



# Report to Schools Forum

**Date:** 29<sup>th</sup> June 2021

**Title:** Dedicated Schools Grant (DSG) Deficit Management Plan

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**Recommendations:** Schools Forum is asked to note the initial financial modelling of demand and costs against the High Needs Block as part of the DSG Deficit Management Plan.

Schools Forum is also asked to note and agree the priority workstreams aimed at reducing costs over the period 2021 to 2025. The financial modelling will be updated for the impact of actions as they are implemented.

**Reason for decision:** For Information and discussion

## Purpose of the Report

- 1.1. This report sets out the initial modelling of demand for Education Health and Care Plans and the associated costs of provision over the next 4 years, and the impact on the DSG deficit. This gives an initial estimate of the level of pressure against which savings plans are being developed through the work of the DSG Recovery Board.

## Background

- 1.2. The DSG is a ring-fenced specific grant that must be used in support of the schools budget for the purposes defined in the School and Early Years Finance (England) Regulations.
- 1.3. Any LA with an overall DSG deficit must co-operate with the Department for Education (DfE) in handling that situation. In particular, the local authority must:
  - a) Provide information as and when requested by the department about its plans for managing its DSG account.
  - b) Provide information as and when requested by the department about pressures and potential savings on its high needs budget.

- c) Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
  - d) 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.
- 1.4. In order to ensure that this work is prioritised, managed and appropriately scrutinised the Council has established a DSG Recovery Board. The Board includes representatives from Schools Forum and will report to each Schools Forum meeting. The DSG Recovery Board has agreed workstreams focused on the key risk areas within the High Needs Block.
- 1.5. As part of the management of future DSG spend the DfE requires local authorities to provide a DSG Management Plan. The Education and Skills Funding Agency (ESFA) have provided a DSG management plan template which will help:
- 1) monitor how DSG funding is being spent;
  - 2) compare data on high needs spend between LAs;
  - 3) highlight areas where LAs may wish to review spending;
  - 4) form evidence-based and strategic future plans for the provision of children and young people with SEND;
  - 5) present complex funding information simply to schools forums;
  - 6) and provide a consistent reporting format to help LAs share best practice and initiatives.
- 1.6. The ESFA expect the plan to be updated and presented at schools forum meetings and any high needs subgroups regularly and at least on a termly basis. They realise that the management of DSG balances, both bringing spend in line with income and repaying deficits, will take time for some LAs.
- 1.7. Management plans should reflect the most current forecast DSG position and be published on the LA local offer website. 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).
- 1.8. It is statutory that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the local authority not to do this.

## DSG Deficit Management Plan

- 1.9. At 31<sup>st</sup> March 2021 Buckinghamshire Council has a deficit of £1.795m against its DSG reserve. This includes a number of earmarked amounts to support the Growth

Fund and de-delegated funding and therefore the underlying deficit is closer to £3.1 million. The current forecast is for the deficit to be £1.549m at the end of the 2021-22 financial year based on the budget set in January 2021 and assuming that pressures against the high needs block can be managed within the budget set. Again this will continue to include an element of earmarked reserves carried forward from other DSG blocks.

1.10. Work has been completed to project the numbers of pupils requiring Education, Health and Care Plans (EHCPs) by age range, provision type and primary SEND need over the next 4 years. These projections have been used in the work to develop the SEND Sufficiency Strategy which is currently out for consultation and to feed into the financial modelling of costs against the high needs block as a baseline for the DSG management plan. The data has been fed into the DSG management template and Appendix 1a and 1b show the summary of initial projections over the period to 2025. This summary is extracted from the DSG management template.

1.11. Initial financial modelling has then been carried out to estimate the financial impact of this increase in demand. The modelling starts from the current budget assumptions and estimates the impact of the increased demand for each provision type. At this stage no price inflation has been applied and the income for the high needs block is assumed to remain at current levels. At this stage only a one year funding settlement has been announced and therefore no assumption has been made in relation to potential increases in funding for future years.

1.12. The model gives an unmitigated position prior to any estimated savings arising from the key workstreams in the DSG recovery plan. This shows that if no further actions are taken the DSG deficit could increase to £16.8 million by the end of the 2024-25 financial year. The financial modelling summary is further detailed in Appendix 2 to this report. Appendix 2 is an extract from the DSG management template.

**Table 1**

	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cumulative DSG Deficit at start of year	1.795	1.549	4.388	9.605
In year forecast overspend (Underspend)	(0.246)	2.839	5.217	7.167
Estimated year end deficit position <b>(unmitigated position)</b>	<b>1.549</b>	<b>4.388</b>	<b>9.605</b>	<b>16.771</b>

## Key Actions being taken to manage DSG Pressures

1.13. The DSG Recovery Board has agreed 6 priority workstreams in order to manage and begin to reduce DSG spend where possible. These areas are prioritised as they are the main areas of pressure for demand. The workstream on Central Schools Services Block (CSSB) has been included as a priority because of the projected reduction in historic commitment funding over the next 4 years. The priority workstreams are:

- 1) Post-16 spend and demand
- 2) Provision outside of Buckinghamshire including Other LA special school placements and Independent sector provision
- 3) EHCP Demand Management (SEN Support)
- 4) Financial Impact of the SEND Sufficiency Strategy – focus on Capital implications
- 5) Mainstream school top up payments for pupils with EHCPs
- 6) Central Schools Services Block

1.14. The work of the Recovery Board will involve the following steps:

- 1) Initial financial modelling to baseline costs and demand for Education Health and Care Plans (EHCPs) by age, primary need, and type of provision. This gives an initial “unmitigated” position with an indication of the cost of meeting demand over a 5 year period and is included as appendices 1 and 2 to this report.
- 2) Determine the key actions required to reduce costs. This will include development of increased provision options as well as actions to reduce demand for EHCPs.
- 3) Model the financial impact of the agreed actions. This will give a “mitigated” financial forecast.
- 4) Actions will be monitored against this forecast.

1.15. It is important to note that the High Needs budget is a demand led budget and demand for EHCPs is increasing nationally. The financial impact of actions will result in some cashable reductions as well as cost avoidance.

1.16. A report on the progress against the priorities in the plan will be brought to each Schools Forum meeting.