

ITEM 2

Dedicated Schools Grant (DSG) Deficit Management Plan – Q3 2021/22

Schools Forum – 7 February 2022

Summary and recommendation:

This paper sets out:

The updated financial and organisational position of Croydon's High Needs Block management plan based on the latest information.

Schools Forum are asked to:

Note the actions plans and progress to date on High Needs Recovery Plan as well as potential risks and to note the Department of Education have increased the 2022/23 allocation by £7.4m. This is yet to be reflected in the model

1. Background

- 1.1 The Department of Education (DfE) recently reiterated the requirement for Local authorities with an overall deficit on its DSG account at the end of the 2021 to 2022 financial year, or whose DSG surplus has substantially reduced during the year are expected to co-operate with the DfE in handling that situation as part of the grant condition.
- 1.2 The Secretary of State may also enforce specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.
- 1.3 Other grant conditions include:
 - a) Provide information as and when requested by the Department for Education (DfE) about its plans for managing its DSG balance as well as information on pressures and potential savings on its High Needs budget;
 - b) LA is required to meet with officials from DfE as and when they request to discuss the LA's plans and financial position on its Deficit Management Plan;
 - c) Keeping School's Forum updated regularly about the Local Authority's DSG account and plans for managing it, including high needs pressures and potential savings.
- 1.4 This paper aims to update Schools Forum with the Quarter 3 (2021/22) position on the High Needs Deficit Recovery Plans which the LA has been communicating with the DfE - demonstrating how the LA is working towards keeping the High Needs Block spend within budget.
- 1.5 The DfE is fully aware that there are circumstances where some local authorities, notwithstanding their best-efforts in implementing various savings strategies, will still not be able to clear their historic DSG deficit hence regular meetings with DfE are useful.
- 1.6 **Final Outturn – High Needs Block for 2020/21.** The final High Needs Block outturn for 2020/21 is £66.982m with a budget of £61.239m, hence the reported variance is £5.743m which represents an adverse movement of £1.269m when compared to the forecast of £4.474m variance under the previous DSG Management plan.

2. Current forecast and Management plan updates

- 2.1 As a result of this High Needs overspend against budget the DSG Management Plan is entirely focused on the implementation of the SEND strategy to ensure that the High Needs Block expenditure is contained within the High Needs Block funding allocation by Year 3 (2023/24) with potential recovery of the cumulative deficit.
- 2.2 The current in-year High Needs overspend forecast as at December 2021 (Period 9) is £4.1m. The main reason for the adverse movement is the £538k grant reduction. The overall forecast position for this year has remained stable. This represents improvement on previous years and records an encouraging downward trend over time as demonstrated in Table 2 below with a sharp rise in Q3 due to unexpected reduction in funding.

Table 1 Trend of High Needs variance over the three years and four months.

High Needs Overspend	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	£'m	£'m	£'m	£'m
Financial Year 2019/20	6.7	6.6	7.1	6.7
Financial Year 2020/21	4.4	4.6	4.6	5.7
Financial Year 2021/22	3.5	3.6	4.1	

- 2.3 For example, the reported final outturn variance for 2019/20 was £6.7m compared to 2020/21 outturn variance of 5.743m representing significant improvement of £1m over the previous year's outturn position.

3. Management Plan - Overview of recovery

- 3.1 Table 2 below demonstrates how the budget has been managed over the years to keep the forecast around £4.1m at Q3 of 2021/22.

Chart 1 - Trend analysis – In year overspend and cumulative position

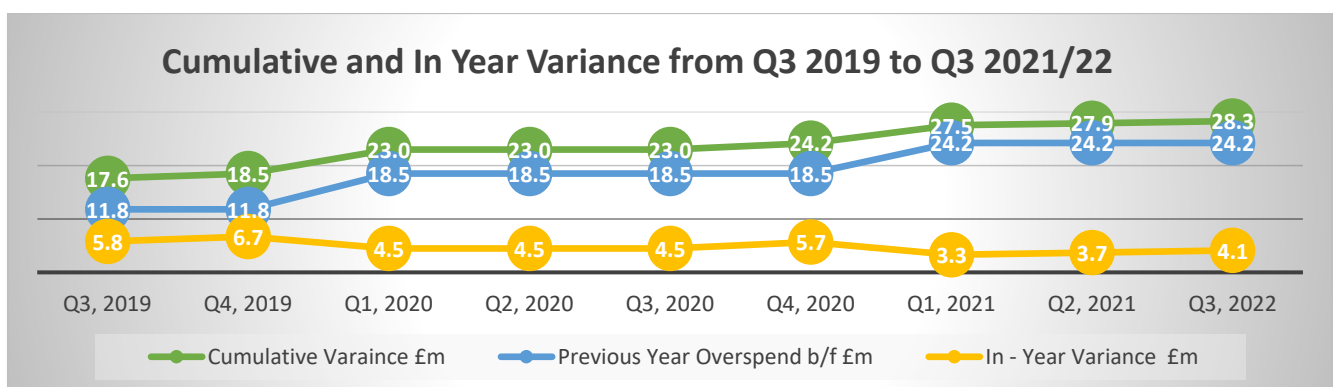


Table 2 below shows a steady rise in the overall expected DSG deficit of £24.221m at 2020/21 to £29.125m by the end of 2025/26.

Table 2 - Overview of Croydon Deficit Recovery Plan

Overall DSG High Needs Forecast Position	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'001
Total expenditure	62,388	66,983	71,212	71,798	72,739	74,521	79,847
Total income	-55,716	-61,240	-67,106	-71,000	-72,739	-74,521	-79,847
Total net - High Needs (In - year)	6,673	5,743	4,106	798	-	-	-
Schools block transfer	-1,238						
Total net - DSG (In - year)	-70	3,920					
Add brought forward deficit	9,193	18,527	24,221	28,327	29,125	29,125	29,125
Overall Cumulative deficit position	14,558	24,221	28,327	29,125	29,125	29,125	29,125
Do nothing option - Deficit position	14,558	24,221	29,639	30,086	32,861	35,629	33,408

3.2 Table 2 is based on these assumptions:

- whilst the 2019/20 to 2021/22 total income reflects confirmed allocations, future High Needs Block allocations have assumed a 2.5% estimated adjustment for inflation;
- to highlight the impact of the SEND strategy and the accompanying planned reduction in High Needs expenditure, the surplus balances as at the end of 2019/20 have been removed from the model (£3.920m);
- transfers from the school block were not requested in 2020/21 and 2021/22 and not been factored into the model

3.3 It should be noted that the in-year deficit may not be reduced to nil by the end of year 3 due to potential financial risk associated with the overall deficit plan linked to the ESFA / DSG funding methodology. The SEND Board continue to undertake annual reviews of all the SEND Transformation Strategies to ensure they continue to meet the needs of the Children and Young People as outlined in the Children and Family Act 2014. This may lead to potential operational changes to the strategies and priorities possibly leading to a gap in the expected savings.

3.4 Do nothing option. Table 4 also shows that the DSG deficit would continue to rise from £24.221m at the end of 2020/21 to approximately £33.408m by 2025/26 if nothing is done about the situation.

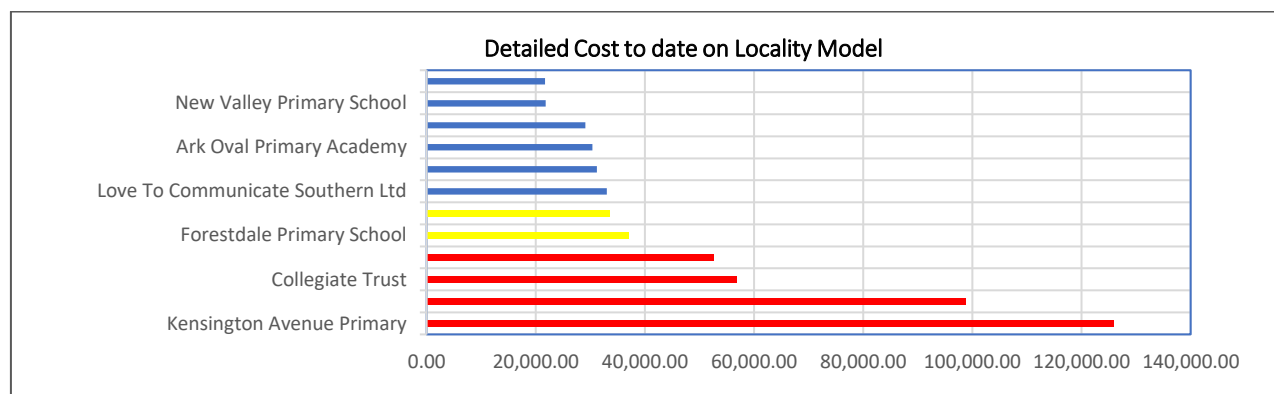
4. Work streams

4.1 The SEND strategy is in line with the council's move to working in locality areas - building positive working relationship with schools in local areas to better meet the needs of our families. With this comes the knowledge that if we intervene earlier to support children with special educational needs, we will reduce the demand to resource EHCPs up to the age of 25.

4.2 The long-term aim is for Croydon to have more Croydon children and young people supported through its own clear alternative education pathway which is in turn well understood and valued by both parents and schools. Currently, for many parents and some schools an EHC plan is seen as the only way to secure the additional help that children need. Work streams already underway include the locality model that has since being implemented with significant progress as highlighted in Paragraphs 4.3 to 4.6 below.

- 4.3 Mainstream School Inclusion Funding (Locality Model).** The total spend to date on the locality project as at the end of December is £853k. This represents payments to 48 schools in all.
- i. Group 1 - represents 12 schools shown in the chart received a total of £571k
 - ii. Group 2 - represents 36 schools that received in total £282k.
- 4.4** The approved Locality Budget for 2021/22 is £1.368m. We would be reporting on the number of pupils that benefited from the locality funding at the year –end report.
- 4.5** Please note that some of the schools shown in chart 2 were reimbursed their staffing costs due to employees on secondment, whilst others are trusts, hence it appears that disproportionate funds are allocated to these schools.
- 4.6** It would be useful for the LA management to start considering an integrated (Human Resource Strategy) approach to the project team in terms of the administration of the project as well as financial management and accountability of the Mainstream Schools DSG Grant. This will ensure the LA have a funding model with an annual budget that can be allocated over time and expanded as more schools join the project and are funded through the peer moderation activity at cluster level as well as the Area Exceptional Needs Panel meetings.

Chart 2 – Mainstream Schools / Trust on the Inclusion Funding (Locality Model)



5. Risks and opportunities

5.1 Current identified risks to the plan include:

- a) Potential impact the DfE SEND review may have on the current strategies
- b) More than expected number of EHCP cases in future years as forecasting model based current demographic information hence has limitations in forecasting accurate future data of pupils with EHC plans.
- c) Likely demand from Special Schools for an increase in top up funding due to increasing needs and cost of services
- d) Change in the Special schools funding methodology
- e) Budget management under the locality model and synergy issues with staffing and processes

5.2 It should be noted that at the time of writing the report, the DfE have indicated that the High Needs block will receive additional funding of approximately £7.4m for 2022/23 financial year.

Summary and recommendation:**Schools Forum are asked to:**

Note the actions plans and progress to date on High Needs Recovery Plan as well as potential risks and to note the Department of Education have increased the 2022/23 allocation by £7.4m. This is yet to be reflected in the model