

Committee Name and Date of Committee Meeting

Audit Committee – 23 March 2021

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

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Ward(s) Affected

Borough-Wide

Report Summary

The report outlines the current and projected overspend on the Dedicated Schools Grant (DSG) and the recovery plans in place to enable Rotherham 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 going into education. On the 30th August 2019 the DfE announced that they will invest over £14 billion in primary and secondary education between 2020/21 and 2022/23.

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.

List of Appendices Included

Background Papers

LAC Sufficiency Strategy 2019-2021

Operational Delivery of LAC Sufficiency Strategy - Proposals to Develop New Residential Provision – February 2020

SEND Sufficiency Strategy Papers (Phases 1 to 3)

DfE Review of national funding formula for allocations of high needs funding to local authorities; changes for 2022-23

Dedicated schools grant (DSG) financial management plan

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 £1m, but in the last four financial years the annual HNB deficit has been circa £5m, leading to a total HNB deficit of £20.4m and an overall DSG deficit of £19.9m after taking account of DSG balances across the various blocks e.g. 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 The DfE have recently acknowledged the need to review the national funding formula for allocations of high needs funding to local authorities by launching a consultation on 10 February 2021. It proposes changes to the historical spend element for 2022/23 as well as looking at other funding factors in future years.
- 1.6 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.
- 1.7 Since 2019/20 Rotherham have successfully submitted disapplication requests to the Secretary of State to transfer 1.5% of the DSG Schools Block allocation (circa £3m) to the High Needs Block. This has again taken place as part of the 2021/22 Schools funding formula consultation and was agreed in February 2021. The transfer is for one year only and to continue with the transfer of funding a new application is required each financial year.

- 1.8 Despite the £3m transfer of funding into the High Needs Block in the current financial year there is still a projected overspend of £1.9m (financial pressure would be £4.9m without the transfer) in the High Needs Block for the 2020/21 financial year, alongside this due to Covid issues and the funding of early years providers the Council is also projecting a £400k overspend on the Early Years Block offset by a reduction in PRU balances (£100k). The overall DSG deficit is estimated to increase by £2.2m to £22.1m.
- 1.9 To monitor the DSG central reserve on the 16 September 2020 the Education and Skills Funding Agency (ESFA) launched the Dedicated Schools Grant (DSG) Management Plan Template to replace last year's DfE DSG Deficit Recovery Plan and under the new arrangements there is no longer a requirement to submit this document to the DfE, but it could be requested by them at any point.
- 1.10 However the Dedicated Schools Grant (DSG): conditions of grant 2020 to 2021 paragraph 5.2, requires that any local authority (LA) with an overall deficit on its DSG account at the end of 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must be able to present a plan to the Department for Education (DfE) for managing their future DSG spend. It is the intention that local authorities utilise the above template to comply with this requirement and will also enable comparison with other LA's.
- 1.11 The template has been completed by Rotherham to support its recovery plan and this plan has been submitted to School Forum for their approval and to support the 2021/22 school block consultations.

2. Key Issues

- 2.1 To operate within the annual 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 As outlined above Rotherham has produced a DSG Financial Management 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 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 Since May 2019 Cabinet has approved 3 phases of the Council's SEND Sufficiency Strategies. Each phase has outlined 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.

Phase 1 SEN Sufficiency programme focussed on increasing special school places in Borough as indicated by the rapid growth in demand for all specialist provision. These plans led to increases in places at The Willows School (Including post-16 provision) Kelford School and Abbey School.

Phase 2 The second phase of SEN Sufficiency focussed on the need for more targeted provision for children with ASD and led to the development of new units at Wales School, Wath Victoria School and increased places at Milton School. There was also investment identified for post-16 provision at Thomas Rotherham College. As a consequence of this investment Rotherham has been better able to meet the needs of local children with autism and to place them in local schools.

Phase 3 The focus is to support the creation of a SEMH free school as Rotherham currently has no specialist education provision to meet the needs of this group of children several solutions have been sought. These include children and young people being placed in Pupil Referral Units (PRU). Phase 3 also proposes to resolve the building condition issues at Newman Special School.

3.3 An independent consultancy, ISOS who support LA's develop strategies and policy in education, children's services, early help, SEN, inclusion, AP and beyond, were 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. Work is now underway to implement the recommendations of the review.

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 able to directly oversee each child's Education, Health and Care Plan, and identify local provision that is suitable to meet their needs. This is being supported by the development on in-house residential homes and reducing the number of children places outside of Rotherham.

4. Timetable and Accountability for Implementing this Decision

4.1 On the 30th August 2019 the DfE announced that they will invest over £14 billion in primary and secondary education between 2020/21 and 2022/23. The 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 provisionally £7.1 billion for 2022-23.

4.2 In 2020/21 the £2.6 billion was split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block. For Rotherham this was an additional £6.2m for schools and £4.8m in the High Needs Block. In 2021/22 the £2.2 billion is split £1.47 billion Schools Block and £0.73 billion to the High Needs block. For Rotherham this is an additional £5.5m for schools and £5.3m in the High Needs Block. The 2022/23 split is provisional and still to be determined.

4.3 The LA will continue to update the ESFA's Dedicated Schools Grant (DSG) management plan to reflect Rotherham's deficit recovery plan

4.4 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.

4.5 The additional funding to the High Needs Block will enabled Rotherham to move towards operating within its DSG annual allocation at an earlier stage than in the original recovery plan 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 2020/21 financial year is estimated to be £22.1m.

5.2 Due to the additional funding announced by the DfE, it is estimated that Rotherham will operate within its annual allocation in the 2021/22 financial year and for DSG to make a contribution towards reducing the DSG deficit in future years.

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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