

## Schools Forum Briefing

1.	<b>Date of meeting:</b>	<b>1<sup>st</sup> December 2023</b>
2.	<b>Title:</b>	<b>DSG Sustainability &amp; High Needs Finance Update</b>
3.	<b>Directorate:</b>	<b>Finance Customer Services / CYPS</b>

### 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 undertook an historic spend data DSG block realignment exercise, the High Needs block was then 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 dampen 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 As part of the DSG grant conditions in 2021 / 22 paragraph 5.2, there was a requirement introduced for all LA's with an overall deficit on its DSG account at the end of the 2020 to 2021 financial year, 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.

- 5.5 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 were invited to have financial agreement known as a 'Safety Valve'.
- 5.6 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.
- 5.7 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 five year period to 2025/26, and to support the creation of strong SEND locally based provision in Rotherham.
- 5.8 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

- 5.9 The DfE funding to be received if the plan remains on target to be delivered will be £20.530m. The profiling of the funding was adjusted at the end of 2023/24 as follows:

• Year	• Original Profiling	• Revised Profiling
• 2021/22	• £8.53m	• £8.53m
• 2022/23	• £3.00m	• £6.00m
• 2023/24	• £3.00m	• £2.00m
• 2024/25	• £3.00m	• £2.00m
• 2025/26	• £3.00m	• £2.00m
• Total	• £20.530m	• £20.530m

- 5.10 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.
- 5.11 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.

- 5.12 The Original Management Plan & Latest Position, starting from the DSG deficit position to the latest 2023/24 position is outlined in the table below:

	<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
<b>Safety Valve Plan</b>					
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
<b>Latest Position Management Plan</b>					
Actual Outturn		12840	5926	3411	3127
HNB Planned Contribution to / from Reserves*		-724	-851	1716	93
Safety Valve Contribution		-6000	-2000	-2000	-2000
Planned Use of Reserves **		-190	336	0	0
<b>DSG Reserve</b>	<b>12840</b>	<b>5926</b>	<b>3411</b>	<b>3127</b>	<b>1220</b>
Variance	-640	-4021	-1469	225	1220

\*HNB Contributions to / from reserves includes the Delivery Team

\*\*24/25 contribution from reserves assumes 0.5% Schools to HNB Transfer

- 5.13 Demand on the High Needs budget remains high due to rising numbers of children supported in specialist provision and the rising costs of Education Healthcare (EHC) plans.

- 5.14 In the 2023/24 financial year the High Needs budget position as at October 2023 shows an overspend of £1.217m (excluding safety valve funding) against a planned contribution to reserves of £2.068m. The £2.068m planned contribution to reserves would be reduced to £851k should the £1.217m overspend be realised, see table below for details.

	Revised Budget 2023/24	Forecast	Forecast Variance to Budget 2023/24
Special Schools	24,811,607	24,811,607	0
Primary Resource Units	502,446	427,966	-74,480
Secondary Resource Units	695,597	651,750	-43,847
Top Up Funding	8,026,920	8,371,152	344,232
Alternative Provision	4,846,281	5,061,374	215,093
External Residential	1,393,878	1,480,801	86,923
Independent Service Providers	11,580,152	12,299,743	739,591
Inclusion Services	2,983,314	2,996,735	13,421
Other Education Services	2,667,743	2,603,363	-64,380
CCP & FE Places	1,244,167	1,244,167	0
<b>Total</b>	<b>58,732,105</b>	<b>59,948,658</b>	<b>1,216,553</b>

\* The HNB budget includes a contribution to reserves of £2.068m

- 5.15 The £851k contribution to reserves is after the £3.459m transfer of funding into

the High Needs Block, therefore the financial pressure would be £2.608m without the Schools Block transfer in the 2023/24 financial year.

- 5.16 In terms of the 2024/25 budget estimate the HNB pressures remain, the High Needs Block indicative allocation for 2024/25 is £57.377m. **The current 2024/25 pressure on the High Needs Block is estimated to be £1.716m when including a transfer amount of £1.210m (0.5%) from the Schools Block.** Without this transfer the pressure is estimated at £2.927m, see table below for details.

	Draft Budget 2024/25	Budgeted Numbers April 2024- August 2024	Budgeted Numbers September 2024-March 2025
Special Schools	26,071,787	1,165	1,217
Primary Resource Units	567,787	50	63
Secondary Resource Units	733,646	60	79
Top Up Funding	8,237,700	1,175	1,175
Alternative Provision	5,185,854	171	171
External Residentials	1,117,665	13	13
Independent Service Providers	13,637,171	310	310
Inclusion Services	3,063,639	13	11
Other Education Services	537,051	0	0
CCP & FE Places	1,302,000	196	232
<b>Total</b>	<b>60,454,300</b>	<b>3,153</b>	<b>3,271</b>

HNB Allocation 2024/25	57,377,270
Tfr from Schools Block (0.5%)	1,210,960
<b>Total HNB</b>	<b>58,588,230</b>

2024/25 Pressure with Block T/F	1,866,070
Exclusions	150,000
<b>Total Pressure with transfer</b>	<b>1,716,070</b>
<b>Total Pressure without Block T/F</b>	<b>2,927,030</b>

- 5.17 As can be seen from the 2024/25 budget estimate the Safety Valve agreement will still require a transfer from the School Block for the 2024/25 financial year of 0.5% 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 in 5.1.2
- 5.18 The other factors and risks to the management plan outside of the requirement for a school block transfer are the inflationary pressures, delivery of the capital programme to continue to support growth in resource centres and accessibility schemes to avoid high cost Independent Sector Placements and the continued growth in EHC plans.

- 5.19 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.

#### Name and Contact Details

Neil Hardwick  
Head of Finance (CYPS)  
Tel: 01709 254508

Email: [neil.hardwick@rotherham.gov.uk](mailto:neil.hardwick@rotherham.gov.uk)

Louise Keith  
Principal Finance Officer (Schools Finance)  
Tel: 01709 822786

Email: [louise.keith@rotherham.gov.uk](mailto:louise.keith@rotherham.gov.uk)