

Decision Pathway – Report Template



PURPOSE: Key decision

MEETING: Cabinet

DATE: 24 January 2024

TITLE	Dedicated Schools Grant (DSG) 2024/25 Budget Proposals
Ward(s)	ALL
Author: Travis Young	Job title: Finance Business Partner – Children and Education
Cabinet lead: Cllr Craig Cheney and Cllr Asher Craig	Executive Director lead: Denise Murray, Director of Finance
Decision maker: Mayor Decision forum: Cabinet	
Purpose of Report: <p>The Dedicated Schools Grant (DSG) is the ring-fenced grant from government that provides each local authority with an allocation of funding for schools and services for pupils.</p> <p>This report outlines the 4 blocks of the DSG, sets out the proposed use of the DSG and how associated grants are to be applied during 2024/25. 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.</p>	
Evidence Base: <p>The deadline for confirmation of schools budget shares to mainstream maintained schools is 29 February 2024 and local authorities should ensure that they have procedures in place to meet the requirement, which includes gaining political approval of budgets.</p> <p>Full Council will consider the 2024/25 budget resolutions on Tuesday 20 February 2024. Council 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.</p> <p>The council has presented papers to Schools Forum and have consulted with schools and settings to consider the methodology for distributing the funding available for 2024/25 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 discussed with the Schools Forum in the context of the available funding and forecasted need for 2024/25.</p> <p>In December 2023, the final allocations of DSG from the ESFA took account of an overall 56,460 pupils in October 2023 (21,789 secondary @ £6,873.45, an increase of 413) and 34,671 primary @ £5,200.70, a reduction of 330 compared to October 2022. The overall increase in the DSG for 2024/25 is £28.8 million or 6.2%. The Growth Fund</p>	

allocation of £2.0 million for 2024/25 is a decrease of £0.3 million from the 2023/24 allocation of £2.0 million and the confirmed funding for High Needs is £89.5 million which is £2.9 million or 3.3% increase from £86.5 million allocation in 2023/24.

The council must submit to the Education and Skills Funding Agency (ESFA) formula driven allocations for mainstream schools by 22 January 2024, however it is recognised that given this timeline these figures may be subject to ratification or amendment by cabinet and council.

Schools Forum met to consider the same issues at its meeting on 16 January 2024 and any feedback from that meeting will be conveyed to Cabinet and Council, prior to the forthcoming meetings. As outlined above officers must publish funding rates for Early Years settings as well as publish allocations to maintained schools no later than 29 February 2024.

The key papers submitted to Schools Forum on 16 January 2024 are provided as appendices for reference:

- **Appendix A1: DSG Budget Monitor**, explaining the latest budget monitoring (at Period 7) position for 2023/24.
- **Appendix A2: DSG 2024/25** details the 2024/25 funding levels, discusses the use of the four DSG blocks in 2024/25, the transfer of funding from Schools Block to High Needs Block and the use of the Central Services Block for 2024/25. 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 an increase in funding (3.3%) but remains under considerable pressure. The current level of demand 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 growth of the deficit in the DSG in 2024/25.

The ESFA's Schools Revenue Funding Operational Guide allows the transfer of up to 0.5% in 2024/25 from the Schools Block to other blocks with Schools Forum approval and we are utilising this flexibility. For the 2023/24 budget, £1.6 million was transferred from the Schools Block to the High Needs Block, and this funding was allocated to fund the continuation of the High Needs transformation journey 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.

Schools Forum has agreed to the 0.5% transfer for 2024/25 (£1.721m), this funding will be ring-fenced to support the pressures within the High Needs Block.

As a result of the continuing pressure on the High Needs Block, the council has an overall DSG deficit which is currently forecast to reach £56.1 million by 31 March 2024. On 29 November 2020 Statutory Instrument (SI) No.1212 came into force which amended the current accounting regulations to allow a statutory override whereby all such DSG deficits can be carried over in a separate dedicated account and therefore do not become a charge to the council's revenue account for the term of the statutory override. The SI is time-limited with an end date of 31 March 2026 and councils are expected to use this period to develop and implement changes to allow the High Needs Block to reach a sustainable position. There is no statutory undertaking requiring councils to underwrite DSG deficits and DfE has not provided any clarity regarding how, when or if the deficit will be funded in the longer term. The council therefore would have to ensure there are adequate usable reserves to cover any DSG deficit and a clear plan for sustainability when preparing the council's accounts if the period of the SI is not extended by government beyond 2026.

The DSG Conditions of Grant require any local authority with an overall DSG deficit to produce and

maintain a DSG Management Plan (DMP). The table below gives a summary of the council's current DMP.

	2024-25	2025-26	2026-27	2027-28	In year balance achieved
Overall DSG position	2024-25	2025-26	2026-27	2027-28	2028-29
Income/surpluses are shown as negatives	Forecast	Forecast	Forecast	Forecast	Forecast
	£000s	£000s	£000s	£000s	£000s
Brought Forward Unmitigated deficit	56,076	88,392	130,997	179,370	234,441
Unmitigated annual funding gap	32,315	42,606	48,373	55,071	60,023
Carried Forward Unmitigated deficit	88,392	130,997	179,370	234,441	294,464
Annual Indicative Proposed Mitigations	(9,559)	(19,630)	(32,247)	(45,196)	(58,577)
Other income	(2,655)	(3,131)	(3,704)	(4,106)	(4,475)
Mitigated annual funding gap	20,102	19,844	12,421	5,769	(3,029)
Brought Forward deficit	56,076	76,179	96,023	108,444	114,213
Carried Forward Mitigated deficit	76,179	96,023	108,444	114,213	111,184

The DMP consists of an initial unmitigated forecast of the overall DSG deficit which is based on extrapolating existing trajectories for demand, complexity of needs and constraints on specialist provision and also incorporates an assumed reduction in the existing backlogs in both assessing the needs of children and young people and their subsequent placement in specialist SEND provision.

Extensive work with key stakeholders has continued during 2023/24 to develop and validate the set of viable mitigations which will, collectively, enable the council to reduce, and eventually eliminate, the ongoing overspends on the DSG High Needs Block. These mitigations have been modelled and their combined effect can be seen in the Annual Indicative Proposed Mitigations and the Mitigated Annual Funding gap lines in the table above. Overall, the successful delivery of all the proposed mitigations is projected to result in the DSG achieving an in-year balanced position during 2028/29. A summary of the mitigations and their associated savings can be found in Appendix 4.

In January 2023, BCC received £1 million of grant funding through the Department for Education's Delivering Better Value (DBV) in SEND Programme. Two workstreams were developed to deliver this programme. Workstream 1 is focused on strengthening relationships between schools and families. Workstream 2 is focused on developing more effective means of spending HNB funding to improve outcomes for children and young people with SEND. A delivery partner was commissioned to undertake this element of the programme. A full review of existing non-statutory HNB funding arrangements was completed between August and October 2023. Following this review three options were presented as part of a full consultation which closed on 15 December 2023. Recommendations are in the process of being finalised and will be presented to Cabinet on 6 February for a key decision.

Ongoing negotiations are taking place with the Department for Education with the aim of reaching a suitable agreement for the repayment of the DSG historic deficit. Further updates on the outcomes from these negotiations will be presented to Cabinet in due course.

A progress report for the council's plan for managing the DSG deficit was previously presented to Cabinet on 3 October 2023 under Item 22 on the agenda: Dedicated Schools Grant (DSG) High Needs Block Recovery Plan. The papers relating to this item can be found here:

The proposed mitigations that were within the previous High Needs Block Recovery Plan can also be found in Appendix 5. These were also shared with Schools Forum on 28 November 2023. The proposed mitigations within the current DSG Management Plan have been developed further from those presented in the previous High Needs Block Recovery Plan and those shared with Schools Forum on 29 November 2023.

- **Early Years Block:** the Early Years allocation changes throughout the year as funding is based on participation, based on census data collected each January only, updated by ESFA once the spring 2024 census figures are known. The 2024/25 allocation includes £14.996 million of new funding being new 2-year old and under entitlement to 15 hours of free childcare for eligible parents, and an extension of pupil premium and DAF to eligible 2 year olds and under. Overall, the change in early years funding is a £17.748 million increase when compared to 2023/24.
- The release of the block allocations also included the first indication of the hourly rates for 2024/25. For 3 & 4 year olds the rate will increase by 17p to £5.97 from £5.80 in 2023/24. The 2 year old rate will increase by £2.36 to £8.25. The under 2 year old rate will be £11.24 which is new for 2024/25. These are the rates used to calculate funding to the LA. The Maintained Nursery School supplementary funding will increase to £4.64 per hour; this is equivalent to an indicative increase of £0.613 million in funding based on part-time participation numbers of 1,177 for 15 hours per week, 38 weeks per year. The Teachers Pay and Pensions Grant (TPPG) continues to reside in the Early Years Block as per 2023/24. The Early Years team confirm that no funding will be retained and the same payments to schools and academies will continue through the payment workbook at the same rate of £0.05 per funded hour. TPPG is already included in the MNS supplement
- **Appendix A3: Schools Block** sets out how much funding is available and following consultation with schools and endorsement from the Schools Forum 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 £2.0 million.
- The DSG allocation budget for 2024/25 is summarised in Table 1 below:

DSG Blocks	Balance brought forward from 2023/24 (forecast) £m	2024/25 DSG Allocation £m	Movement between blocks £m	Final DSG budget 2024/25 £m	Estimated spend 2024/25 £m	Carry forward balance at end of 2024/25 £m
School Block	(0.787)	(344.325)	1.721	(342.604)	342.604	(0.787)
De-delegation	(0.528)			-	-	(0.528)
Central Services Block	-	(2.696)	-	(2.696)	2.696	-
High Needs Block	57.085	(89.535)	(1.721)	(91.256)	111.358	77.187
Early Years	0.307	(55.180)		(55.180)	55.180	0.307
Total	56.076	(491.736)	-	(491.736)	511.838	76.179

In considering the DSG net carry forward deficit reserve the council should also note that LA maintained schools' balances forecast position illustrated in Table 2 below is NOT included within Table 1 above.

Table 2 2023/24 Bristol LA Maintained Schools Financial Summary	2023/24 Closing Balance forecast as at Q2	2023/2024 In Year balance forecast as at Q2	Number of Schools with cumulative deficit as at 31/3/2024	Number of Schools with deficit variance to Q1
Nursery	7,215,354	165,269	11 of 12	no change
Primary	-1,907,703	998,676	5 of 28	no change
Primary with Nursery Class	-275,696	461,531	3 of 12	up one
SECONDARY	-21,118	370,547	1 of 2	up one
SPECIAL	-491,730	297,665	2 of 5	up one
PRU	-325,124	178,822	0 of 1	no change
Sub Total	4,193,983	2,472,511	22 of 60	
Bristol LA CC	640,499	99,167	1 of 1	no change
Sub Total inc CC	4,834,482	2,571,678	23 of 61	
Total	4,834,482	2,571,678		

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) continues to work with nursery headteachers and governors to utilise funding agreed with Schools Forum in November 2023 to underwrite the deficit situation whilst recovery plans are developed.

All schools forecasting deficit positions have been notified to produce robust recovery plans to secure their long-term financial sustainability. Discussions are being held with schools' leadership team and schools' governing bodies to explore solutions. Education and Financial Service colleagues are working closely with the schools on their recovery programmes.

To date two nursery schools and one primary school have approved licenced deficit plans, with the remainder continuing to develop satisfactory recovery plans, with the primary school plan achieving a recovered position in 2025/26 and the two nursery school plans recovering by 2027/28.

To support schools whilst they recover their financial situations, the LA proposed, with endorsement from Schools Forum, the use of bridging funding of £1.102 million of earmarked reserves to underwrite the deficit. This £1.102 million is composed of funding from the closed school surplus (£0.517m), the schools in financial difficulty reserve (£0.335m) and from TWS reserves (£0.250m). An additional grant of £0.675 million has also been made available by the ESFA for the support of maintained schools (including nursery schools) in financial difficulty. The ESFA provides separate alternative dedicated support directly to academies that are in financial difficulty. This additional funding stream increases the financial support available to underwrite the schools with deficit positions and in difficulty to £2,047 million. With this funding and the reversal of school revenue contributions to capital the maintained schools will be in an overall small surplus position.

Table 3 - funding to support LA Maintained schools in financial difficulty

	Funding Source	Description (£'000)	Available Budget (£'000)	Proposed redesignation funding amount (£'000)
1	2022-23 Schools Block surplus	£270k growth fund underspend and £517k surplus from closed schools	787	517
2	De-delegation surplus	Schools in financial difficulty	335	335
3	TWS reserves		250	250
		subtotal	1,372	1,102
4	ESFA grant for schools in financial difficulty	additional funding for LA maintained schools in Financial difficulty	675	675
		Total	2,047	1,777
Total Possible funding to facilitate temporary financial support for LA maintained schools in financial difficulty				

Cabinet Member Recommendations:

Cabinet is asked to recommend the following proposals to Full Council:

To approve 2024/25 DSG budget:

1. Schools Block (detail in Appendix A3)

- a. the Schools Block budget be set at £342.604 million for 2024/25, as per Table 1 above
- b. £1.721 million of the overall Schools Block DSG is transferred to the High Needs Block to support the growing demand
- c. the basis for distributing the funding to mainstream schools be as set out and agreed by Schools Forum (Appendix A3)
- d. the Growth Fund for established schools expanding in September 2024 be set at £2.0 million (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 £2.696 million for 2024/25.

3. High Needs Block (detail in Appendix A2)

- a. Approve the High Needs Block budget be set at £91.256 million for 2024/25 as per Appendix A2, after receiving transfers of £1.721 million from Schools Block.

4. Early Years Block (detail in Appendix A2)

- a. Approve the Early Years Block budget be set at £55.180 million for 2024/25, noting that spend and DSG income will fluctuate, according to participation levels in each of the three school terms
- b. Approve that 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 2024/25 DSG overall allocation of £491.736 million.
- b. That the forecast DSG expenditure in 2024/25 is £511.838 million, with a forecast accumulated deficit of £76.179 million
- c. 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) to explore sustainable mitigation options to bring the DSG budget to an affordable position over the medium term. This will include the implementation of the proposed changes to the current non-statutory top-up funding model. Recommendations will be presented to Cabinet for a key decision on 6 February 2024. This follows a recent city-wide consultation which closed on 15 December 2023 outlining a set of options to reform current funding models.

- d. Bristol Schools Forum (SF) feedback on 2024/25 DSG budget (that will be published separately following receipt):

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 2024/25, with respect to transfers, funding formula and de-delegated items took place in October/November 2023 and the results of this informed the Schools Forum discussions in November 2023 and January 2024. Further details on consultation outcome are available in Appendix 2 and Appendix 3.
- As part of the Delivering Better Value in SEND Programme (DBV) a full city-wide consultation to review High Needs Block 'Top Up' funding took place in November/December 2023. The results of this consultation will inform a set of recommendations which will be presented to Cabinet for a key decision on 6 February 2024. Early Years settings were consulted on the basis of the EYNFF in December 2023 and results were considered at Schools Forum on 16 January 2024 when agreeing the EYNFF rates and Early Years Block budgets for 2024/25.

Revenue Cost	£491.736 million	Source of Revenue Funding	Dedicated Schools Grant 2024/25
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:

As detailed in the report.

Finance Business Partner: Travis Young, 3 January 2024

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 11 January 2024

3. Implications on IT: There are no direct IT implications, save for the need for DSG funded services to meet necessary IT and digital costs within their approved funding envelope.

IT Team Leader: Alex Simpson – Lead Enterprise Architect

4. HR Advice: There are no significant HR issues arising from this report for Bristol City Council employees.

HR Partner: Lorna Laing, 12th January 2024

Director sign off	Reena Bhogal-Walsh – Director of Education	16/01/2024
Cabinet Member sign-off	Cllr Craig Cheney / Cllr Asher Craig	16/01/2024
CLB Sign-off	CLB	16/01/2024
For Key Decisions - Mayor's Office sign-off	Mayor's Office	17/01/2024

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	YES
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