S Shropshire Council	**Schools Forum** Date: 5 November 2020 Time: 8:30 am	Item Public	Paper **C**

DEDICATED SCHOOLS GRANT RECOVERY PLAN

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Summary

This report updates Schools Forum members with the progress made by officers in producing a DSG deficit management or recovery plan.

Recommendation

This report is for information only.

REPORT

1. The ESFA published their DSG guidance for 2020-21 in March 2020 and this removes the requirement for those local authorities overspent by more than 1% of their gross DSG budget to formally submit a DSG deficit recovery plan to the Department for Education by 30 June. Instead, the DSG guidance states further conditions relating to DSG deficits for those local authorities that have an overall deficit on their DSG as follows:
    - Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
    - Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
    - Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
    - Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings

2. As is being reported in "Paper E – Dedicated Schools Grant Monitoring 2020-21" this morning, Shropshire Council is forecasting an in year deficit of £0.184m against Central DSG and a £1.893m cumulative deficit at the end of the 2020-21

financial year. This paper seeks to update School Forum members on how the Council proposes to bring it's DSG account back into balance while ensuring the best possible outcomes for children and young people with SEND in Shropshire.

Context

3. In September 2014, the Government introduced the Children and Families Act, introducing a major transformation to the way services for children and young people with SEND are delivered. These changes which included replacing SEN Statements with Education, Health, Care Plans (EHCPs), and an extension of the SEN system up to the age of 25 years old have placed greater financial pressures on local authorities.

4. In the years since these SEND reforms, published national data shows that demand for services for children and young people with SEND has increased dramatically. The number of children or young people with a statement of SEND or requiring an Education Health and Care Plan (EHCP) has risen by 35% between 2014 and 2018. The number of children and young people permanently excluded from school has risen by 67% in the same period. This has had a direct impact on high needs spending with an increasing number of local authorities now reporting a deficit on their DSG account.

5. Since the SEND funding reforms of 2014, there have also been significant reforms to the Dedicated Schools Grant including the introduction of a High Needs National Funding Formula from 2018-19. The High Needs National Funding Formula was introduced with the intention of introducing a national funding formula, balancing the principles of fairness and stability. Shropshire Council alongside other F40 local authorities believed the introduction of the new High Needs National funding formula did not strike the correct balance between these principles. This was based on the view at the time that the new formula was not fair on the basis that it locked in historic unfairness through an over-weighting of historic spend, and was too rigid and inflexible in that it limited the transfer of funding between schools block and high needs block to just 0.5% This aspect limits Shropshire's ability to respond to local pressures without consultation.

High Needs DSG Allocation

6. The summary in the financial appendix shows that Shropshire's High Needs Block DSG allocation has increased from £25.716m in 2018-19 to £28.196m in 2020-21.

7. In each of the financial years from 2018-19 to 2020-21, the Council has been aware of the growing pressures on the High Needs Block DSG and has sought approval from Schools Forum to transfer 0.5% of the Schools Block to the High Needs Block after fully funding schools with the National Funding Formula factors and values. In 2018-19 and 2020-21 this resulted in the full 0.5% being transferred, but in 2019-20 a lower value which approximates to 0.25% of the schools block was transferred to the High Needs Block. It is noteworthy that had Schools Forum not approved these funding transfers, the High Needs Block DSG

financial position would be £2.023m worse off given this is the cumulative value of funds transferred across from the schools block.

High Needs Deficit Position

8. The financial summary appended shows the High Needs Block DSG incurred in-year deficits of £0.618m in 2018-19, £1.127m in 2019-20 and is forecast to outturn a deficit of £0.034m in 2020-21. This indicates a cumulative High Needs Block DSG deficit of £1.779m which is largely responsible for the overall DSG cumulative deficit forecast to be £1.893m at the end of the 2020-21 financial year. To understand what is causing this deficit to increase year on year, it is necessary to look at the trends in terms of historic expenditure over the last 3 financial years and the underlying data that drives demand in these areas.

High Needs Trends

9. The summary in the financial appendix shows the level of expenditure across each of the major headings within the High Needs Block budget over the last 3 financial years; 2018-19 to 2020-21. The tabs to the right of this summary tab give the trend in the numbers of children and young people which reflects the demand in these budget headings. More work is required to be undertaken on average or unit costs in the coming months.

Place Funding

10. Local authorities decide how much funding to set aside out of their High Needs Block DSG allocation for place funding to reflect their commissioning intentions. The figures appended show a 10% increase in place funding over the last 2 financial years with the single largest increase in Post-16 where the number of Post-16 places has increased by 41% over the last 2 years. The underlying data shows that the number of Education Health Care (EHC) plans in post 16 and further education has increased significantly from 189 in January 2018 to 353 in January 2020 (a 66% increase).

11. Place funding at mainstream SEND Hubs has also increased significantly from £0.175m to £0.464m. This is the result of a strategy to build capacity at mainstream settings to establish local, cost effective provision for children and young people who are able to access a mainstream curriculum but find accessing a mainstream classroom challenging. The underlying number of Education Health Care (EHC) plans in Resourced provision or SEN units has increased from 2 in January 2018 to 32 in January 2020 to reflect this strategy.

Top Up Funding to Mainstream Schools

12. Top-up funding to mainstream schools has increased by 5% from £4.191m in 2018-19 to £4.402m in 2020-21. The underlying data shows that the numbers of Education Health Care (EHC) plans in mainstream schools has decreased from 901 in January 2018 to 718 in January 2020 which would seem to contrast with the financial data at face value. The increase in expenditure, however can be explained by the introduction of the Graduated Supported Pathway payments in

2017-18. This mechanism enables schools to request additional funding to supplement their element 2 funding with the aim of providing targeted, early on, efficient and effective intervention for children identified as requiring SEN Support. The local authority anticipates seeing a reduction in top-up funding expenditure longer term as the proportion of Education Health Care (EHC) plans reduces in line with the national average, though it is important to stress that this is determined by the child's need.

Top Up Funding to Special Schools

13. Top-up funding to special schools has increased by 6.7% from £4.772m in 2018-19 to £5.092m in 2020-21. The underlying data shows that the numbers of Education Health Care (EHC) plans in special schools has increased by 6.8% from 574 in January 2018 to 613 in January 2020 which explains the increase in expenditure alongside the increase in banding levels for Shropshire's Special Schools. The increase in numbers of Education Health Care (EHC) plans, is consistent across most of the "primary need headings" but particularly significant for Autism Spectrum Disorder (27%) and Speech, Language and Communication (17%).

Post 16 – FE College Placements

14. The highest percentage increase in expenditure since 2018-19 is against Post-16 – FE College Placements where expenditure has increased by £1.130m (87%). The significant increase in Education Health Care (EHC) plan numbers in Post 16 can be seen in table 6a in the appendix and was described in paragraph 10. It is important to note that the increase in expenditure relates specifically to mainstream colleges, rather than a small number of higher cost, independent specialist providers. The significant increase in expenditure is explained by a large increase in the number of pupils with an Education Health Care (EHC) plan attending these mainstream colleges and is a direct of result changes in legislation which has seen local authorities having significant new statutory duties for students with special educational needs up to the age of 25 years under the Childrens and Families Act (September 2014). As a result, Shropshire has seen a sharp increase in students with SEN requiring additional support in further education year on year.

Independent Providers

15. The national picture being reported by the f40 group of local authorities during a survey of high needs costs pressures concluded increasing demand for independent special school placements, and higher contributions from education towards joint social care placements. Shropshire has mirrored these trends in recent years but the financial appendix indicates that forecasted spend in this year (£5.282m) has fallen by 9% since the 2018-19 level of £5.821m. The explanation for the fall in expenditure since this year may be the closure of 1 high cost residential special school which accommodated a number of Shropshire pupils before it's closure. The underlying data in terms of numbers of Education Health Care (EHC) plans in independent settings has shown an increase from 99

in January 2018 to 110 in January 2020 but the figures were higher in January 2019 than in January 2020 which means it is difficult to forecast a trend.

Support for Inclusion – 6th Day Provision

16. Support for Inclusion – 6th Day Provision is not an area that jumps out as being a particular financial pressure in the appendix to this paper but that is due to the 2020-21 expenditure being difficult to forecast due to Covid-19, and because the 2018-19 and 2019-20 financial years were similar in expenditure level. However, prior to these dates, the spend on 6th Day provision was £0.081m in 2016-17 and £0.188m in 2017-18 so there has been a continued trend of increasing expenditure since 2016-17. The underlying data in table 7 shows that the number of permanent exclusions was 39 in the 2014-15 academic year and had increased to 95 in the 2018-19 academic year. This trend reflects the national picture mentioned in paragraph 4.

Financial Plan

17. Given the budget pressures outlined above a financial plan is coming together to address these budget pressures. The ultimate aim of the plan which is required to be shared with the Department for Education as per their guidance, is to bring Shropshire's DSG account back into balance while ensuring the best possible outcomes for children and young people with SEND in Shropshire.

18. Although no detail has been finalised in terms of timescales or savings targets against particular budget headings as yet there are a number of strategies being proposed which are summarised on the financial summary in the appendix and briefly described below.

Place Funding

19. Place funding is determined by the commissioning needs of the SEND service area in fulfilling their statutory duties. It is not as straightforward as reducing expenditure from the current forecasted level of £7.756m. The key strategies revolve around managing the demand for place funding in the Post-16 FE area, and building capacity of local provision through establishment of mainstream school SEND Hubs as a more cost effective, local provision. This strategy will result in more expenditure on place funding of this type of provision but will save money elsewhere in the High Needs budget as the child may be placed in a more cost effective setting.

Top-Up Funding - Mainstream Schools

20. The primary purpose of the Graduated Supported Pathway is to identify and fund the need for SEN support early on. A financial consequence of this strategy is anticipated to be a reduction in annual expenditure on top-up funding longer term as the proportion of Education Health Care (EHC) plans falls, however it is important to stress that this top-up funding is determined by the child's need. There is a chance that expenditure could continue to increase if demand increases regardless of the Graduated Supported Pathway Strategy.

Top-Up Funding - Special Schools

21. The strategy is to continue to maximise the capacity of our special schools as special schools are a more cost effective option than independent special schools if a child's needs can be met.

Post 16 – FE College Placements

22. The local authority's SEN team are striving to address increase in Post 16 – FE College placement expenditure through close working with local colleges to increase accessibility to education within mainstream colleges rather than more expensive independent specialist providers. Controlling demand and costs in this area is a high priority area due the rate of growth of expenditure. The strategy is to review post 16 expenditure to ensure greater efficiency with mainstream college providers. This can be achieved through close partnership working with colleges to support them to recognise how they can achieve greater efficiency whilst maintaining high standards. There is a plan to review funding and better align post 16 college funding with how schools are funded. This strategy may require some initial investment. Further detail will need to follow.

Independent Providers

23. One strategy is to reduce reliance on Independent Special Schools through a focus on building capacity of maintained school SEND hubs and the development of the new free Special School and associated outreach from September 2022. Further financial modelling is required to determine the level of savings that can be achieved through the new free school.

24. A number of the children in these high cost, independent residential settings are there due to their all-round Education, Social Care and Health needs not just their education needs so education are often contributing significant funding to joint-funded placements for the most complex children. The strategy to reduce costs in this area is a greater emphasis on co-commissioning of provision with partners e.g Health and Social Care to meet the holistic needs of a child. Greater collaboration with Social Care on upcoming projects should allow more influence over school placement for children with complex social care needs.

SEN Support Services

25. The strategy here is continuous review of areas like Sensory Inclusion Service to realise efficiencies while maintaining high standards of provision.

Hospital Education

26. The number of Education Health Care (EHC) plans in hospital schools or Alternative Provision settings has increased since 2018-19 according to table 5 in the appendix. Close partnership working and greater emphasis on co-commissioning of provision with partners e.g Health and Social Care to meet the holistic needs of a child can prevent a child's needs from escalating to a point where a hospital setting is required.

Alternative Provision and Support for Inclusion

27. The High Needs Task and Finish group has been involved in exploring new models of service delivery for TMBSS, which could involve a greater emphasis on outreach. A key priority and strategy is to continue to support schools to be inclusive and manage the year on year increase in permanent exclusions that is resulting in sharp increase in expenditure. This programme of work is being led at strategic level through the SEND Strategic Board.