

Bristol Schools Forum

## The Dedicated Schools Grant (DSG) Management Plan Update

<b>Date of meeting:</b>	Tuesday 26 <sup>th</sup> September 2023
<b>Time of meeting:</b>	5pm
<b>Venue:</b>	City Hall
<b>Author:</b>	Angel Lai / Satvinder Singh

### 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 DSG ended the 2022/23 financial year with an in-year deficit of £15.031m or a cumulative deficit of £39.681m including £24.650m deficit brought forward from the previous years.

3.2. The DSG is forecasting to overspend by £18.5m in 2023/24, which is broadly in line with £18.7m in-year forecast deficit position reported in July 2023. The main driver of forecast overspend is in High Needs top up and placements costs. As financial benefits from DSG transformation program are yet to be quantified, this is do nothing unmitigated position.

<b>Table 1 - Bristol Dedicated Schools Grant 2023/24</b>	<b>2022/23 b/f balance</b>	<b>Gross DSG funding / Budget 2023/24*</b>	<b>P05 Gross DSG forecast outturn</b>	<b>In-year variance as at P05</b>	<b>Cummulative c/f forecast position as at P05</b>
	<b>£'000</b>				
Schools Block	(787)	323,851	323,851	(0)	(787)
De-delegation	(527)	0	(1)	(1)	(528)
Central School services Block	8	2,717	2,709	(8)	(0)
Early Years	(605)	37,432	38,333	902	296
High Needs Block	42,520	86,675	103,221	16,546	59,067
High Needs Transformation	(928)	1,627	2,677	1,049	121
Funding	0	(452,302)	(452,302)	0	0
<b>Total (Unmitigated position)</b>	<b>39,680</b>	<b>(0)</b>	<b>18,488</b>	<b>18,488</b>	<b>58,170</b>
Mitigations (budget v.s. forecast in 2023-24)		(3,180)	(2,112)	(1,068)	(2,112)
<b>Total - Mitigated position</b>	<b>39,680</b>		<b>16,376</b>	<b>(1,068)</b>	<b>56,058</b>

\* Bristol gross DSG Allocations, including recoupment and deductions for NNDR, and for direct funding of high needs places directly passported to schools by ESFA totalling £255.752m as at 20th July 2023.

3.3. The High Needs Block (HNB) element of the DSG carried forward a cumulative deficit of £42.52 million from 2022/23. The 2023/24 Period 5 forecast position against the HNB is an in-year deficit of £16.5 million which is mainly due to an increase in EHCP & complexity of CYP's within SEN. This brings the cumulative forecast deficit position to £59.1 million.

3.4. The cumulative deficit of £59.1 million in HNB is mainly due to increased demand for Special Educational Needs provision within the HNB. Overspend was predominately caused by Top Up Funding £5million, Special Placements (Pre & Post 16) £7.4 million, ISP £2 million & Teachers Pay & Pension £2million.

#### 4. DSG Management Plan latest forecast

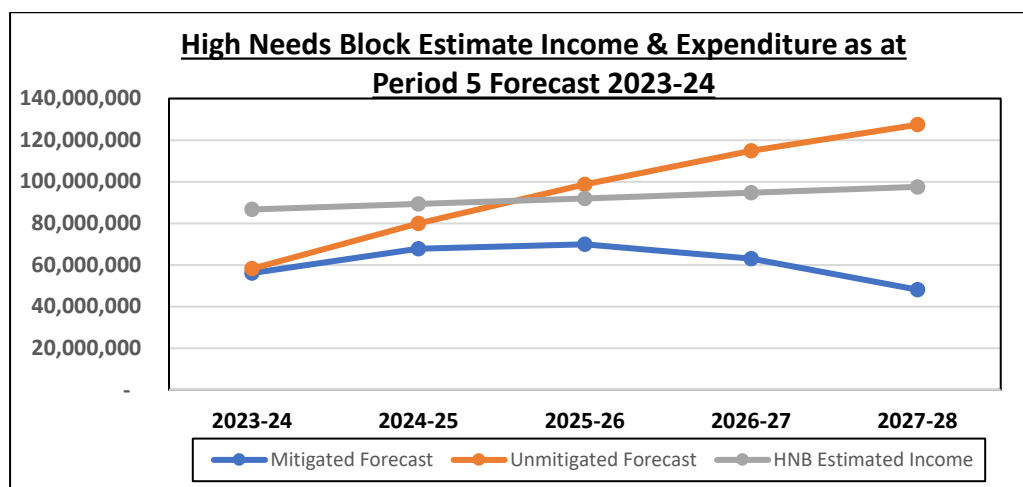
The overview of the DSG Management Plan position that was presented to the Schools Forum in July 2023 showed a cumulative forecasted unmitigated deficit as at the end of 2027/28 to be approx. £128.2million which is broadly in with the latest forecast position demonstrated in below Table where cumulative unmitigated deficit position will reach £127.4m in do nothing position as at August 2023.

The summary table for the DSG Management Plan shows the income, expenditure, mitigated & unmitigated position as at Period 5. Please note that DSG Management Plan is an iterative document, mitigation figures shown are indicative only and subject to extensive consultation and iterative equality impact assessment.

		Outturn					
Table DSG MP: DSG Forecast Position		2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Income/Surplus should be shown as negative		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	Brought Forward unmitigated deficit	£24,480	£39,577	£58,232	£79,906	£98,738	£114,929
2	Total Expenditure	£438,486	£470,957	£476,569	£476,404	£476,522	£475,669
3	DSG Income	(£423,388)	(£452,302)	(£453,275)	(£455,953)	(£458,712)	(£461,553)
4	Schools Block 0.5% (Subject to SF Approval)			(£1,619)	(£1,619)	(£1,619)	(£1,619)
<b>Funding gap carry forward to future years</b>		<b>£39,577</b>	<b>£58,232</b>	<b>£79,906</b>	<b>£98,738</b>	<b>£114,929</b>	<b>£127,425</b>
<b>Mitigation Proposals</b>							
5	Annual Indicative Proposed Mitigations	£0	(£2,112)	(£8,965)	(£11,473)	(£12,574)	(£12,574)
6	DBV Stretched confidence benefits - annual	£0	£0	(£1,035)	(£5,227)	(£10,526)	(£14,826)
<b>Total Mitigations</b>		<b>£0</b>	<b>(£2,112)</b>	<b>(£10,000)</b>	<b>(£16,700)</b>	<b>(£23,100)</b>	<b>(£27,400)</b>
7	Mitigations cumulative	£0	(£2,112)	(£12,112)	(£28,812)	(£51,912)	(£79,312)
8	<b>Funding Gap after proposed mitigations</b>	<b>£39,577</b>	<b>£56,120</b>	<b>£67,794</b>	<b>£69,926</b>	<b>£63,017</b>	<b>£48,113</b>

As shown in the chart below, the latest iteration of the plan shows the forecasted unmitigated deficit to be £127.4 million, this is a reduction of £800k.

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.



- 4.1. The £800k decrease is primarily driven by the reduction in population between 4- to 14-year-olds within Bristol. Based on the population data used from the ONS website for our forecasting the average reduction within this age demographic between 2024 to 2028 is (0.80%). When looking at the population within Bristol aged 0 to 25 in 2023 the analysis shows approximately 8.1% of the total are CYP's within the High Needs Block. This is estimated to reduce to 7.5% by 2028.
- 4.2. The Plan has been updated to reflect further guidance from the DfE concerning the rate of growth within complexity of needs to build into the financial model for future years. The assumption is that the HNB income will increase by 3% from 2024-25 to subsequent years thereafter.
- 4.3. It is worth noting that forecast for 2023-24 and onwards are based on demand forecast (number of children in the system) and including national trend plus

contingency circa 15% taking into consideration of increased complexity, backlog and 10% growth based on Service advice.

## 5. DSG Management Plan mitigation proposals

5.1. As part of the Education Transformation program and delivering better value (DBV) program a range of mitigation proposals are being developed and could potentially bring the HNB to a sustainable footing pending on further due diligence & formal consultation. A list of latest mitigations forecasts are available in Table below, DBV original mitigation proposals is available in Appendix 1.

Key Mitigations/savings	Mitigations/ Savings forecast 2023-24	Mitigations/ Savings forecast 2024-25	Mitigations/ Savings forecast 2025-26	Mitigations/ Savings forecast 2026-27	Mitigations/ Savings forecast 2027-28	Mitigations/ Savings forecast 2028-29	Mitigations/ Savings forecast 2029-30
<b>SCHEME A1, A2 &amp; A3</b> Reduce the reliance and placements in independent non-maintained schools, including out of authority, by increasing the availability and suitability of local provision.	£0	£3,540,873	£4,954,640	£4,954,640	£4,954,640	£4,954,640	£4,954,640
<b>SCHEME B1</b> Review the effectiveness of national SEND Budget in schools and settings and ensure non-statutory top-up funding to mainstream schools is robust, appropriate, time limited and impactful	£1,700,000	£1,625,282	£1,896,163	£2,107,043	£2,107,043	£2,107,043	£2,107,043
<b>SCHEME C5 &amp; C6</b> Support and drive mainstream schools to meet a higher level of need, in a more cost effective way whilst maintaining the quality of provision.	£0	£400,242	£492,204	£492,204	£492,204	£492,204	£492,204
<b>SCHEME D2</b> Therapies Framework. Ensure that therapies that are mainly associated with EHCP are appropriate	£240,000	£240,000	£240,000	£240,000	£240,000	£240,000	£240,000
<b>SCHEME E1</b> Review the methodology of top up and funding uplifts to ensure best value is delivered	£0	£1,891,158	£2,282,078	£2,872,999	£2,872,999	£2,872,999	£2,872,999
<b>SCHEME F1</b> Review post-16 offer to ensure full alignment to DFE/ESFA guidance	£0	£1,106,448	£1,435,735	£1,875,025	£1,875,025	£1,875,025	£1,875,025
<b>SCHEME G2</b> Review and reform of the Alternative Learning Provision model and funding to improve outcomes and ensure best value provision	£172,000	£172,000	£172,000	£172,000	£172,000	£172,000	£172,000
<b>DBV</b> DBV structured confidence benefits - annual (Please see DBV Proposals Table 1 for further information)	£0	£1,034,999	£5,237,120	£10,828,030	£14,828,030	£14,828,030	£14,828,030
<b>PLEASE NOTE: The mitigated savings for financial years 2023-25 &amp; 2029-30 are left as 2027-28 and require further due diligence</b>							
<b>Total savings</b>	<b>£2,112,000</b>	<b>£10,900,000</b>	<b>£16,760,000</b>	<b>£23,100,000</b>	<b>£27,400,000</b>	<b>£27,400,000</b>	<b>£27,400,000</b>

Subject to validation and final consultation, the latest forecast mitigation proposals could improve the forecasted financial position by £2.1million in 2023/24 and up to a cumulative of £12.6million by 2027/28 if fully supported by the public. Please note there is a reduction of £1m mitigation in 2023/24 due to further due diligence work and delay in appointment of delivery partner to deliver workstream two proposals.

5.2. Whilst we continue to work with the DfE to drive the improvements required in outcomes for children with additional and special educational needs and achieve a balance in year position, that can be sustained and demonstrable reduces the deficit, we will need to consider all potential funding sources. The Council has made significant investment in the General fund budget of circa £4m per year since 2022-23 to improve SEN service and fund Home to School Transport (HTST) and similarly have significant pressures in year of the same magnitude which will be recurrent in 2024/25 and beyond. We recognise the collaborative approach adopted to date and the significant contribution that schools have and continue to make in investing in the Education Transformation programme. In considering future budgets, we have provisionally included the 0.5% transfer in our latest forecast understanding this will require approval from Bristol Schools Forum.

5.3. Based on latest forecast (as of August 2023), which was broadly in line with Newton's (DfE DBV delivering partner) forecast, it is estimated that High Needs Block could achieve a balanced budget position in 2026-27 if DBV stretched confidence benefits materialise, which is subject to further due diligence and formal consultation. Further updates on DBV program are covered in Education Director's updates.

## 6. **National Context**

6.1. 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.

6.2. 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 is available on ESFA website, in the link [DSG MP conditions](#)

6.3. The latest SEND and alternative provision roadmap paper was published in March 2023 paving the way for legislative change. This roadmap summarises the actions that will be taken to improve the special educational needs and disabilities and alternative provision system in England. These include national standards; role of schools (mainstream and AP) and early years; education, health, and care plans; accountability and metrics and delivery support.

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 the following key challenges:

- Successful transitions and preparation for adulthood
- A skilled workforce and excellent leadership
- Strengthened accountabilities and clear routes of redress.
- A financially sustainable system delivering improved outcomes.

The full details of the paper can be found at: <https://www.gov.uk/government/publications/send-and-alternative-provision-improvement-plan/send-and-alternative-provision-roadmap>

6.4. 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 with the short-term flexibility needed to implement changes to move High Needs to a sustainable position.

There is no statutory undertaking to underwrite this deficit, the Council will need to ensure that good progress is being made to deliver the mitigations outlined in the table in 5.1 and to ensure there are adequate usable reserves (as agreed with the Council external auditors) to cover any DSG deficit when preparing the Council's accounts, 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.

## 7. Risks and Challenges

7.1. 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
- High level of inflation

7.2. Maintained Nursery Schools

- Increasing complexity of needs therefore requiring specialist provision.
- Post COVID recovery for Early Years settings due to no central government financial support.
- Maintained Nursery Schools not all being able to submit a deficit recovery plan that brings the provision into a surplus position within 3 years and therefore more robust plans coupled with financial support will be required to support the sector to restore its financial health and recover from its historic deficits (circa £6.9m).

## 8. Opportunities

8.1. 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.
- Opportunity to join the Safety Valve programme.
- In respect of LA maintained schools in Financial difficulty including Nursery Schools,
  - funding source to temporarily support schools have been identified and is proposed to Schools' Forum for approval in September 2023
  - ESFA additional funding for Maintained schools in financial difficulty (note: further details is yet to be published)

## **9. Early Years Funding Working Group**

9.1. The Early Years Working Group meets just prior to Schools Form to enable LA officers to report program updates to school's forum representatives. This provides an opportunity for questions, challenges, and discussion. The working group will reconvene in November.

## **10. Equalities Impact Assessment**

10.1. The Plan has been developed 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.

10.2. 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.

## **11. Financial Implications**

11.1. No financial implications arise from completing the DSG Management 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.

11.2. 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.

Appendix 1 – DBV original mitigation proposal:

High Level Summary					
Mitigation Briefing	Note : Figures are indicatives annual expenditure reduction could be subject to change following consultation and further due diligence				
	A	B	C	D	E
	23/24	24/25	25/26	26/27	27/28
<b>THEMES</b>					
A. Reduce the reliance and placements in independent non maintained schools.	£1,403,000	£4,437,342	£6,193,300	£6,193,300	£6,193,300
B. Review the effectiveness of notional SEND Budget.	£1,693,002	£2,031,603	£2,370,203	£2,708,804	£2,708,804
C. Support and drive mainstream schools to meet a higher level of need.	£232,178	£612,802	£615,330	£615,330	£615,330
D. Therapies Framework.	£300,000	£300,000	£300,000	£300,000	£300,000
E. Review the methodology of top up and funding uplifts.	£0	£2,113,947	£2,852,598	£3,591,249	£3,591,249
F. Review post - 16 offer to ensure full alignment to DFE/ESFA guidance	£0	£1,495,558	£1,794,669	£2,093,781	£2,093,781
G. Review and reform of the Alternative Learning Provision.	£215,000	£215,000	£215,000	£215,000	£215,000
TOTAL MITIGATIONS	£3,843,181	£11,206,252	£14,341,100	£15,717,463	£15,717,463
Less Programme Optimim Bias (20%)	-768,636	-2,241,250	-2,868,220	-3,143,493	-3,143,493
RISK ADJUSTED DRAFT MITIGATIONS	3,074,545	8,965,001	11,472,880	12,573,970	12,573,970