

For general release

REPORT TO:	CHILDREN AND YOUNG PEOPLE SCRUTINY SUB-COMMITTEE 18 June 2019
SUBJECT:	Dedicated School Grant Deficit Recovery Plan
LEAD OFFICER:	Robert Henderson, Executive Director - Children, Families and Education
CABINET MEMBER:	Councillor Alisa Flemming - Cabinet Member for Children, Young People and Learning
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Shelley Davies, Interim Director of Education and Youth Engagement and Kate Bingham, Interim Head of Finance - Children, Families and Education

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The content of this report will contribute to the delivery of the following key priority / outcome: 'Our children and young people thrive and reach their full potential, ensuring that all children and young people in Croydon are safe, healthy and happy, and aspire to be the best they can be; and that every child and young person can access high quality education.'

ORIGIN OF ITEM:	This item is contained in the Sub-Committee's work programme
BRIEF FOR THE COMMITTEE:	To scrutinise and comment on the proposed Dedicated School Grant Deficit Recovery Plan

1. EXECUTIVE SUMMARY

Where a Local Authority (LA) has an overall deficit on DSG of one per cent or more at the end of the 2018/19 financial year, it must submit a recovery plan to the DfE by 30th June 2019. Croydon Council had a net allocation of Dedicated Schools Grant, High

Needs Block funding of £57,567m in 2018/19 and reported an outturn deficit of £5.6m, with a cumulative deficit of £13m.

This report outlines the Department for Education (DfE) guidance, including specific evidence requirements and submission templates, as well as the broad content of that recovery plan and next steps, prior to submission to the DfE. The recovery plan is underpinned by the Council's SEND Strategy, which sets out areas for development informed by the views of young people and children with SEND.

2. DEDICATED SCHOOL GRANT DEFICIT RECOVERY PLAN

2.1 Introduction

2.1.1 Following a brief consultation period the Department for Education (DfE) introduced, as a condition of the 2019/20 Dedicated School Grant (DSG), the requirement to provide recovery plans for DSG deficits.

2.1.2 Where a LA has an overall deficit on DSG of one per cent or more at the end of the 2018/19 financial year, it must submit a recovery plan to the DfE by **30th June 2019**, setting out how it plans to bring the overall DSG account into balance within a maximum of three years. In exceptional cases the authority may propose to leave some of the accumulated deficit outstanding, where it is not practicable to do otherwise. The recovery plan should be discussed and, if possible, agreed with the Schools Forum, and will require Chief Finance Officer (CFO) / Section 151 Officer sign off prior to submission to the DfE. Further [guidance for LAs](#) on the process and format for submitting the recovery plan was issued in March 2019.

2.2 Obligation to submit

2.2.1 To determine the obligation to submit a deficit recovery plan, a deficit should be calculated against gross DSG for 2018/19 before recoupment, as most recently notified to the authority by the DfE. For Croydon, one percent of the gross 2018/19 DSG allocation (as set out in Table 1) equates to £3.370 million. The confirmed DSG outturn as at the end of the 2018/19 financial year as £9.193 million and, therefore, Croydon falls within the threshold for submitting a plan.

Table 1 Dedicated Schools Grant 2018/19

Dedicated Schools Grant (before recoupment)	2018/19 £'m
Schools Block	243.874
Early Years Block	26.697
High Needs Block	60.211
Central Services Schools Block	6.177
TOTAL DSG 2018/19	336.959

2.2.2 In terms of the duration of that recovery plan, our response to the consultation strongly put forward the case for the recovery plan to be based on a more realistic and strategic time frame of five years. This is in line with our High Needs five year strategy with key areas to be targeted. The intention is to improve the provision while reducing the expenditure in order to ensure that we can fulfil our statutory duty to be meet the needs of all pupils with special education needs. The [0-25 Special Educational Needs and Disabilities Strategy](#) was presented to Cabinet on 25 March 2019.

2.2.3 The DfE has generally accepted the need for a longer period as the guidance states that if a LA feels that a three-year time frame is not realistic, it will be able to submit with its plan evidence that states how this may not be achievable and the DfE will review each recovery plan on a case by case basis and will decide if a recovery plan that leaves some or all of the deficit accumulated to date outstanding can be accepted, resulting in the LA carrying forward the agreed deficit and there would be no requirement for this to be recovered within the three-year period.

2.2.4 Any LA that proposes to leave part or all of their accumulated DSG deficit outstanding will need to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals. They will also need agreement from their CFO.

2.2.5 As stated in the March 2019 Cabinet Report, the SEND Strategy includes measures which support increased local provision in state funded schools and the focus of the Five Year High Needs Funding Strategy is to establish a balanced budget within a five year period. This strategy was approved by Schools Forum (July 2018) and the financial implications approved by the Section 151 Officer.

2.2.6 The agreement of recovery plans will give assurance that LAs will not be called upon to repay the DSG deficit faster than set out in the plan; and where the DfE agree that an element of the deficit does not need to be repaid during the period of the recovery plan, that will give assurance that the LA will not be called upon to repay any part of that element for at least three years.

2.3 Deficit Recovery Plan

2.3.1 The DSG deficit recovery plan relies heavily on the success of the 0-25 Special Educational Needs and Disabilities Strategy and, consequently, the draft Recovery plan (attached at Appendix 1) draws heavily from this strategy.

2.3.2 The DfE has provided template submission documents in the form of a narrative and a financial summary (attached at Appendix 2 and 3, respectively).

2.3.3 It is intended that the draft plan, as it currently stands, will be converted into the narrative template and a financial summary will be completed for the final School Forum and Scrutiny Sub Committee report.

2.3.4 The DfE guidance clearly states that LAs should provide detailed responses to each question in order for us to have a complete understanding of the pressures they have faced, and the savings they intend to make. Further, the DfE expects a range of evidence to support the recovery plan, typically including the evidence that is already required for block transfer requests, included at paragraph 138 of the [Schools revenue funding 2019 to 2020 Operational guide December 2018](#).

2.3.5 More specifically, the Deficit Recovery Plan guidance requests a full breakdown of specific budget pressures on DSG funded services locally that have led to the local authority incurring a cumulative DSG deficit of over 1% and where the deficit has resulted from high needs pressures information should include

- the changes in demand for special provision over the last three years, how the local authority has met that demand by commissioning places in different sectors (mainstream and special schools, further education and sixth form colleges, independent specialist provision and alternative provision), and if there have been any reductions in the provision for mainstream school pupils with high needs (Appendix A of Appendix 1 shows changes in numbers of EHC Plans maintained by the Local Authority and placement patterns over the past two years);

- an assessment and understanding of the specific local factors that have caused an increase in high needs costs to a level that has exceeded the local authority's high needs funding allocations; and
- a plan to change the pattern of provision where this is necessary, as well as to achieve greater efficiency and better value for money in other ways, together with evidence of the extent to which the plan is supported by schools and other stakeholders.

2.3.6 The deficit recovery plan must also show (in detail):

- how the LA intends to bring its DSG reserve into balance within three years (or longer – proposed five years);
- how expenditure will be contained within future funding levels If the LA judges that it cannot recover the whole of its cumulative DSG deficit within three years, explaining the reasons for this; and
- if the LA wishes to defer recovery of some of the cumulative deficit, that it is able to at least contain its expected in year expenditure within its expected in year DSG income by the end of the three-year period.

2.3.7 In addition, evidence should include details of:

- any previous movements between blocks;
- what pressures those movements covered; and
- why those transfers have not been adequate to counter the new cost pressures.

2.3.8 Finally, evidence should include assumptions on assumed future transfers between blocks of the DSG, if permitted in future years, and evidence of support from the schools forum and wider school community for these.

2.4 Agreement

2.4.1 In addition to discussions at this sub-committee, it is essential that both the Croydon Schools Forum and the Section 151 agree the plan before submission to the DfE by 30th June. The timeline for agreement of the Deficit Recovery Plan is outlined below (Table 2).

Table 2 Agreement Timeline

Draft Report	School Forum pre-meet Scrutiny Sub Committee – CYP pre-agenda	22 nd May 2019
Final Report	School Forum Scrutiny Sub Committee – CYP	10 th June 2019 18 th June 2019
DSG Deficit Recovery Plan	Section 151 Officer DfE Submission	24 th June 2019 26 th June 2019

2.5 Next Steps

2.5.1 Once LAs have submitted their plans by 30 June 2019, the DfE will begin to review each plan with the intention of giving feedback to LAs by the end of September 2019. All plans will be reviewed by a panel and will look to discuss the viability of the plan as well as establish areas in which the department can support local authorities to bring their deficits into balance.

3. CONSULTATION

3.1 High Needs Working Group, School Forum and ELT

4 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 The report is a joint submission from Shelley Davies and Kate Bingham, Head of Finance and all financial implications are contained either in the body of the report or in Appendix 1 and 2.

4.2 Risk assessment – both the consultation proposal and the final conditions of the 2019/20 DSG are silent on any sanctions that may be imposed as a consequence of non-compliance or, in fact, what non-compliance would look like. The DfE guidance states that by requesting this information from each LA, the department will have better visibility of deficits and will be able to work with LAs to help bring deficits back to balance.

Approved by: Kate Bingham (Head of Finance).

5 LEGAL CONSIDERATIONS

- 5.1 The Head of Social Care and Education comments on behalf of the Director of Law and Governance that the DSG Deficit Recovery Plan conforms with current legislative and Department of Education requirements.
(Approved by: Doutimi Aseh, Head of Social Care and Education, on behalf of Sean Murphy, Director of Law and Deputy Monitoring Officer)

6 HUMAN RESOURCES IMPACT

- 6.1 There are no direct Human Resources implications arising from this report. However, the content of this report are likely to have an impact on the future development of Council services, which may have HR implications. Where that is the case, the Council's existing policies and procedures must be observed and HR advice sought at an early stage.

Approved by: Sue Moorman Director of Human Resources

7 EQUALITIES IMPACT

- 7.1 This was completed for the SEND strategy.

8 ENVIRONMENTAL IMPACT

- 8.1 There are no direct implications contained in this report.

9 CRIME AND DISORDER REDUCTION IMPACT

- 9.1 There are no direct implications contained in this report.

10 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 10.1 The recommendations are to scrutinise and comment on the proposed Dedicated School Grant Deficit Recovery Plan.

11 OPTIONS CONSIDERED AND REJECTED

- 11.1 There is no requirement for additional action at this time.

CONTACT OFFICER:

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Kate Bingham, Interim Head of Finance - Children, Families and Education

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix 1

Draft DSG Deficit Recovery Plan

Appendix 2

Census comparative analysis: SEN2 (SEN statutory report) 2018 and 2019 Local Authority Dedicated Schools Grant Deficit Recovery Plan - Narrative Template

Appendix 3

Local Authority Dedicated Schools Grant Deficit Recovery Plan – Financial Summary Template