

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**DATE:** 18 January 2022

<b>TITLE</b>	Dedicated Schools Grant (DSG) 2022/23 Budget Proposals		
<b>Ward(s)</b>	ALL		
<b>Author:</b> Angel Lai	<b>Job title:</b> Finance Manager – Education and Children’s & Families		
<b>Cabinet lead:</b> Cllr Craig Cheney and Cllr Asher Craig	<b>Executive Director lead:</b> Denise Murray, Director of Finance,		
<b>Decision maker:</b> Mayor <b>Decision forum:</b> <i>Cabinet</i>			
<b>Timescales:</b>			
<b>Purpose of Report:</b> This report sets out the proposed use of the DSG and how associated grants are to be applied during 2022/23. The Bristol Schools Forum 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. Schools Forum has some responsibilities to determine a small number of specific budgets and the 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 the Council.			
<b>Evidence Base:</b> Officers have presented papers to Schools Forum and have consulted with schools and settings to consider the methodology for distributing the funding available for 2022/23 and addressing the financial issues facing Bristol schools, including academies and the pressure in the High Needs Block. This paper reflects the strategy that has been agreed with the Schools Forum in the context of the available funding for 2022/23.  In December 2021, the final allocations of DSG from the ESFA took account of a net 133.5 more pupils in October 2021 (increase of 641 secondary @ £6,168, offset by reduction of 507.5 primary @ £4,071), compared to October 2020. The overall increase in the DSG for 2022/23 is £13.3m. The Growth Fund allocation of £1.9m for 2022/23 is further reduced from the 2021/22 allocation of £2.3m and the confirmed funding for High Needs is £75.5m (£68.3m in 2021/22).  Officers must submit to the Education and Skills Funding Agency (ESFA) formula driven allocations for mainstream schools by 21 January 2022, which may be subject to ratification or amendment by Cabinet and Council. Schools Forum met to consider the same issues at its meeting on 13 January 2022 and any feedback from that meeting will be conveyed to Cabinet Members, prior to the Cabinet meeting.  Officers must publish funding rates for Early Years settings as well as publish allocations to maintained schools no later than 28 February 2022.  The key papers submitted to Schools Forum on 30 November 2021 and 13 January 2022 are provided as appendices for reference:			
<ul style="list-style-type: none"><li>• <b>Appendix A1: DSG Budget Monitor</b>, explaining the latest budget monitoring (at Period 8) position for 2021/22.</li></ul>			

- **Appendix A2: DSG 2022/23**, Details the 2022/23 funding levels, discusses the use of the four DSG blocks in 2022/23, the transfer of funding from Schools Block to High Needs Block and the use of the Central Services Block for 2022/23. Further detail on the High Needs Block and Early Years is provided below. Use of the Schools Block is covered in more detail in Appendix A3.
- **High Needs Block**, The High Needs Block has received another substantial increase in funding (10.5%) but this block continues to be under pressure. The current level of spending in 2021/22 indicates that the increased allocation will not cover spending at the same level as this year and does not provide sufficient funding for growth, additional needs or historic shortfalls. This is likely to result in a further deficit in the DSG.

The ESFA's Schools Revenue Funding Operational Guide allows the transfer of up to 0.5% in 2022/23 from the Schools Block to other blocks with Schools Forum approval and we are utilizing this flexibility. For the 2021/22 budget, £1.4m and £0.147 was respectively transferred from the Schools Block and Central Services Block to the High Needs Block, and this funding is being used to partly fund the Education Transformation Programme. The main aim of this programme is to address the findings of the OFSTED inspection, deliver the commitments in the Written Statement of Action and support a sustainable service.

Schools Forum have agreed to a transfer for 2022/23 (£1.531m), this funding will be ring fenced to support the continuing High Needs transformation programme with clear and transparent reporting to Schools Forum on the use of this fund. The continuation of the Transformation Programme will be focused on the continuing improvement in SEND provision, with particular focus on sustainable school-led programmes and addressing the deficit in the High Needs Block. The DSG Deficit Management Plan is an iterative document which will continue to be updated throughout 2022-23 and beyond presented to Schools Forum on a termly basis.

It is noteworthy that 2022/23 may be the last year that this flexibility will be allowed as the DfE has consulted on the introduction of the Hard National Funding Formula from 2023/24 which would remove local flexibility.

- **Early Years Block**, The government funding announcement contained details of the rates of funding that will be received, with no change in the rate for 3 & 4 year' old (at £5.69) and an 21p increase in the rate for 2 year old. This means that the rate paid to providers will remain the same for 3 & 4 years' old at £4.88 and the rate for 2 year' old will increase from £5.56 to £5.80 (i.e. BCC are passing through the full increase received from the DfE). Following consultation with the sector, we will continue to use the existing methodology for the deprivation and quality supplements; and maintaining the EY SEN rate for 2022/23. The allocation and budget for Early Years is still indicative at this stage as the majority of funding will be based on census data from January 2022 and January 2023, and as such the actual amounts will be updated through the year.
- **Appendix A3: Schools Block** 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 Council. The paper also recommends the creation of a Growth Fund of £2.0m.
- The DSG allocation budget for 2022-23 is summarised in Table 1 below:

Table 1 - 2022/23 DSG allocations as at December 2021	Balance brought forward from 2021/22 (forecast)	2022/23 DSG allocation	Movement between blocks	Final DSG budget 2022/23	Estimated spend 2022/23	Carry forward balance at end of 2022/23
	£m	£m	£m	£m	£m	£m
Schools block	(1.714)	(306.192)	1.531	(304.661)	304.661	(1.714)
De-delegation	(0.553)			(0)	0.553	0
Central Services Block	0	(2.742)	0.000	(2.742)	2.742	0
High Needs Block	28.898	(75.523)	(1.531)	(77.054)	90.379	42.223
Early Years	0.147	(34.388)		(34.388)	34.707	0.466
<b>Total</b>	<b>26.778</b>	<b>(418.846)</b>	<b>0</b>	<b>418.846</b>	<b>432.489</b>	<b>40.975</b>

**Appendix A4: DSG Management Plan Update**, Local Authorities with an overall deficit on their DSG account at the end of a financial year must be able to present a plan to the DfE for managing their future DSG spend. The ESFA have designed a template to help local authorities manage their DSG and Bristol is using the template. Two iterations of the plan were presented and noted by the Schools Forum. This latest iteration (reports an unmitigated deficit of £89.1m and mitigated forecast deficit of £48m) has not been shared with the Forum at the time this paper was submitted to the Cabinet. Mitigations identified are at a very early stage, could be subject to change following further consultation and due diligence and as such will not have a material impact in 2022/23. The mandatory Deficit Management Plan, which is in production, will set out how the deficit will be managed and reduced in the longer term.

The Schools Forum will be updated orally at the January 2022 meeting, and a full management report with mitigation plans is due to be presented to Schools Forum at the end of March 2022. The DSG management plan submitted to November 2021 Schools Forum can be accessed via [Nov2021 DSG Mgt Plan](#) for information.

- **Statutory Instrument (SI) No. 12 of 2020:** The then Secretary of State for Housing, Communities and Local Government laid the statutory instrument (SI) no 1212 before Parliament on 6 November 2020 and it came into force on 29 November 2020. The impact of the SI is to amend the current accounting regulations to allow all DSG deficits to be carried over in a separate dedicated account and therefore not a charge to the Council's revenue account for the term of the override. The SI is time-limited and only applies to accounts for the years ended 31 March 2021, 2022 and 2023. The rationale being that the SEND Review would have concluded, recommendations implemented and most of the issues leading to the deficits would have been resolved on or before the end of 2022/23 financial year. The SEND Review and the revisions to the SEND Code of Practice have been delayed, narrowing the timeline between the SI expiry and resolution to these historic issues.
- There is no statutory undertaking to underwrite this deficit and currently no arrangements in place to extend the SI beyond 2022/23. The forecast DSG deficit for 2021/22 is £26.7m with the potential to increase to £41.0m by March 2023. The implication is that if the period of the SI is not extended by government or additional funding provided to address the accumulated historic deficits, the Council would have to ensure there are adequate usable reserve to cover any DSG deficit when preparing the Council's accounts.

#### Cabinet Member Recommendations:

#### Cabinet to approve the following

##### 1. Schools Block (detail in Appendix A3)

- a. the Schools Block budget be set at £304.661m for 2022/23, as per Table 1 above
- b. £1.531m of the overall Schools Block DSG is transferred to the High Needs Block and earmarked to support the Education Transformation programme
- c. the basis for distributing the funding to mainstream schools be as set out and agreed by Schools

Forum (Appendix A.3)

- d. the Growth Fund for established schools expanding in September 2022 be set at £2.0m (a component of the total Schools Block budget)

**2. Central School Services Block (detail in Appendix A.2)**

- a. Following Schools Forum agreement, the Central School Services Block budget is set at £2.742m for 2022/23.

**3. High Needs Block (detail in Appendix A2)**

- a. The High Needs Block budget be set at £77.054m for 2022/23 as per Appendix A2, after receiving transfers of £1.531m from Schools Block noting that this level of budget is estimated to lead to a cumulative deficit in the High Needs Block in the region of £41m by the end of March 2023.

**4. Early Years Block (detail in Appendix A2)**

- a. the Early Years Block budget be set at £34.388m for 2022/23, noting that spend and DSG income will fluctuate, according to participation levels in each of the three school terms.  
b. Funding for Early Years should be distributed in line with the arrangements explained in report to Schools Forum (Appendix A2).

**Cabinet to note the following:**

**5. Overall position**

- a. Members to note 2022-23 DSG overall allocation is £418.846m, an uplift of £13.257m or 3.3% from the previous year.  
b. Education Service will continue to work with the Schools Forum and respective Task and Finished Group (High Needs Task and Finish Group; Early Years Task and Finish Group) and via Transformation Programme to explore sustainable mitigation options to get back to affordable budget position over the medium term.

**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:**

- Consultation with schools-on-Schools Block activities for 2022/23, with respect to transfers, funding formula and de-delegated items took place in October/November 2021 and the results of this informed the Schools Forum discussions in November 2021 and January 2022. Further details on consultation outcome is available in Appendix 2 and Appendix 3.
- Early Years settings were consulted on the basis of the EYNFF in December 2021, and results were considered at Schools Forum on 13 January 2022 when agreeing the EYNFF rates and Early Years Block budgets for 2022/23.

<b>Revenue Cost</b>	<b>£418.846m</b>	<b>Source of Revenue Funding</b>	Dedicated Schools Grant 2022/23
<b>Capital Cost</b>	<b>£Nil</b>	<b>Source of Capital Funding</b>	N/A
<b>One off cost</b> <input type="checkbox"/>	<b>Ongoing cost</b> <input checked="" type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input type="checkbox"/>

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

**1. Finance Advice:**

The plans for the DSG for 2022/23 acknowledge that demands upon the High Needs Block exceed the available funding and if spending is as forecasted, the in-year deficit on the High Needs part of the DSG would reach £13.3m by the end of March 2023 and accumulated DSG deficit of c.£41m.

The High Needs Transformation Programme is continuing, and the mitigation identified are at a very early stage, could be subject to change following further consultation and due diligence and as such are not assumed to have a

material impact in 2022/23. The mandatory Deficit Management Plan, which is in production, will set out how the deficit will be managed and reduced in the longer term. The opportunities for transferring resources between DSG blocks in the future may be non-existent after 2022/23 and hence the continuing funding of transformation programme. Growth fund has remained the same in 2022/23 and the central services funding for ceased historic activities has now stopped. The strategy will need to be kept under review and changes may be needed if the forecast deficit were to grow.

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:** Angel Lai, Finance Manager 05 January 2022

**2. Legal Advice:**

As outlined within Appendix 2 and Appendix 3, the report confirms consultation has taken place with schools and early years settings and the Schools Forum in relation to the decision to be taken.

The responses to the consultation including the report from the Schools Forum 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.

Cabinet must also consider 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 and should be carefully considered by Cabinet in making decisions.

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.

Section 11 of the Children Act 2004 requires Cabinet to ensure that when taking decisions affecting children they have regard to the need to safeguard and protect them and promote their welfare. The Equalities Impact Assessment provides an analysis of the impact on children and should be carefully considered by Cabinet in making decisions.

**Legal Team Leader:** Husinara Jones, Team Leader/Solicitor 06 January 2022

**3. Implications on IT:** No anticipated impact to IT Services

**IT Team Leader:** Gavin Arbuckle 6/01/2022

**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:** Mark Williams 6/01/2022

<b>EDM Sign-off</b>	Hugh Evans	7 January 2022
<b>Cabinet Member sign-off</b>	Cllr Craig Cheney / Cllr Asher Craig	7 January 2022
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	7 January 2022

<b>Appendix A – Further essential background / detail on the proposal</b>	<b>YES</b>
<b>Appendix A – Details of consultation carried out - internal and external</b>	<b>YES</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities impact assessment of proposal</b>	<b>YES</b>

<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>NO</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Combined Background papers</b>	<b>NO</b>
<b>Appendix J – Exempt Information</b>	<b>NO</b>
<b>Appendix K – HR advice</b>	<b>NO</b>
<b>Appendix L – ICT</b>	<b>NO</b>