

Decision Pathway – Report Template



PURPOSE: Key decision

MEETING: Cabinet

DATE: 24 January 2023

TITLE	Dedicated Schools Grant (DSG) 2023/24 Budget Proposals	
Ward(s)	ALL	
Author: Angel Lai	Job title: Finance Manager – Education and Children’s & Families	
Cabinet lead: Cllr Craig Cheney and Cllr Asher Craig	Executive Director lead: Denise Murray, Director of Finance	
Decision maker: Mayor Decision forum: <i>Cabinet</i>		
Purpose of Report: The Dedicated Schools Grant (DSG) is the ring-fenced grant from Government that provides Local Authorities with an allocation of funding for schools and services for pupils. This report outlines the four blocks of the DSG, sets out the proposed use of the DSG and how associated grants are to be applied during 2023/24. Bristol’s 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. The 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.		
Evidence Base: The deadline for confirming schools budget shares to mainstream maintained schools is 28 February 2023 and Local Authorities should ensure that they have procedures in place to meet the requirement, including gaining political approval. Full Council will consider the 2023/24 budget resolutions on Tuesday 21 February 2023, which allocates resources to schools and other educational settings in accordance with the National Funding Formula and other locally agreed factors for schools and early years settings. There is an expectation in the annual budget that the cost of schools and educational settings will be contained within the level of the DSG, but a specific reserve has been created to support a deficit until 2025/26 if spending continues at the levels currently estimated without further external funding and/or if recovery plan activities do not deliver cost reductions. Officers have presented papers to Schools Forum and have consulted with schools and settings on the distribution methodology for the for 2023/24 funding, 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 and need for 2023/24. In December 2022, the final allocations of DSG from the ESFA took account of a net 438.17 more pupils in October 2022 (increase of 797.17 secondary @ £6,513.22, offset by reduction of 359 primary @ £4,946.84), compared to October 2021. The overall increase in the DSG for 2023/24 is £29.8m or 7%. The Growth Fund allocation of £2.2m for 2023/24 is an increase of £0.3m from the 2022/23 allocation of £1.9m and the confirmed funding for High Needs is £86.5m		

which is £8.0m or 10.2% increase from £78.5m allocation in 2022/23.

Officers must submit to the Education and Skills Funding Agency (ESFA) formula driven allocations for mainstream schools by 20 January 2023, which may be subject to ratification or amendment by Cabinet and Council. Schools Forum considered the issues at its meeting on 12 January 2023. Feedback from that meeting will be conveyed to Cabinet Members.

As outlined above, the council must publish funding rates for Early Years settings as well as publish allocations to maintained schools no later than 28 February 2023.

The key papers submitted to Schools Forum on 12 January 2023 are provided as appendices for reference:

- **Appendix A1: DSG Budget Monitor**, explaining the latest budget monitoring (at Period 8) position for 2022/23.
- **Appendix A2: DSG 2023/24** details the 2023/24 funding levels, discusses the use of the four DSG blocks in 2023/24, the transfer of funding from Schools Block to High Needs Block and the use of the Central Services Block for 2023/24. 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 (10.2%). This includes £3.3m which represents Bristol's portion of the additional £400m announced in the government's autumn statement. Even after allowing for this increase the High Needs block continues to be under pressure. The current level of spending in 2022/23 and extrapolated trends, 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 2023/24 from the Schools Block to other blocks with Schools Forum approval and we are utilizing this flexibility. For the 2022/23 budget, £1.5m was transferred from the Schools 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.

The Schools Forum has agreed to the 0.5% transfer for 2023/24 (£1.627m). This funding will be ring-fenced to support the continuing High Needs transformation journey with clear and transparent reporting to Schools Forum on the use of this fund. The continuation of the High Needs transformation journey 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 2023/24 and beyond, presented to Schools Forum on a termly basis.

Cabinet should note that 2023/24 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 (NFF) 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 6p increase in the rate for 3 & 4 year olds (at £5.75) excluding 5p uplift designated for Teachers Pay and Pension Grant, and a 9p increase in the rate for 2 year olds (at £5.89). This means that the rate paid to providers will increase by 6p for 3 & 4 year olds to £4.94 and the rate for 2 year olds will increase to £5.86. Following consultation with the sector which took place began in mid-November 2022 and ended on 30th December 2022, the council is passing through the full increase received from the DfE. It is recognised that this increase does not reflect the cost increases being experienced by the sector, highlighted in the feedback received from the consultation. We will continue to use the existing methodology for the deprivation and

quality supplements and maintaining the EY SEN rate for 2023/24. 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 2023 and January 2024, and as such the actual amounts will be updated through the year.

- **Appendix A3: Schools Block** sets out how much funding is available. Following consultation with schools, and endorsement from the Schools Forum, it sets out 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 2023/24 is summarised in Table 1 below:

Table 1: 2023/24 DSG allocations as at December 2022	Balance brought forward from 2022/23 (forecast)	2023/24 DSG Allocation	Movement between blocks	Final DSG budget 2023/24	Estimated spend 2023/24	Carry forward balance at end of 2023/24
	£m	£m	£m	£m	£m	£m
Schools Block	(0.557)	(325.478)	1.627	(323.851)	323.851	(0.557)
De-delegation	(0.504)	0	0	0	0	(0.504)
Central Services Block	0.008	(2.717)	0	(2.717)	2.709	0
High Needs Block	44.533	(86.504)	(1.627)	(88.131)	106.752	63.154
Early Years	(0.004)	(38.526)	0	(38.526)	38.743	0.213
Total	43.475	(453.226)	0.000	(453.226)	472.056	62.306

Cabinet should note that from the Mainstream Schools Additional Grant 2023-24 (MSAG) of £1.6bn announced in the Autumn Statement, Bristol's indicative allocation is circa £10.749m. School Level allocation will be confirmed in Spring 2023 and has not been included in Table 1. Neither is the impact of High Needs mitigation proposals, which was presented to Schools Forum, and has been subject to a separate engagement and could potentially reduce the cost base by up to £12m over the five-year period. These mitigation proposals, alongside other improvement opportunities; are currently still in development with the DfE DBV (Department of Education Delivering Better Value for SEND) programme, therefore an in-year deficit position of circa £18.830m is forecasted in 2023/24. Further details of DBV programmes is available in January 2023 Schools' Forum's paper via this link: [January 2023 SF papers](#)

In considering the DSG net carry forward deficit reserve, Cabinet should also note that Local Authorities maintained schools balances forecast position illustrated in Table 2 below is not included within Table 1 above.

Table 2: Bristol LA Maintained Schools 2022/23 forecast position	2022/23 Opening balance as at 01.04.2022 (+ve: deficit)	2022/23 in year forecast position	2022/23 forecast closing balance as at 31.03.2023	Total number of schools forecasting end of year cumulative deficit at 31.03.2023
Nursery	£5,192,472	£1,849,025	£7,041,497	11 out of 12
Primary	-£5,545,701	£2,374,632	-£3,171,069	5 out of 40
PRU / Special	-£1,849,781	£909,372	-£940,409	2 out of 6
Secondary	-£878,304	£339,547	-£538,757	0 out of 2
Total sum:	-£3,081,314	£5,472,576	£2,391,262	

As illustrated in Table 2, the main challenges are within maintained nursery schools (MNS). In order to support

developing sustainable operating models for MNS, the Early Years Service (EY) is working with nursery headteachers and governors to utilise funding de-delegated with agreement of Schools Forum in May 2022 from the EYs DSG carry forward surplus (£0.90m). The funding has been used to provide additional finance support as well as provide leaders with strategic support to develop and work towards implementing plans to improve the schools' financial sustainability. This work, in addition to the increase in the MNS supplement will begin to impact positively on the financial position of MNS in 2023/24.

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 has designed a template to help local authorities manage their DSG which Bristol is using. Two iterations of the plan were presented and noted by the Schools Forum. This latest iteration reports a five year cumulative unmitigated deficit of £128.242m in 2027-28 and mitigated five year cumulative forecast deficit of £79.582m. The DMP and Mitigations identified are in the process of being assessed and further developed, along with the DfE DBV programme and could be subject to change following further consultation and due diligence and as such will not have a material impact in 2023/24. The mandatory Deficit Management Plan, along with DfE DBV programme which is in production, will set out how the deficit will be managed and reduced in the longer term. Further details of the DfE DBV programme was shared with the Schools Forum in January 2023 in a separate paper and a full management report with mitigation plans will be presented to Schools Forum at the end of March 2023. The latest DSG management plan submitted to Schools Forum can be accessed via this link: [September 2022 SF](#)

- **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 at a charge to the Council's revenue account for the term of the override.
- The SI is time-limited and was due to end in March 2023, but has just been extended for a further three years to allow councils the short-term flexibility to implement changes to move High Needs to a sustainable position.
- There is no statutory undertaking to underwrite this deficit. If the period of the SI is not extended by government beyond 2026 or no additional funding is available to address the accumulated historic deficits, the Council would have to ensure there are adequate usable reserves to cover any DSG deficit when preparing the Council's accounts.

Cabinet Member Recommendations:

The Cabinet is asked to recommend the following proposals to full Council:

To approve 2023/24 DSG budget:

1. Schools Block (detail in Appendix A3)

- a. the Schools Block budget be set at £323.851m for 2023/24, as per Table 1 above
- b. £1.627m 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 2023 be set at £2.0m (a component of the total Schools Block budget).

2. Central School Services Block (detail in Appendix A2)

- a. Following Schools Forum agreement, approve the Central School Services Block budget is set at £2.717m for 2023/24.

3. High Needs Block (detail in Appendix A2)

- a. Approve the High Needs Block budget be set at £88.131m for 2023/24 as per Appendix A2, after receiving transfers of £1.627m 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 £62m by the end of March 2024.

4. Early Years Block (detail in Appendix A2)

- a. Approve the Early Years Block budget be set at £38.526m for 2023/24, noting that spend and DSG income will fluctuate, according to participation levels in each of the three school terms
- b. Approve the Funding for Early Years should be distributed in line with the arrangements explained in the report to Schools Forum (Appendix A2).

Cabinet to note the following:

5. Overall position - Note

- a. The 2023/24 DSG overall allocation of £453.226m, an uplift of £29.838m or 7.0% from the previous year.
- b. The Education Service will continue to work with the Schools Forum and the respective Task and Finish Groups (High Needs Task and Finish Group; Early Years Task and Finish Group) and via education transformation programmes such as the Belonging with SEND programme and DfE DBV Programme to explore sustainable mitigation options to bring the DSG budget to an affordable position over the medium term.
- c. Bristol Schools' Forum's (SF) feedback on 2023/24 DSG budget:
 - i. Whilst more funding is welcomed in the new financial year, Council are asked to note the substantial cost pressures in the sector and significant challenges in Early Years and High Needs.
 - ii. Continued concern from the SF regarding falling rolls in primary schools.
 - iii. Schools Block - moving towards hard National Funding Formulae (NFF) means further deviation from local priority factors such as AEN and a need seek a transition factor in implementing this approach.

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 2023/24, with respect to transfers, funding formula and de-delegated items took place in October/November 2022 and the results of this informed the Schools Forum discussions in November 2022 and January 2023. Further details on consultation outcome are available in Appendix 2 and Appendix 3.
- Early Years settings were consulted on the basis of the EYNFF in December 2022 and results were considered at Schools Forum on 12 January 2023 when agreeing the EYNFF rates and Early Years Block budgets for 2023/24.
- Key stakeholders, including parents and carers, have participated in an engagement exercise in October and November 2022 relating to the proposed mitigation themes identified within the updated DSG management plan shared with Schools Forum in September 2022. The online survey and detailed written responses will be used to shape and inform the proposals taken forward. Further detail will be shared with Schools Forum and stakeholders as plans are developed.

Revenue Cost	£453.226m	Source of Revenue Funding	Dedicated Schools Grant 2023/24
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:

The plans for the DSG for 2023/24 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 £18.6m by the end of March 2024 with an accumulated DSG deficit of circa £63m.

The education transformation journey is continuing, and the High Needs recovery plan including mitigations identified is currently in development alongside the DfE DBV programme, which could be subject to change following further consultation and due diligence and as such are not assumed to have a material impact in 2023/24. The mandatory Deficit Management Plan, along with DfE DBV Programme, 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 2023/24 and hence the continuing funding of transformation programmes. The Growth fund has remained the same in 2023/24 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 Manager: Angel Lai, 16 January 2023

2. Legal Advice:

The recommendations are lawful. 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 decisions to be taken in accordance with the requirements of the Schools Forums (England) Regulations 2012.

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.

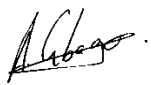
Legal Team Leader: Husinara Jones, Team Manager/Solicitor 16 January 2022

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

IT Team Leader: Alex Simpson 10/01/2023

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: James Brereton 11/01/2023

EDM Sign-off		Abi Gbago Executive Director 16 th January 2023
Cabinet Member sign-off	Cllr Craig Cheney / Cllr Asher Craig	16/01/2023
CLB Sign-off	CLB	10/01/2023
For Key Decisions - Mayor's Office sign-off	Mayor's Office	16/01/2023

Appendix A – Further essential background / detail on the proposal	YES
Appendix A – 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	NO
Appendix J – Exempt Information	NO
Appendix K – HR advice	NO
Appendix L – ICT	NO