-baseline the High Needs budget. If they were to do that, budgets that reflected the expected spend of £58.2m would put Bristol in a better place than only budgeting for the funding that currently exists.

The strategy for addressing the High Needs deficit is three-fold:

- a) Officers and Members continue to lobby central government on the budget pressures in the high needs budget. The additional £1m provided to Bristol through higher High Needs DSG in each of 2018/19 and 2019/20 is an indication that central government are listening to the calls for more funding. A possible, part-solution to assist further would be a re-basing of the high needs budget to reflect local spending levels (as happened during 2016/17).
- b) A high needs transformation programme has begun, with four constituent projects: top-up funding; alternative provision; hospital education; and support services. Initial public engagement took place between 30th November 2018 and 13th January 2019. Proposals will be developed and become the subject of further consultation before final recommendations are brought before Members. These are focussed on how best to improve outcomes for children and young people, but may result in lower spend over time, if investment is made in activities most likely to promote such outcomes. The programme will include a review of the educational provision, training provision and social care provision for children and young people in Bristol who have special educational needs or a disability and as part of that review all relevant people will be consulted in accordance with section 27(3) Children and Families Act 2014.
- c) Officers will continue to look for all opportunities to transfer funding from different blocks or funds to support the High Needs budget.

It remains an option for Members to provide additional funding to the DSG, but the Department for Education is clear that this is a ring-fenced grant with no obligation on authorities to supplement it from other funding sources. The additional funding provided by DfE in December 2018 would indicate that central government recognises that there is a funding issue and further lobbying may see more DSG forthcoming. It is open to Members to consider this at year-end as well as at budget setting.

Taken as a whole, these possibilities may not fully address the historic deficit or any on-going shortfall in the High Needs Block in the medium term; many elements are not in the council's control.

- **Appendix A.5: Early Years Block**, which confirms the basis for distributing funding to settings for 2019/20 financial year and the plans for spending the limited amount of central Early Years DSG. It is proposed (following consultation with all settings) to continue with the local maintained nursery supplement for another year at a cost of £0.517m. This would be funded from expected underspends within the Early Years DSG in 2018/19. A further candidate for unspent Early Years DSG was to increase rates for SEN support for Early Years settings at a cost of £0.2m. This option remains, but needs to be considered as part of the High Needs Transformation Programme and there needs to be more certainty that sufficient unspent Early Years DSG is available. This matter is expected to be concluded immediately after year-end (April / May 2019).
- **Appendix A.6: Growth Fund**. Schools Forum had expressed a view that the Growth Fund, which provides temporary additional funding to existing schools which are expanding at the request or with the consent of the local authority, should be limited to funding Bristol resident pupils only. Schools Forum's role is to accept or reject the policy put forward by the council. The council would usually expect to take School Forum's lead on school funding matters. In this case, however, there is concern that not funding non-resident pupils would adversely affect church and single sex schools in particular. This could be perceived as discriminatory. It would mean that schools were only part-funded for expansions that the LA had endorsed. It would lead to a policy stance which other LAs have not taken. For these reasons, the proposal to Schools Forum is to leave the policy as it has been for 2018/19.

In summary, the Schools Budget for 2019/20 is proposed to be as per **Table 1**.

DSG Blocks	DSG Budgets 2018/19 (P7) £m	Reversal of one-off transfers in 2018/19 £m	DfE notified changes for 2019/20 £m	Total DSG notified by DfE December 2018 £m	Transfers between blocks 2019/20 £m	Allocations from underspend or future years DSG £m	Proposed Schools Budget 2019/20 £m
Schools block	253.423	-1.400	9.422	261.445	-2.000	0.000	259.445
Central school services block	2.262	+0.566	0.067	2.895	-0.566	0.000	2.329
High needs block	54.471	-3.448	2.191	53.214	2.566	2.407	58.187
Early Years baseline (Provisional)	36,600	0	-0.167	36.433	0	0.517	36.950
Total	346.756	-4.282	11.513	353.987	0.000	2.924	356.911
Funded from							
Estimated brought forward DSG surplus from 2018/19 (Adjusted Period 7 forecast)							-397
DSG advised by ESFA up to 19 th December 2018							-353.987
Estimated carry-forward DEFICIT at end of 2019/20 (if spend is at budget level)							-2.527
Total							-356.911

Cabinet Member Recommendations:

It is recommended that

1. Schools Block (detail in Appendix A.2 and Growth Fund (detail in Appendix A.6)
 - a. the Schools Block budget be set at £259.445m for 2019/20, as per Table 1 above, after £2m of the overall Schools Block DSG has been transferred to the High Needs Block;
 - b. the basis for distributing the funding to mainstream schools be as set out in the Schools Block

- report to Schools Forum (Appendix A.2)
- c. the Growth Fund for established schools expanding in September 2019 be set at £1.6m (a component of the total Schools Block budget);
 - d. the Growth Fund policy be no different to that which operated in 2018/19 (Appendix A.6)
2. Central School Services Block (detail in Appendix A.3)
 - a. Subject to Schools Forum agreement, the Central School Services Block budget be set at £2.329m for 2019/20, after £0.566m is transferred to the High Needs Block.
 3. High Needs Block (detail in Appendix A.4)
 - a. The High Needs Block budget be set at £58.187m for 2019/20 as per Appendix A.4.2, after receiving transfers of £2.566m from other blocks and bringing forward £2.407m DSG from future years;
 - b. Members note that this level of budget is estimated to lead to a cumulative deficit in the High Needs Block in the region of £3.3m by the end of March 2020.
 - c. Members agree that the current strategy for addressing the deficit is: a) to lobby central government to ensure that sufficient resource is provided for High Needs in Bristol; b) to work with stakeholders to identify service improvements through the High Needs Transformation Programme; and c) to continue to look for opportunities to transfer resource to High Needs from other blocks and funds.
 4. Early Years Block (detail in Appendix A.5)
 - a. the Early Years Block budget be set at £36.950m for 2019/20 (including £0.517m to be applied from unspent Early Years DSG in either 2018/19 or 2019/20), noting that spend and DSG income will vary up or down, according to participation levels in each of the three terms;
 - b. Funding for Early Years should be distributed in line with the arrangements explained in the Early Years report to Schools Forum (Appendix A.5), including the continuation of local maintained nursery school factor.
 - c. Members note that a decision on changes to the Early Years SEN hourly rates be considered as part of the High Needs Transformation Programme.
 5. Overall position
 - a. Members note that school balances are expected to be in the region of £5m at the end of 2018/19, with 14 of 75 maintained schools in deficit, and the DSG position is currently expected to underspend by £0.397m for 2018/19.

Corporate Strategy alignment: Funding schools and educational provision appropriately is part of the Fair and Inclusive theme in the Corporate Strategy.

City Benefits: The financial strategy aims to use available funding for education to best effect, by distributing resource for early years providers, maintained schools, academies and free schools fairly and sustainably in partnership with Schools Forum.

Consultation Details: Appendix B sets out summary information (with reference to the source of more detailed information) on three consultation exercises relevant to this paper:

- Consultation with schools on Schools Block activities for 2019/20, with respect to transfers, funding formula and de-delegated items;
- Consultation with Early Years settings on funding proposals and priorities for 2019/20; and
- Public consultation on the Council’s Budget for 2019/20, which only indirectly affected the DSG.

Revenue Cost	£356.9m	Source of Revenue Funding	Dedicated Schools Grant unspent 2018/19 £0.4m Dedicated Schools Grant 2019/20 £354.0m Dedicated Schools Grant 2020/21 in advance £2.5m
Capital Cost	£Nil	Source of Capital Funding	N/A
One off cost <input type="checkbox"/>	Ongoing cost <input checked="" type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice:

This is a financial report. The plans for the DSG for 2019/20 acknowledge that existing commitments for the High Needs Block exceed the available funding and if spending is as forecast, a deficit on the High Needs part of the DSG would reach £3.3m by the end of March 2020. The recommendations include the use of 2020/21 High Needs DSG in advance to allow the forecast spend to be fully budgeted. This would be the basis of reporting the budget to the Department for Education and would put Bristol in a suitable place should the DfE choose to undertake any sort of re-baselining exercise during 2019/20.

The strategy for addressing the historic deficit and the on-going shortfall in the High Needs DSG is set out. There are no guarantees that lobbying will be successful. The High Needs Transformation Programme is at an early stage and it is difficult to know what impact this will have on underlying levels of spending (and when). The opportunities for transferring resources between DSG blocks in the future may be fewer than those which have existed previously: growth funding will reduce further in 2020/21 and the uncommitted central services funding for ceased historic activities is expected to be removed at a future point. The strategy will need to be kept under review and changes may be needed if the forecast deficit were to grow.

Otherwise, the proposals set out are based on the terms and conditions of the Dedicated Schools Grant and the guidance issued by the Department for Education and the Education and Skills Funding Agency.

Finance Business Partner: David Tully, Finance Business Partner, ACE 11th January 2019

2. Legal Advice: Consultation has taken place with schools and early years settings in relation to the decision to be taken. Consultation has also taken place with the public as to whether, if Council Tax were raised by 4% the additional funds should be used to increase the DSG.

The responses to the consultation must be taken into account by Cabinet when taking the decision. Cabinet should also be satisfied that proper consultation has taken place in that (i) proposals were consulted on are at a formative stage (ii) sufficient reasons have been given for the proposals and (iii) adequate time has been allowed for consideration and response. Appendix B of this report sets out the process that was undertaken and how responses have been taken in to consideration by officers when developing their proposals for final decision.

The matters which Cabinet is required to take into account include the following:-

(1) The Public Sector Equality duty which requires the decision maker to consider the need to promote equality for persons with “protected characteristics” and to have due regard to the need to i) eliminate discrimination, harassment, and victimisation; ii) advance equality of opportunity; and iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it.

The Equalities Impact Assessment provides an analysis for this purpose. A decision can be made where there is a negative impact if it is clear that it is necessary, it is not possible to reduce or remove the negative impact by looking at alternatives and the means by which the aim of the decision is being implemented is both necessary and appropriate. It sets out the adverse impact and benefits of the recommendations to those with protected characteristics.

(2) Section 11 of the Children Act 2004 which says that in taking decisions such as the one now before Cabinet, members must have regard to the need to safeguard and promote the welfare of children.

Legal Team Leader: Sarah Sharland Litigation Regulatory and Community Team 14th January 2019

3. Implications on IT: There are no direct or identifiable IT implications in this report.

IT Team Leader: Ian Gale, 11th January 2019

4. HR Advice: As the proposals are set out in the Schools Forum report, there are no current HR implications for Bristol City Council employees. However, once the proposals have been agreed and implementation plans are in place we will need to revisit the plans and assess the impact of any changes to services that may affect our employees.

HR Partner: Lorna Laing, HR Business Partner, 14th January 2019

EDM Sign-off	Jacqui Jensen / Alan Stubbersfield	14 th January 2019
---------------------	------------------------------------	-------------------------------

Cabinet Member sign-off	Cllr Craig Cheney and Cllr Anna Keen	14 th January 2019
CLB Sign-off	Denise Murray	
For Key Decisions - Mayor's Office sign-off		14 Jan 2019

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	YES
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Combined Background papers	
Appendix J – Exempt Information	NO
Appendix K – HR advice	NO
Appendix L – ICT	NO