Shropshire Council	**Schools Forum** Date: 18 March 2021 Time: 8:30 am Venue: Virtual via Microsoft (MS) Teams	Item Public	Paper **F**

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 Dedicated Schools Grant (DSG) deficit management or recovery plan.

Recommendation

This report is for information only.

REPORT

1. The Education and Skills Funding Agency (ESFA) published their DSG guidance for 2020-21 in March 2020 and this removed 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 was reported to Schools Forum on 28 January, Shropshire Council is forecasting an in-year deficit of £0.863m against Central DSG and a £2.573m 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 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, which together has 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 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 DSG including the introduction of a high needs National Funding Formula (NFF) from 2018-19. The high needs NFF 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 NFF 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 allocation has increased from £25.716m in 2018-19 to £28.016m 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 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 NFF 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 worth noting that had Schools Forum not approved these funding transfers, the High Needs Block 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 incurred in-year deficits of £0.618m in 2018-19, £1.127m in 2019-20 and is forecast to outturn a deficit of £0.765m in 2020-21. This indicates a cumulative High Needs Block deficit of £2.510m which is largely responsible for the overall DSG cumulative deficit forecast to be £2.573m at the end of the 2020-21 financial year.

Financial Plan

9. Attached to this paper is a financial template appendix which is the template that the Department for Education would expect to be completed to show how the deficit will be brought back into balance over the next few financial years, and a narrative summary which is a high level explanation of how Shropshire Council plans to manage the budget pressures to bring it’s DSG deficit back into balance while still ensuring the best possible outcomes for Shropshire’s children and young people with SEND.

10. There is a separate High Needs Block financial modelling appendix which shows how expenditure will grow from the 2018-19 financial year to 2021-22 projected levels if expenditure continues based on current trends, and the impact of certain high level strategies or mitigating actions (as referred to by the Department for Education).

11. 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.

12. It is important to note that any strategic actions taken to bring the DSG deficit back into balance are focused on reducing the current projected level of growth in expenditure and are not about reducing expenditure in certain areas.

13. Schools Forum members should note that Shropshire’s High Needs Block allocation is increasing by £3.511m (13%) in 2021-22 from £28.016m to £31.527m. This is a significantly higher increase than the growth between 2019-20 actual expenditure (£27.293m) and 2020-21 projected expenditure (£29.623m) which was 9%. The upshot of this is that if expenditure was to grow at this level unmitigated, the deficit would reduce by £0.837m just through the High Needs Block allocation increasing by £3.511m and the projected expenditure increasing by £1.910m. This financial modelling to present this is appended to this paper.

14. In addition to this £0.837m, officers have reviewed the various high level strategies outlined in the previous DSG recovery plan paper and have estimated how much this unmitigated growth can be reduced by in each case. It is important to note that in each case the savings or growth reduction figures are targets or estimates. In total it is estimated that a further £0.220m can be realised which means that in 2021-22 the plan is to reduce the projected DSG deficit from £2.573m by £1.057m to £1.516m.

15. In the following year, 2022-23 it is assumed that the High Needs Block allocation will increase by 8% to £34.050m, while the projected expenditure would increase by the same percentage growth again. The upshot of this is a further reduction of the deficit by £0.951m to leave a cumulative DSG deficit of £0.565m at the end of March 2023.

16. In the year, 2023-24 it is assumed that the High Needs Block allocation will increase by 8% to £36.774m, while the projected expenditure mitigated would increase by the same percentage growth again. The upshot of this is a further in-year surplus of £1.787m to leave a cumulative DSG surplus of £1.222m at the end of March 2024.

17. In summary, the DSG deficit would be brought back into balance in the 2023-24 financial year. This assumes that the other blocks of DSG expenditure does not overspend against their allocation and the mitigations totalling £0.220m in 2021-22 continue to have an effect through the remaining financial years through reducing the baseline expenditure. The financial modelling appendix shows that if no mitigations were put in place or expenditure continued to increase as at current levels the DSG deficit would be £0.208m as at the end of the 2023-24 financial year rather than a surplus. It is therefore important that these strategies are continued or implemented as soon as possible in order to achieve the balances set out in the financial modelling appendix.

18. The strategies and the estimated growth reduction targets are briefly explained below.

Post 16 – FE College Placements

19. The local authority's SEN team are striving to address increase in Post 16 – FE College placement expenditure through close working with local colleges and aligning processes with those currently in place for schools. The priority will be to review post 16 expenditure to support colleges to recognise how they can achieve greater efficiency whilst maintaining high standards.

20. It is assumed that expenditure on Post 16 – FE College placements expenditure would increase from £2.711m to £3.512m (27%) based on a continuation of the current trend of increase from 2018-19 to 2020-21 projected spend. It is estimated that this growth of £0.741m can be reduced by £0.075m through the review described above.

Independent Providers

21. The local authority’s high needs provision strategy and action plan (2017) aims to reduce reliance on Independent Special Schools through a focus on building the 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. This is a long term investment and will take a number of years to realise substantial savings.

22. High cost, independent specialist residential settings provide a holistic response to our most vulnerable children who require access to very specialist services across education, health and care. Joint-funded placements for the most complex children place a significant burden on the high needs block. There is a clear combined strategy to reduce costs across the partnership by developing a localised joint response through a number of social care and/or health led projects.

23. It is assumed that expenditure on Independent Providers would increase from £5.207m to £5.312m (2%) based on an assumption of stable numbers and 2% allowed for price inflation from providers uplifting their prices. It is estimated that this growth of £0.104m can be reduced by £0.075m through greater partnership working to ensure that a child’s health, education and social care needs can be met at the level that best represents value for money.

Alternative Provision and Support for Inclusion

24. The High Needs Task and Finish group has explored new models of service delivery for behaviour intervention through TMBSS. The outcome of this work has led to a planned change in the model of service delivery to take effect from September 2021. The proposed model will provide an outreach element with the intention of enabling children to remain in their local school where this is appropriate. Intervention within a TMBSS centre will be time limited and there will be a school contribution made toward the cost of intervention. It is anticipated that this will provide a minimum saving of £0.070m to the high needs block.

25. A key priority is to continue to support schools to be inclusive and proactively manage the year on year increase in permanent exclusions that is resulting in sharp increase in expenditure on 6th day provision. This programme of work is being led at strategic level through the SEND Strategic Board and aims to realise a reduction in the number of children who are permanently excluded from their local school so that this is broadly in line with national expectations within 3 years.

26. It is assumed that expenditure on 6th Day provision would remain stable at approximately £0.300m based on a continuation of the current trend of increase from 2018-19 to 2020-21 projected spend. It is estimated that expenditure on this budget can be reduced through a combination of a review of the current delivery model of 6th day provision alongside a focused strategic approach that rewards inclusive practice and the development of centralised services. In the

first instance it is likely that this will require a spend to save initiative in order to realise longer term and more substantial savings into the future.