

Committee Name and Date of Committee Meeting

Audit Committee – 27 July 2023

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 position of the Dedicated Schools Grant (DSG), the Dedicated Schools Grant reserve 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 of the overall Dedicated Schools Grant and the additional funding Government is investing in education as part of its spending review.

Recommendations

1. Audit Committee notes the actions being taken to manage the Dedicated School Grant deficit in Rotherham.
2. Audit Committee notes the additional funding allocated to Rotherham through the Department for Education's Safety Valve Programme.

List of Appendices Included

Background Papers

Operational Delivery of LAC Sufficiency Strategy – Proposals to Develop New Residential Provision – Agreed by Cabinet February 2020
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
SEND & AP Green Paper
Safety Valve Intervention Programme – Department for Education (DfE) – Annual update 2022/2023 – Noted by Cabinet April 2023
ESFA Funding Update July 23

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 had resulted in year on year deficits of circa £5m. However, following implementation of Rotherham's DSG Management plan (which includes continuing to transfer monies from the Schools Block) the annual pressures have significantly reduced with an in-year DSG deficit of £1.37m in 2020/21. This was further reduced to a £0.11m deficit in 2021/22 and an overall deficit of £21.26m (before taking account of Safety Valve funding).
- 1.3 The DSG overspend has accrued 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 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 Following significant negotiations between Rotherham Metropolitan Borough Council (RMBC) and Department of Education (DfE). A Safety Valve' Intervention agreement was agreed to support Rotherham to address its long term issues linked to High Needs funding deficit, including investment from DfE of £20.53m across the 5 years of the agreement. The Council also requested capital investment to deliver it's long term strategic plan and have been awarded £4.3m above the annual High Needs capital allocations (circa £9m, £3m over the next three years).
- 1.6 Due to scale and remit of the project, the Council has also requested funding for a team to deliver the project. As part of the agreement the Council will receive recurrent funding of 385k per annum across the duration of the Safety Valve. The Project Team will support delivery of the programme through a dedicated resource to project manage and enhance the SEND commissioning offer in the borough.
- 1.7 The key emphasis for the Rotherham involvement in this programme was ensuring that more children with SEND (Special Educational Needs and Disability) can be supported to stay in mainstream education in the Borough and the Safety Valve enhances the Council's long-term aspiration of transforming Rotherham SEND systems.

1.8 In agreeing to the financial investment from the DfE, Rotherham agreed to implement the following actions as set out in the Council's DSG Management Plan. This includes action to:

- (1) Reduce use of independent specialist provision outside of the LA by creating appropriate capacity within Rotherham's High Needs System, with a focus on ensuring provision is high quality and value for money.
- (2) Improve Rotherham's Early Intervention Strategy, including through investment in outreach work.
- (3) Ensure appropriate use of provision and avoid escalation of children and young people's needs by, among other things, improving the governance around placement decisions.
- (4) Review support services in Rotherham to ensure value for money is achieved.
- (5) Increase the outreach offer for Social Emotional and Mental Health needs at primary and secondary.
- (6) Increase the outreach offer for specialist SEND.
- (7) Develop local sufficiency arrangements, including for Rotherham's Looked After Children.
- (8) Drive mainstream schools to adopt inclusive practice to enable more children and young people to remain in mainstream settings where appropriate.
- (9) Maintain engagement with stakeholders through strong and collaborative governance arrangements, such as ISOS partnership work, Schools Forum High Needs Subgroup, primary and secondary head teachers.

1.9 Across the implementation of Rotherham 'Safety Valve Agreement' ongoing monitoring has taken place with meetings between DfE and RMBC on a quarterly basis to both support delivery and hold accountability of the Agreement. This support and challenge process also allows emerging challenges to be shared and a vigorous oversight of plans to be undertaken. Both a financial and narrative return is submitted to the DfE on a quarterly basis from the Council. Across both the financial and strategic plan that the Council submits to the DfE, Rotherham has remained on track to deliver all aspects of its 'Safety Valve' agreement across this financial year. This includes all 9 areas as outlined in section 1.10 which have been RAG rated as Green and all financial trajectories remaining on track against the plan agreed with the DfE.

1.10 Rotherham remains on track to meet all requirements of the "Safety Valve Agreement" at the end of the 2022/23 financial year. The DSG has moved from a deficit position of £12.84m at the end of 2021/22 to a deficit of £5.93m at the end of 2022/23. A reduction of £6.91m, with £6m from Safety Valve funding and £910k from a in year saving.

1.11 On 29 March 2022 the Government's SEND and Alternative Provision Green Paper was published, which sets out its vision for a single, national SEND and alternative provision (AP) system that will introduce new standards in the quality of support given to children across education, health, and social care.

2. Key Issues

- 2.1 The Council's SEND growth assumptions remain appropriate, especially linked to the continued growth of Social, Emotional, Mental Health and Communication and Interaction cohorts. If growth exceeds estimates this will lead to increased financial pressures. Wider than this risk it is inflationary pressures which may lead to increased costs and funding requests outside funding assumptions, which would undermine the 'Safety Valve Agreement'.
- 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 the Council has produced a DSG Management Plan (as part of the Safety Valve agreement) to identify cost savings and reduce the cost pressures on the High Needs Block within the Dedicated Schools Grant.
- 3.2 Since May 2019 Cabinet has approved 4 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.

Phase 4 In November 2022, Cabinet supported the development of Rotherham SEND Sufficiency Phase 4 which will create 10 additional mainstream SEND resource bases and support the development of enhanced accessibility funding streams for both mainstream and special schools to enhance their SEND provision

through match funded capital investment. This investment will support delivery of the Safety Valve Agreement through reducing the need for pupils to access high-cost independent special school places and support children and young people to be educated within the Borough. This programme of activity will be delivered across the next three academic years.

- 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 complete in implementing the recommendations of the review with the Primary and Secondary Outreach teams operational from September 2022.
- 3.4 One of the key elements to the Plan is young people being supported in Borough and the LAC Sufficiency plan for 2023/24 is to progress with plans to open a further four 2 bed children's homes in this financial year. This will support the continued progress of more Rotherham Looked After Children being educated in local schools.

4. Timetable and Accountability for Implementing this Decision

- 4.1 The LA will continue to update the ESFA's Dedicated Schools Grant (DSG) management plan (as part of the Safety Valve agreement) to reflect Rotherham's deficit recovery plan.
- 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 Ongoing monitoring will be in place across the lifespan of the plan, and this will involve regular meetings between DfE and RMBC on a quarterly basis to both support delivery and hold accountability of the agreement.

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 'Safety Valve Agreement' will provide Rotherham £20.53m over the period 2021/22 to 2025/26 based on Rotherham achieving the agreed outcomes in the Plan both operationally and financially.
- 5.2 The table below outlines the original plan and the latest position, which shows Rotherham is ahead of original financial assumptions and has out turned with a reduced DSG reserve deficit of £5.93 m at the end of the 2022/23 financial year.

DSG Summary (MTFS)

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000's	£000's	£000's	£000's	£000's
Safety Valve Plan					
Overall DSG Position (surplus)/deficit at Year End (as above)	22013	21480	19413	20435	20528
Safety Valve Funding	8533	3000	3000	3000	3000
Cumulative Safety Valve Funding	8533	11533	14533	17533	20533
DSG Position after Safety Valve Funding (surplus)/deficit at Year End	13480	9947	4880	2902	0
Latest Position Management Plan					
Actual Outturn		12840	5926	1858	881
HNB Planned Contribution to / from Reserves*		-724	-2068**	1023	93
Safety Valve Contribution		-6000	-2000	-2000	-2000
Planned Use of Reserves ***		-190	0	0	0
DSG Reserve	12840	5926	1858	881	-1026
Variance	-640	-4021	-3022	-2021	-1026

*HNB Contributions to / from reserves

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

*** Improvement relates to reduction in PRU deficits offset by use of Growth Fund

- 5.3 One of the main elements to achieve the DSG Management Plan and reducing costs is delivery of the High Needs Capital Programme, to enable new provisions to be established and accessibility to existing settings to be facilitated as outlined in the report.
- 5.4 To support the delivery of the Safety Valve Programme a project team has been established and will support delivery of programme objectives as outlined in the report and associated delivery of the DSG Financial Plan.
- 5.5 The Government's Local Government Finance Policy Statement published in December 2022 outlined that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26. The statutory override means that any DSG deficits do not have to be met from local authorities' general reserves. Before this announcement, it had been due to expire in 2023.
- 5.6 As this is an update report there are no direct procurement implications. All procurement activity to support this agenda, must be procured in compliance with the Public Contracts Regulations 2015 (as amended) and the Council's own Financial and Procurement Procedure Rules.
- 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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