

Meeting date: 13th February 2020

Report to: Full Cabinet



Subject/report title: Dedicated Schools Grant (DSG) Recovery Plan

Report from: Director of Children's Services and Skills

Report author/lead contact officer: Director of Children's Services and Skills

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege

Public/private report: Public

Exempt by virtue of paragraph:

1. Purpose of Report

- 1.1 To confirm the actions being taken to improve the availability of education provision and increase capacity within the Borough so that more of our children and young people can have their needs met locally.
- 1.2 To update on the progress of the DSG Recovery Plan and the actions taken following the previous report to Cabinet in October 2019

2. Decision(s) recommended

- 2.1 To endorse the progress made in taking forward the work streams that support both the broader improvements to SEND processes and provision and the development of the Recovery Plan.
- 2.2 To approve the principle that the in-year High Needs Block deficit is brought into balance by year three of the Recovery Plan but that the accumulated deficit is recovered over a longer period, due to the reasons set out in section 3.6 of the report
- 2.3 To approve the DSG Recovery Plan in its current iteration, as set out in Appendix A.

- 2.4 To confirm that Cabinet will consider the final DSG Recovery Plan at its meeting in June 2020, prior to formal submission to the Department for Education.

3. Matters for Consideration

Background to the Dedicated Schools Grant (DSG) High Needs Block (HNB) financial position

- 3.1 At outturn in 2018/19, the High Needs Block of the DSG had a gross overspend of £2.97m (£1.408m net after the application of one-off funding) against a budget of £24.91m, due largely to the increase in numbers and costs of school placements, particularly in the independent sector. The previous report to Cabinet in October 2019 set out the factors driving the current High Needs Block financial position.
- 3.2 In the current financial year, (Period 9, December 2019), the latest financial forecast position for the DSG High Needs Block is an adverse variance of £5.797 million against a budget of £24.073 million. This includes the carry forward of the 2018/19 variance of £1.408m reported above and represents a deficit of 2.9% against Solihull's total DSG of £200.163m.
- 3.3 Guidance from the Education and Skills Funding Agency (ESFA) issued in March 2019 states that; "All local authorities that have a cumulative DSG [Dedicated Schools Grant] deficit of 1% or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit back into balance in a three-year time frame". Based on the current projected deficit, this clearly triggers the requirement for a recovery plan to the DfE in June of 2020.
- 3.4 The DfE recognises that this may prove difficult for some local authorities; particularly where authorities are accelerating moving their schools to mirror the National Funding Formula allocations in full, as is the case in Solihull. In such cases, the Department is willing to receive evidence explaining the pressures, and may consider a recovery plan that leaves some or all of the deficit accumulated to date outstanding. This means that the local authority would carry forward the amount agreed as a deficit, but would not be required to recover this within a three-year period. However, the in year position for the High Needs Block must be brought back into balance within three years.
- 3.5 This iteration of the recovery plans will need to be discussed with the schools forum and the Head Teachers' Reference Group (see para 3.21 below) and should set out the authority's plans for bringing the DSG account back into balance. The Chief Finance Officer must also review and sign off the report before submitting to the Department, which will happen as part of the final Cabinet approval process.
- 3.6 The recovery plan presented at Appendix A uses the flexibility permitted and proposes that the accumulated deficit is recovered over a longer period, whilst

bringing the in-year position back to balance during year three (2022-23). This recognises the following factors:

- That the DfE does not expect local authorities to take such measures to recover the full deficit within three years that would have a detrimental impact upon support and provision for children and young people.
- That there is a long lead in time for some of the proposed measures, which means that action and implementation does not immediately result in a financial saving.
- There are still elements of uncertainty and variability in terms of some of the key assumptions underpinning the plan, especially around future pupil numbers and levels of government funding. Officers will use the time between now and the Cabinet in June to continue to refine details, revisit assumptions in the light of emerging information and in the light of consultation and engagement with schools and the Schools Forum.
- There is an acknowledged problem nationally that the High Needs Block within the DSG is underfunded. Over 80% of local authorities are reporting a High Needs Block deficit and the scale of the shortfall in funding is rapidly escalating.

3.7 The Leader of the Council wrote to the Secretary of State for Education in the summer of 2019 setting out Solihull's concerns that the level of funding available nationally for SEND within the High Needs Block had simply not kept pace with increasing demand, with consequent impact on our High Needs deficit. It was made clear that this was despite our endeavours over the previous two to three years to bring additional provision on stream to meet demand and mitigate the financial impact. In common with over 80% of councils across the country, who had also been lobbying for change, Solihull was pleased to receive the Government's subsequent announcement of additional funding within the High Needs Block for 2020-21. This has been built in to the Recovery Plan and it has also been assumed, although there is no official confirmation from Government pending a full spending Review, that this additional funding will be built into the base for future years.

3.8 The DfE consulted late last year on the proposal to ring-fence DSG overspends on the LA balance sheets. Furthermore, LAs will be precluded from supporting any such overspends without the express approval of the Secretary of State.

What is happening in relation to the demand and financial pressures?

3.9 Various options for additional in Borough provision (in addition to that brought on stream already over the past three years) are being developed as part of the wider recovery plan. The first phase of these options were reported to, and

approved by, the Cabinet Member for Children, Education and Skills on 18th December 2019. In summary these were:

- 8 full time equivalent place secondary SEMH provision.
- 20 place secondary complex Autism provision
- 6 place primary complex Autism provision,
- 8 full time equivalent places KS1 primary SEMH provision (North)
- 10 full time equivalent place KS2 primary SEMH provision (North)

Where possible, we are looking to open new provision from September 2020 but any development of this nature is subject to full statutory consultation before a final decision can be made. For academy schools the final decision is a matter for the Regional Schools Commissioner. All these developments are dependent on appropriate accommodation being deliverable at a level affordable within the capital programme and in the necessary timescales.

- 3.10 In addition, working in partnership with our special school Head teachers we are looking at ways to further expand our special school places whilst recognising the need to add additional accommodation to alleviate existing and future pressure. It is anticipated that a formal expansion of one or more of our special schools will be required. Feasibility work around how best to deliver these expansions is underway. Expansion of special school places above 10% will require a full statutory process before a final decision is made.
- 3.11 It is important to note that the unit cost of such additional in-Borough places is significantly cheaper than external provision and as such has helped to mitigate the HNB deficit below the level it otherwise would have reached had action not been taken. As a general rule of thumb, we are able to make SEND provision for two children in Borough for every child who goes to a specialist external education placement.
- 3.12 Solihull has also responded by supporting the creation of a new 110 place Alternative Provision Free School, and the local authority has agreed to fund these places whilst the school becomes established. Solihull needs to work closely with schools to invest in preventative and inclusive pathways, and, as a consequence, disinvest from exclusion pathways. This needs to be accompanied by new funding models for alternative provision and a greater role for schools in commissioning provision.
- 3.13 Through a detailed pupil by pupil review of all those students previously at Auckland Pupil Referral Unit (PRU) and currently at Summerfield PRU, it has become clear that SEND is a more appropriate pathway for many of the pupils who were / are on roll. This also means we need to transfer appropriate resources from our alternative provision to SEND provision. This was put in place initially through the decommissioning of Auckland PRU and the proposed creation of Social, Emotional and Mental Health (SEMH) additional resource provision. We looking at our future needs for Secondary PRU provision and options were presented to the Cabinet Member for Children, Education and Skills at the decision session on 11th February 2020.
- 3.14 The DSG financial settlement for 20/21 announced in December confirmed that

Solihull will receive £2.748m additional DSG High Needs funding in 2020/21 which will help offset the on-going deficit as part of the Recovery Plan actions. Whilst this has not been confirmed for future years, our working assumption is that we will continue to receive this funding in future as a minimum baseline increase.

- 3.15 Following extensive discussion and consultation with schools and the Schools Forum, members decided not to pursue an application to the Secretary of State for a transfer of funding from the Schools Block to the High Needs Block as part of the current recovery plan. This recognises that schools are experiencing their own financial pressures and through accepting that financial risk, the council has acknowledged the sensitivity around this issue and the need to rebuild its partnership working with schools. This decision and the effectiveness of the measures being taken through the recovery plan will need to be carefully monitored.
- 3.16 In taking this approach, the Council is agreeing to hold and manage the risk around the financial implications upon the recovery plan as there is now no “income” contribution from the Schools Block
- 3.17 The council’s approach to SEND and the recovery plan itself has 5 key work strands as set out in Appendix B, which indicates progress made since the October Cabinet report. These are monitored through a monthly Board chaired by the Deputy Chief Executive and Director of Resources to ensure independent oversight.
- 3.18 In terms of developing the financial model (Strand 5), a key piece of work has been to model the individual pupil impact across all settings reflecting changes such as at Key Stages. This has enabled us to begin to model the detailed financial and provision impact over the next three years. In addition, we can look to model future demand. However, it must be noted that this is not a straight forward exercise and is dependant on many factors including future DSG financial settlements, future projections about the number and type of places needed and practical issues around developing capacity such as expanding SEND provision locally and building on measures already implemented.
- 3.19 The model will be the need to be updated based on current pupil data. The January Pupil census which forms part of the statutory return to the DfE will inform the update once this data is compiled and analysed.
- 3.20 As it stands, the current model indicates that we may be able to bring the in year High Needs Block back within budget by year 3 but clearly subject to factors set out above. However, it is our view that the recovery of the current and any future deficit within a three year planning horizon will not be achievable under the current assumptions and funding. Beyond the immediate three years of the current recovery plan, the full year effects of some of the proposals in the plan, together with the impact of the new free school for children with autism (indicative opening date from the DfE September 2023) will have a further positive impact upon the remaining accumulated deficit.

3.21 Furthermore, there is a real need to work more closely with our Schools on all these matters. Schools had previously expressed their concern that they had not been sufficiently involved in the development of responses to the emerging financial position. As such a High Needs reference group has been established with Head Teachers that will be an important critical friend and voice of schools about the future direction and development of SEND, including the deficit recovery plan.

Resources required to develop, implement and monitor the DSG Recovery Plan actions

3.22 Given the scale of the challenge outlined and the associated financial risk, Cabinet in October approved that £400,000 per annum for 3 years be set aside through the current MTF process to provide this additional capacity, with effect from 2020/21. Any part year effect of any appointments in 2019/20 will have to be met from within existing resources. Progress against the Recovery Plan will be monitored through a High Needs Block Board, chaired by the Director of Resources and Deputy Chief Executive. The current position in terms of providing the needed additional capacity is:

- An Assistant Director, Inclusion and Additional Needs – following a national recruitment process, interviews were held in January and the successful candidate has confirmed they will take up the offer of the post. This is now subject to the usual checks and HR processes and confirmation of a start date.
- A senior commissioning / contract officer – support is being provided on a part time basis from the Corporate Procurement Team pending the April start date for this position.
- A business change manager – this post was appointed to in November 2018 and the Children’s Service’s Operating Officer is now in post.
- A solicitor with an SEND specialism – funding is being used to support interim arrangements pending a review by Legal Services of the long term requirements.
- A post to help deal with the backlog of annual reviews – being covered by an agency member of staff pending recruitment to the longer term position.

4. What options have been considered and what is the evidence telling us about them?

4.1 Due to the size of the High Needs Block deficit, the council will be required by the DfE to submit Recovery Plan proposals by June 2020. The option of seeking to do this within existing resources has been discounted as it is clear that current resources and actions taken to date have not been able to contain or reduce the High Needs Block deficit.

4.2 Work since the report considered by October Cabinet in 2019 has identified that recovering the full deficit (i.e. the accumulated deficit in addition to the in year

position) would require the implementation of measures that would be detrimental to outcomes and provision for children and young people and could leave the council in a position where it was unable to meet its statutory duties. Such measures, whilst delivering an initial reduction in costs would also be likely to increase costs in later years as the true financial consequences become apparent. This option has therefore been discounted.

4.3 The headline recovery plan is set out in Appendix A, together with the key planning assumptions around forecast numbers, timescales and level of Government funding.

5. Reasons for recommending preferred option

5.1 As outlined above in 4.1 and 4.2

6. Implications and Considerations

6.1 How the proposals in this report contribute to the delivery of Council Plan priorities:

Priority:	Contribution:
Securing inclusive economic growth.	Improving the council's SEND provision will support more young people to secure employment and training when they leave school.
Planning & delivery for Solihull's low carbon future (to include biodiversity implications).	Being able to educate more of our young people in the Brough will, over time, reduce travel distances and the use of car and taxi journeys.
Managing demand and expectation for public services.	Parents of children with SEND in Solihull quite rightly have high expectations for their children. As the report highlights, demand for in Borough provision currently exceeds the council's ability to provide it and is causing a significant financial overspend. The proposals in the report are intended to address capacity and meet children's needs in a more cost effective way.
Developing our approach to services for adults and children with complex needs.	In developing a financially sustainable High Needs Block over time within the Dedicated Schools Grant, the Council will be in a better position to meet needs locally. A key element of the Recovery Plan as it develops will be to continue to expand in-Borough provision for children with SEND, working in close partnership with our schools and academies and ensuring families are part of the development of solutions. This will deliver better outcomes for children and families as well as securing financial efficiencies; as previously stated the cost of educating one pupil out of Borough in independent sector provision would meet the costs

	of education two pupils in maintained or academy provision within Solihull.
Making the best use of our people and physical assets.	A key aspect here will be to ensure we maximise the use of school and Council buildings in order to provide some of our new service provision. This may well require the re-designation of some assets along with some capital investment.

6.2 Consultation and Scrutiny:

- 6.2.1 The DSG financial position, the factors that have led to the deficit and the actions already taken have been set out in recent reports to the Solihull School Forum and its sub groups. The Forum is a key stakeholder in matters relating to the DSG and has statutory duties in relation school funding issues.
- 6.2.2 Further reports on the consideration of future service options and progress against the recovery plan will go to the Solihull School Forum as required and will be informed by discussion with the Head Teachers' Reference Group.
- 6.2.3 Any consultation requirements linked to the detail of the Recovery Plan, once developed, will be detailed and approval sought in subsequent reports to the Cabinet Portfolio Holder for Children's Services, Education and Skills.

6.3 Financial implications:

- 6.3.1 The report notes the Period 9 reported projected variance in the current financial year, which includes the carry forward from 2018/19. This is based on the latest information relating to the autumn term pupil intake to the various provisions.
- 6.3.2 Notwithstanding the DfE requirements set out in the report and below the Council needs to have a Recovery Plan to address the deficit.
- 6.3.3 The report also notes resources allocated to develop, implement and monitor the Recovery Plan actions.
- 6.3.4 The financial aspects of the plan are set out in Appendix A. As with all financial models, certain assumptions have been made around demand, cost, funding and provision. Changes in these assumptions will need to be reflected as part of the implementation and update of the Recovery Plan.
- 6.3.5 The recovery of the on-going deficit will need to be in accordance with DfE guidelines and treated in accordance with statutory accounting requirements. As referred to in 3.8, there has been a consultation on the DfE's proposal to ring-fence DSG overspends so that deficits do not have to be covered by an authority's general reserves. However, the Code of Practice on Local Authority Accounting does not currently allow for any earmarked reserve to be shown in a

deficit position at the balance sheet date so it is currently not possible to achieve the DfE's proposal in accounting terms.

- 6.3.6 In line with the Code of Practice, the variance in 2018/19 was temporarily funded from the Council's working balances and then carried forward to the schools' budget in 2019/20. Until further information is received on an alternative acceptable accounting treatment, the Council will have to cover each year's DSG deficit on a temporary basis from non-earmarked general fund reserves, which includes the Council's working balances and the budget strategy reserve. The forecast budget strategy reserve exceeds the forecast deficit at all points during the three year MTFs period, so this would be sufficient balance sheet cover, although it is acknowledged that this balance is also there to protect against other risks.
- 6.3.7 As detailed in 3.6, the recovery plan aims to recover the accumulated deficit over a longer period than the MTFs, so the budget strategy reserve will be repaid and the cover required will reduce as the DSG position is brought back into balance. Additional disclosure will be included in the Council's Statement of Accounts to explain the DSG funding position and the impact of the carried forward deficit on the Budget Strategy Reserve balance.

6.4 **Legal implications:**

- 6.4.1 The Council is required to submit a Recovery Plan to the DfE by June 2020 to bring the DSG back into balance within three years and the regulations around this are set out in statutory guidance.

6.5 **Risk implications:**

- 6.5.1 The council would be in breach of its statutory duties should it fail to submit a robust and approved Recovery Plan to the DfE.
- 6.5.2 Any risks associated with the elements of Recovery Plan itself will be clearly identified and reported to Cabinet accordingly.

6.6 **Equality Implications:**

- 6.6.1 Any reviews of service provision would be subject to Equality Impact assessments.

7. **List of appendices referred to**

- 7.1 Appendix A – DSG Recovery Plan
- 7.2 Appendix B – Progress against SEND work streams

8. **Background papers used to compile this report**

- 8.1 Report to Full Cabinet 10th October 2019
- 8.2 Various reports to Solihull Schools' Forum

9. List of other relevant documents

- 9.1 National Audit Office Report: Support for pupils with SEND in England
September 2019