

Committee Name and Date of Committee Meeting

Audit Committee – 24 March 2018

Report Title

Dedicated School Grant – Central Reserve

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

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Ward(s) Affected

Borough-Wide

Report Summary

The report outlines the current and projected overspend on the Dedicated Schools Grant and the recovery plans in place to operate within its annual allocation and reduce the deficit over future years.

The report outlines the national picture on the High Needs Block as part the overall Dedicated Schools Grant and the additional funding the government is investing in education in the next three years as part of its spending review.

The report also brings to members' attention clarification on the accounting treatment of the Dedicated Schools Grant reserve and use of funds to mitigate the deficit following the government's consultation response in January 2020.

Recommendations

1. Audit Committee is asked to note the actions being taken to manage the Dedicated School Grant deficit in Rotherham.
2. Audit Committee notes the additional funding allocated in the government spending review and the outstanding Department for Education (DfE) consultation on Special Education Needs & Disabilities (SEND) and Alternative Provision (AP) Funding.
3. Audit Committee notes the DfE's consultation response to 'Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)'

List of Appendices Included

Appendix 1 DfE's consultation response to 'Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)'

Background Papers

OSMB 29 January 2020 - Update on the High Needs Block

LAC Sufficiency Strategy 2019-2021

SEND Sufficiency Strategy

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Dedicated School Grant – Central Reserve

1. Background

- 1.1 Rotherham has been a relatively low funded authority and has seen significant pressures on the High Needs Block for many years. The High Needs Budget allocation has increased year on year but, partly due to Rotherham's low funding baseline compared to neighbouring boroughs and nationally, the budget uplifts have not been sufficient to match the acceleration in demand and increase in the cost of provision.
- 1.2 During recent years Rotherham has faced growing pressure on the High Needs Budget (HNB) which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1.004m, but in the last three financial years the annual HNB deficit has been £5m, leading to a total HNB deficit of £15.8m and an overall DSG deficit of £15.1m after taking account of DSG balances for Early Years.
- 1.3 The projected over spend is as a result of a number of factors; an overall increase in Education Health and Care Plans, an increase in the number of young people aged 16 to 25 with an EHCP who are now the responsibility of the LA to fund, an increase in the number of children accessing higher cost provision and an increase in the number of pupils in Alternative Provisions (Pupil Referral Units).
- 1.4 The deficit reflects system wide issues in how the funding is determined. Whilst the allocation moved to a formulaic basis in 2018/19 and now includes proxy indicators of SEND within the population, a large element of the grant remains fixed based on historic spend.
- 1.5 To assist in mitigating the DSG pressures in the High Needs Block local authorities can transfer monies (0.5%) from the Schools Block (£190m in 2019/20) to the High Needs Block if they have consulted and gained agreement from Schools and Schools Forum. If a local authority wishes to transfer more than 0.5% then they need to submit a disapplication request to the Secretary of State with a robust business case.
- 1.6 In 2019/20 Rotherham were successful in submitting a disapplication request to the Secretary of State to transfer 1.5% of the DSG Schools Block allocation (£2.8m) to the High Needs Block. The transfer is for one year only and to continue with the transfer of funding a new application is required each financial year.
- 1.7 Despite the £2.8m transfer of funding into the High Needs Block there is still a projected overspend of £4.6m (financial pressure would be £7.4m without the transfer) in the 2019/20 financial year, with the DSG deficit estimated to increase to £19.7m.
- 1.8 Due to the size of the DSG Deficit and in line with the DSG Operational Guidance, Rotherham submitted a Recovery Plan to the ESFA in June 2019 and continues to meet with the ESFA to monitor progress in its implementation.

2. Key Issues

- 2.1 To operate within the Dedicated Schools Grant (DSG) allocations and reduce / mitigate the current DSG Central Reserve deficit.
- 2.2 Ensure that the DSG Central Reserve complies with the accounting requirements.

3. Actions to address the Key Issues

- 3.1 Rotherham has produced a deficit recovery plan to identify cost savings and reduce the cost pressures on the High Needs Block within the Dedicated Schools Grant. The four main cost pressures (which are also national pressures) are:
 - High cost external residential placements and independent sector placements;
 - General growth in the number of Education Health Care (EHC) with a particular pressure identified for supporting young people post 16;
 - Growth in alternative provision placements linked to Pupil Referral Units as an outcome of permanent exclusions;
 - The growth in the number of pupils who require specialist provision when their assessed needs cannot be met by mainstream schools and academies.
- 3.2 The SEND Sufficiency Strategy was approved by Cabinet in May 2019. It sets out the needs analysis, rationale and process to allocate capital funding to increase the sufficiency of school and setting places for children with Special Education Needs and Disabilities (SEND) in Rotherham. £1.186 million of available capital funding has been allocated to create 111 additional school places in Rotherham starting from 2020, for children with special education needs and disabilities. Whilst it may not be possible or appropriate to move children who are settled in expensive independent sector provision, the additional local sufficiency should prevent growth and re-balance the provision mix over time.
- 3.3 An independent consultancy, ISOS, have been engaged to develop a clear understanding and strategy for Rotherham's Alternative Provision offer and to ensure that it is fit for purpose, meets need, is of high quality and is cost effective.
- 3.4 The LAC Sufficiency Strategy, and specifically plans to provide care for Looked After Children within the borough, will also have a positive impact on the High Needs Budget. The local authority will be in a position to directly oversee each child's Education, Health and Care Plan, and identify local provision that is in a position to meet their needs.
- 3.5 On 3 May 2019 the Department for Education consulted on Special Education Needs & Disabilities (SEND) and Alternative Provision (AP) Funding. This call for evidence is intended to focus on how the current available funding is distributed, and what improvements might be made in future. It seeks information about whether there are aspects of the funding system that are driving up costs without improving outcomes for the young people concerned. The consultation ended on 31 July 2019 but the Council is still awaiting the government response.

- 3.6 The recent Government spending review announced additional funding for schools and high needs, compared to 2019-20, will rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22 and £7.1 billion for 2022-23.
- 3.7 In 2020/21 the £2.6 billion is split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block; the funding split for future years still to be determined. For Rotherham this is an additional £6.2m for schools and £4.8m in the High Needs Block.
- 3.8 On the 11 October 2019 the Department for Education consulted on changing the conditions of grant and regulations applied to the Dedicated Schools Grant (DSG) in order to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities, and that any deficit an authority may have on its DSG account is expected to be carried forward to the next year's schools budget and does not require to be covered by the authority's general reserves, please see appendix 1 for DfE consultation response.
- 3.9 The government consultation response makes it entirely clear on a statutory basis that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the LA not to do this.

4. Timetable and Accountability for Implementing this Decision

- 4.1 The High Needs Block Recovery Plan submitted to the Department for Education in June 2019 is a three year plan that demonstrates Rotherham's ability to effectively manage the DSG deficit.
- 4.2 The plan identifies how the current projects are estimated to reduce cost pressures in the High Needs Block and operate within the annual allocation in future years.
- 4.3 The additional funding to the High Needs Block has now enabled Rotherham to operate within its DSG annual allocation at an earlier stage than in the original recovery plan, (from 2020/21 financial year) and therefore minimise further growth in the DSG deficit.

5. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

- 5.1 The Dedicated Schools Block Central Reserves deficit at the end of the 2019/20 financial year is estimated to be £19.7m.
- 5.2 Due to the additional funding announced in the Government's spending, it is estimated that Rotherham will operate within its annual allocation in the 2020/21 financial year and for DSG to make a contribution towards reducing the DSG deficit from 2021/22 onwards.

6. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

6.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

6.2 The School and Early Years Finance (England) Regulations 2020 will come into force in February 2020. The Department of Education will amend the DSG conditions of grant for both 2019-20 and 2020-21 to bring them into line with the new end-year arrangements for carrying forward DSG deficits.

7. Human Resources Advice and Implications

7.1 There are no Human Resource implications arising from this report.

8. Implications for Children and Young People and Vulnerable Adults

8.1 Rotherham is compliant with the SEND Code of Practice which sets out that if a child's parent or a young person makes a request for a particular nursery, school or post-16 institution in maintained, non-maintained, or independent provision, the local authority must comply with that preference and name the school or college in the EHC plan unless it would be unsuitable for the age, ability, aptitude or SEN of the child or young person, or the attendance of the child or young person there would be incompatible with the efficient education of others, or the efficient use of resources.

9. Equalities and Human Rights Advice and Implications

9.1 There are no implications arising from this report to Equalities and Human Rights.

10. Implications for Partners

10.1 The Council is increasingly working in partnership with other public, voluntary and community sector bodies in delivering services and influencing outcomes.

11. Risks and Mitigation

11.1 The report outlines the risks to the High Needs Block of the Dedicated Schools Grant and the actions being implemented to mitigate the financial pressures.

12. Accountable Officer(s)

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