

Schools Forum Briefing

1.	Date of meeting:	18 th NOVEMBER 2022
2.	Title:	DSG Sustainability & High Needs Finance Update
3.	Directorate:	Finance Customer Services / CYPS

1. SUBJECT: DSG & High Needs Update

2. PURPOSE OF REPORT

To update all members of Schools Forum on the latest Dedicated Schools Grant position and the DSG projections as outlined in the DSG Management Plan.

3. RECOMMENDATION (S)

That members note the contents of the report.

4. REASON FOR RECOMMENDATION (S)

To ensure Schools Forum members are aware of the current and medium-term projections of the wider dedicated schools grant (DSG) and the impact this has on the DSG reserve.

5. BACKGROUND INFORMATION

- 5.1 Rotherham is 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.
- 5.2 During 2017/18 the ESFA required local authorities to undertake a historic spend data DSG block realignment exercise. The High Needs block was realigned after taking account of a £2.9 million transfer from the Schools block in 2016/17 and an additional £3 million transfer in 2017/18. Prior to this exercise Rotherham consistently had a lower High Needs allocation than its statistical neighbours and the transfers helped limit the impact of rising costs associated with the increasing demand for SEND provision in the borough.
- 5.3 From 2016/17 to 2019/20 the DSG deficit was rising at circa £5m per annum leading to an overall deficit of just under £20m, but since that point the SEND sufficiency strategies have started to have an impact, but further work is still required as the overall DSG deficit as previously report had risen to £21.258m at the end of the 2020/21 financial year.
- 5.4 The DSG conditions of grant 2021 to 2022 paragraph 5.2, required that any LA with an overall deficit on its DSG account at the end of the 2020 to 2021 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. To help LAs to meet this requirement the DfE provided a DSG management plan template. This template helps LAs:

- comply with paragraph 5.2 of the DSG: conditions of grant
- monitor how DSG funding is being spent
- compare data on high needs spend between LAs
- highlight areas where LAs may wish to review spending
- form evidence-based and strategic future plans for the provision of children and young people with SEND
- present complex funding information simply to schools forums and other external stakeholders
- provide a consistent reporting format to help LAs share best practice and initiatives The template helps LAs to focus attention on comparisons of high needs provision and spend, to produce the required plan.

- 5.5 The DfE expect the plan to be updated and presented at schools forum meetings and any high needs subgroups regularly. The LA should aim to present their plan to the schools forum in time for budget planning discussions for 2023 to 2024 and before the deadline for block movement requests, if it is submitting one. The DfE realise that the management of DSG balances, both bringing spend in line with income and repaying deficits, will take time for some LAs. the template has been developed in such a way that it is intended to be a live document.
- 5.6 Management plans should reflect the most current forecast DSG position and be published on the LA local offer website as set out in the Special educational needs and disability (SEND) Code of Practice: 0 to 25 years. Relevant leads in the finance and special educational needs (SEN) areas should sign off each version of the management plan (with sign off to be at least at assistant director level).
- 5.7 As part of the Department of Education work to address long term challenges in the High Needs funding within the Dedicated Schools Grant a small number of identified local authorities including Rotherham have been invited to have financial agreement known as a 'Safety Valve'.
- 5.8 Across the Autumn term a series of negotiation meetings have taken place between Senior Leaders from RMBC and DfE 'Safety Valve' negotiation team to look at feasibility of Rotherham entering into a 'Safety Valve' arrangement with the DfE.
- 5.9 Following these negotiations and significant work to share/develop documentation with the negotiation team from the DfE, Rotherham has been invited to participate in the 'Safety Valve' arrangement.
- 5.10 Following the negotiations, a 'Safety Valve' agreement was collaboratively developed by the DfE and agreed with Rotherham Metropolitan Borough.
- 5.11 The development of Rotherham MBC Safety Valve Agreement has considered key strategic SEND (Special Education Needs and Disability) priorities, effective and sustainable financial planning, trajectories of cohort growth across SEND in the borough across the next five years, and our ambitions to support the creation of strong SEND locally based provision in Rotherham.
- 5.12 The development of Rotherham MBC Safety Valve Agreement considers key strategic SEND (Special Education Needs and Disability) priorities, effective and

sustainable financial planning, trajectories of cohort growth across SEND in the borough across the next five years, and our ambitions to support the creation of strong SEND locally based provision in Rotherham.

The finalised agreement in March 2022 sets out an investment from DfE across the lifespan of the agreement to remove the anticipated DSG deficit of £20.528m (without Safety Valve monies) as outlined in the table below:

Safety Valve Revenue Plan 2021/22 - 2025/26					
	2021-22 £,000s	2022-23 £,000s	2023-24 £,000s	2024-25 £,000s	2025-26 £,000s
Mitigated expenditure forecast	£274,031	£282,200	£288,938	£299,155	£305,451
Estimated DSG Funding	-£272,815	-£282,650	-£290,914	-£298,033	-£305,250
Other Income	-£461	-£468	-£476	-£484	-£492
School Block to HNB Transfer	-£3,038	-£3,236	-£3,300	£0	£0
In Year Deficit / Surplus	£756	-£918	-£2,453	£638	-£292
Planned Overall DSG position (surplus)/deficit at Year End (Excludes Delivery Team)	£22,013	£21,095	£18,643	£19,280	£18,988
Safety Valve Delivery Team	£0	£385	£385	£385	£385
Planned Overall DSG position (surplus)/deficit at Year End (Includes Delivery Team)	£22,013	£21,480	£19,413	£20,435	£20,528

5.13 The DfE funding to be received if the plan remains on target to be delivered will be £20.530m with funding profiled across the financial years as follows:

- 2021/22 £8.53m
- 2022/23 £3.00m
- 2023/24 £3.00m
- 2024/25 £3.00m
- 2025/26 £3.00m

5.14 The Management Plan is fundamentally based on current Education Health and Care Plans and growth assumptions which reflect previous years trends, adjusted for the estimated impact of the council's strategies.

5.15 The 2021/22 outturn on high needs expenditure remained at £0.73m as reported to Schools Forum throughout the year, however after taking account of other balances in other DSG funding blocks resulted in an in-year deficit of £0.11m increasing the net deficit in the DSG Central Reserve of £21.37m, which is ahead of target in terms of the £22.013m estimated in the DSG Management Plan.

5.16 However as Rotherham was approved to enter the DfE's Safety Valve programme at the end of the 2021/22 financial year we received funding of £8.53m, reducing Rotherham's DSG Centre Reserve deficit from £21.37m to £12.84m.

5.17 In the 2022/23 financial year the DSG deficit remains on plan taking into account the High Needs Block position and use of other DSG reserves

	Opening Balance £000's	Planned Use £000's	Closing Balance £000's	Comments
Early Years	-838	540	-298	Used to fund Inclusion Support Grant
Central Block	0	0	0	
Growth Fund	-374	142	-232	Used to fund growth and falling rolls payments

5.18 In terms of the DSG High Needs Block the estimated outturn position at the end of October is an estimated to be on budget (£3k pressure) after taking account of the

Schools Block funding transfer £3.275m see table below:

	Revised Budget 2022/23	Forecast Expenditure 2022/23 (October 22)	Forecast Variance to Revised Budget 2022/23 (October)
Special Schools	20,840,085	20,840,085	0
Primary Resource Units	422,673	506,841	84,168
Secondary Resource Units	497,689	684,645	186,956
Top Up Funding	7,276,583	7,607,200	330,617
Alternative Provision	5,487,592	5,314,464	-173,128
External Residentials	2,000,289	1,334,382	-665,907
Independent Service Providers	9,982,140	10,378,111	395,971
Inclusion Services	2,428,835	2,513,536	84,701
Other Education Services	977,849	737,395	-240,454
CCP & FE Places	1,579,407	1,579,407	0
Total	51,493,142	51,496,066	2,924

5.19 The High Needs Block budget was set to provide a £533k contribution to reserves in line with the management plan, which is on target to be delivered, but only after the School Block funding transfer as highlighted in yellow on the previous table, and therefore would be a £2.742m in-year deficit without this funding.

5.20 Based on the funding assumptions in the Safety Valve agreement it will still require a transfer from the School Block for the 2023/24 financial years to dampen the in-year financial pressures, to continue to meet the Safety Valve assumptions and avoid a significant increase in the overall DSG deficit over this period, see the table below:

Original Management Plan & Latest Position:

	£'000				
	<u>2021/22</u> £000's	<u>2022/23</u> £000's	<u>2023/24</u> £000's	<u>2024/25</u> £000's	<u>2025/26</u> £000's
Safety Valve Plan					
Overall DSG Position (surplus)/deficit at Year End (as above)	22,013	21,480	19,413	20,435	20,528
Safety Valve Funding	8,533	3,000	3,000	3,000	3,000
Cumulative Safety Valve Funding	8,533	11,533	14,533	17,533	20,533
DSG Position after Safety Valve Funding (surplus)/deficit at Year End	13,480	9,947	4,880	2,902	0
Latest Position Management Plan					
Actual Outturn		12840	9,989	4921	2944
HNB Planned Contribution to / from Reserves*		-533	-2068**	1023	93
Safety Valve Contribution		-3,000	-3,000	-3,000	-3,000
Planned Use of Reserves		682	0	0	0
DSG Reserve	12,840	9,989	4,921	2944	37
Variance	-640	42	41	42	37

*HNB Contributions to / from reserves includes the Delivery Team

**23/24 contribution from reserves assumes 1.5% Schools to HNB Transfer

5.21 The other factors and risks to the management plan outside of the school block transfer is the recent rise in inflation and increased staffing costs that were not

foreseen when setting the DSG Management Plan. The inflationary pressures are not currently factored into future years (23/24 onwards). **We are currently in the process of refreshing the DSG Management plan.**

- 5.22 In summary, the financial sustainability of the high needs block still remains a significant cause for concern for the borough and will require the support of the School Forum and High Needs Subgroup to implement the strategies to assist in supporting the DSG High Needs Block to operate within its annual allocation.

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