

Bristol Schools Forum

The Dedicated Schools Grant (DSG) Management Plan Update

Date of meeting:	Tuesday 27 th September 2022
Time of meeting:	5pm
Venue:	City Hall
Officer Presenting the report:	Coral Miller

1. Purpose of report

1.1. The purpose of the report is to update Bristol Schools Forum on the refreshed DSG Deficit Management Plan (“the Plan”).

2. Recommendation(s)

2.1. Schools Forum is invited to:

- note the update to the Plan;
- feedback and comments as appropriate; and
- note the Plan will be presented to Schools Forum, High Needs and Early Years subgroups regularly and at least on a termly basis.

3. Background and context

DSG Current Position

3.1. The High Needs Block (HNB) element of the DSG carried forward a cumulative deficit of £24.6 million from 2021/22. The 2022/23 Period 5(Quarter 2) forecast position against the DSG is an in-year deficit of £ 19.9 million which is mainly due to a deficit in the HNB. This brings the cumulative forecast deficit position to £44.5 million.

3.2. The cumulative deficit of £44.5 million is mainly due to increased demand for Special Educational Needs provision within the HNB. The main cost driver is the rise in demand for Education, Health and Care plans (EHCPs) following national reforms from 2014, increasing complexity of children’s needs and the rising costs of out of authority placements. Demand continues to increase and despite additional funding from the Department for Education (DfE), it has not been possible to recover the deficit which began to accelerate in 2019/20. A longer-term plan is required, and the evolving Education Transformation Programme aims to improve the experiences and outcomes of children and young

people, enable need to be met in a sustainable manner and address the increasing financial challenges for the local authority.

National Context

- 3.3. Any local authority that has an overall deficit on its DSG account at the end of the 2021 to 2022 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the DFE in handling that situation. The ESFA have designed a template to help local authorities manage their DSG and Bristol is using this template.
- 3.4. The Plan is intended to help LAs to develop evidence-based and strategic plans covering the provision available for children and young people with special educational needs and disabilities. Completion of the Plan will enable us to comply with the DFE requirement in Paragraph 5.2 of the Condition of the DSG Grant, see below an extract from the Grant conditions:

Further conditions relating to DSG overspends and deficits

In particular, the authority must:

- provide information as and when requested by the department about its plans for managing its DSG account in the 2022 to 2023 financial year and subsequently
- provide information as and when requested by the department about pressures and potential savings on its high needs budget
- meet with officials of the department as and when they request to discuss the authority's plans and financial situation
- keep the Schools forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings

- 3.5. The ESFA expect the plan to be updated and presented at Schools Forum meetings and any subgroups regularly and at least on a termly basis. The ESFA recognize that the management of DSG balances, both bringing spend in line with income and repaying deficits, will take time for some LAs. The template has therefore been developed in such a way that it is intended to be a live document and able to readily track progress. In summary, the Plan is:

- a needs-led tool to aid LAs' management of the DSG
- a DfE requirement for LAs with DSG deficits
- a means of sharing complex information with a range of stakeholders
- a live document that will constantly develop and change

- 3.6. The SEND Review was published as a Green Paper March 22 paving the way for legislative change. The review recognised that alternative provision is increasingly being used to supplement the SEND system and the SEND and alternative provision Green Paper will look at several key areas in the system that need

change and make proposals for that change. These include national standards; role of schools (mainstream and AP) and early years; education, health and care plans; accountability and metrics and delivery support.

- 3.7. The consultation called “SEND Review: Right support, right place, right time”. sets out proposed reforms to the SEND and alternative provision (AP) system that seek to address three key challenges:
1. Navigating the SEND system and alternative provision is not a positive experience for too many children, young people and their families.
 2. Outcomes for children and young people with SEND or in alternative provision are consistently worse than their peers across every measure.
 3. Despite the continuing and unprecedented investment, the system is not financially sustainable.
- 3.8. The outcome of the Green Paper and consultation is likely to have an impact on the current Management Plan and any changes will be refreshed accordingly and presented to the Schools Forum.
- 3.9. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, allows authorities to hold DSG deficits in a separate reserve in the authorities accounts but this accounting treatment is only allowed up to and including the accounts for 2022/23. Due to a number of authorities still holding large DSG deficits, further guidance is expected from the DfE regarding how DSG deficits should be treated after 2022/23.

4. Development since March 2022

- 4.1. The DSG Management Plan presented to the Schools Forum in March 2022 showed a forecast deficit of £85.5million, as at the end of 2027/28 the forecasted unmitigated deficit is now projected to be approx. £128.3million which is an increase in expenditure of approx. £42.8million.
- 4.2. The £42.8million increase due to growth. There was an assumption in the March 2022 forecast, that the effect of Covid and the additional funding from the Department of Education (DFE) would start to show a reduction in expenditure however the growth in Special educational needs in Bristol has offset these benefits significantly and reductions due to Covid are yet to materialise and intervention activity may be required to turn the curve.
- 4.3. The Plan has been updated to reflect further guidance from the DfE concerning the rate of growth to build into the financial model for future years. The assumption is that the HNB income will increase by 14.4% in 2022/23, 5% in 2023/24 and 3% for subsequent years thereafter.
- 4.4. The latest assessment assumes an average growth in expenditure of 33.3% since the March 22 report; as part of the Education Transformation programme a range

of cost avoidance measures and mitigations are being explored to meet the current and future need and recovery of the High needs block which currently has the biggest effect on the DSG overspend. These remain in their infancy and are covered in more detail within DSG Mitigations report on this agenda.

4.5. The working assumption is that the indicative cost avoidance measures and mitigations ranges from £3.0million in 2023/24 to £12.6million by 2027/28. We recognize that these measures are options and if supported would not be sufficient to deliver a balanced plan but are the first financial recovery step in this long-term journey.

4.6. The summary table below from the DSG Management Plan shows the mitigated and unmitigated position as at Period 5 (Quarter 2). Full schedule is in Appendix A. Please note that DSG mitigation figures shown are indicative only and subject to extensive consultation and iterative equality impact assessment.

DSG Management Plan estimates and indicative Mitigations Summary

For illustration purposes only

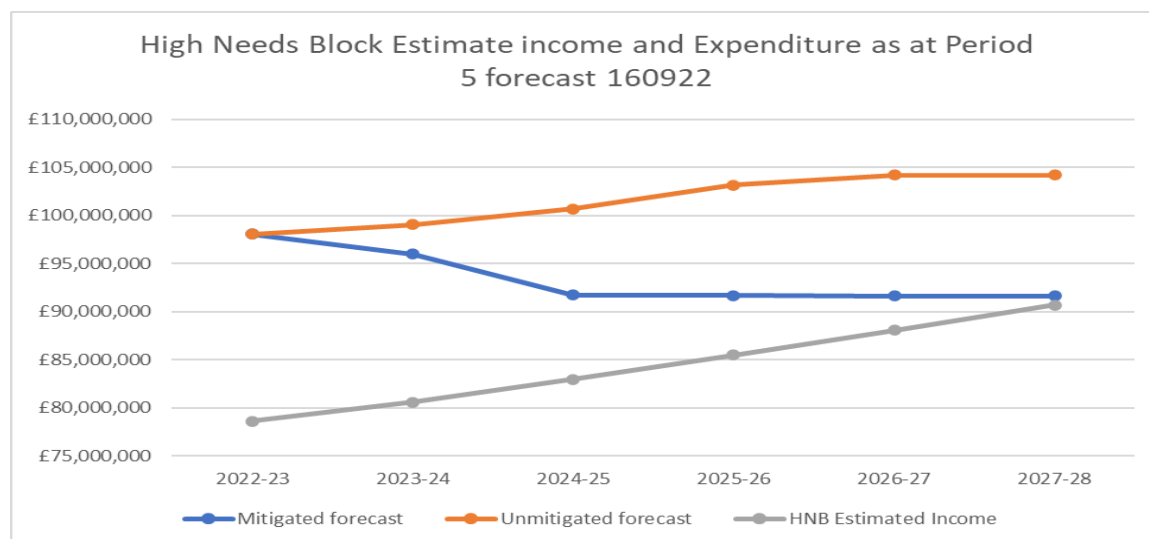
As at 140922 - Period 5/Quarter 2

Overall DSG position (pre recoupment total) Income/surplus should be shown as negative	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
Carried Forward Unmitigated deficit	£24,650	£44,556	£63,177	£80,871	£98,579	£114,732
Total expenditure	£443,435	£460,570	£464,887	£467,391	£468,399	£468,399
Total income	£423,529	£441,948	£447,193	£449,683	-£452,247	-£454,888
Funding Gap	£44,556	£63,177	£80,871	£98,579	£114,732	£128,242
Carried Forward Indicative proposals			-£3,075	£12,040	-£23,512	-£36,086
Annual Indicative Proposed Mitigations	£0	-£3,075	-£8,965	£11,473	-£12,574	-£12,574
Funding Gap after mitigations applied	£44,556	£66,251	£68,832	£75,067	£78,645	£79,582

Footnote: The funding assumptions may vary as a result of the Changes in Government, Cabinet and the SEND Green Paper and the indicative cost avoidance measures and mitigations are estimates only and may be subject to change following consultation and further due diligence.

The Chart below illustrates, the do-nothing unmitigated position, indicative mitigations forecast and the forecasted DSG income and shows the potential for narrowing the gap.

The Chart



5. Risks and Challenges

5.1. The forecast presented above contain some risks and challenges, examples of which are outlined below:

- Ofsted re-inspection may highlight new areas to address (as inspection framework is tightened and strengthened)
- The risk is that some of the proposed mitigations may not deliver a financial benefit and extensive growth within this area may outweigh the financial benefit of the mitigations that are implemented.
- Higher than expected increase in Education Health and Care plans.
- Cost of living crisis.

6. Opportunities

6.1. The opportunities within the current system are summarized below:

- Delivering Best Value (DBV) - the council has been accelerated to Tranche 1 of the programme and the engagement has commenced. This means that the DFE will provide support and challenge to the local authority on the Plan and more specifically the indicative mitigations.

- Change in Prime Minister and Cabinet and potential for additional income in the autumn budget.
- Proactive Schools Forum engagement via Early Years and High Needs Working Groups and key stakeholders.
- SEND Reviews delivers policy reform with positive impact and needs based funding methodologies.

7. High Needs & Early Years Funding Task & Finish Groups

7.1. Two Task & Finish Groups continued to meet throughout the summer has provided invaluable support, challenge and input into shaping the latest forecast.

8. Equalities Impact Assessment

8.1. The Plan has been developed in order to improve outcomes for children and young people and achieve financial sustainability. The proposals support the needs of children and young people with SEND to be met earlier through evidence based interventions and aim to reduce our reliance on high cost placements in the non-maintained and independent sector, by ensuring that children with SEND can get a good education at a school close to their home.

8.2. The proposals in this report are at varying degrees of development with some measures in their infancy. All measures have been subject to screening and officers have undertaken initial equality impact assessments (EQIA) and believe that there are no equality implications. The assessments will evolve as consultation and engagement continues and propositions are further developed. Links to the relevant EQIA will be in the Mitigation paper.

9. Financial Implications

9.1. No financial implications arise from completing the Plan template. It is, however, expected to be a valuable tool in developing an effective response to the DSG deficit recovery requirements. The road to financial recovery will become clearer and more specific as the Plan evolves.

9.2. The Council will continue to lobby central government for funding increases which properly match the levels of need in Local Authorities such as Bristol with the Deputy Mayor and Cabinet member with responsibility for Children's Services, Education and Equalities actively part of the lobbying process.