

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 20 October 2021
SUBJECT:	Dedicated School Grant Management Plan
LEAD OFFICER:	Shelley Davies, (Interim) Director of Education Phillip Herd, (Interim) Head of Finance - Children, Families and Education
CABINET MEMBER	Councilor Alisa Flemming – Cabinet Member for Children, Young People & Learning
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>This report sets out the Dedicated Schools Grant (DSG) management plan that addresses the planned recovery of the DSG deficit specifically within the High Needs Block in line with the Special Educational Needs and Disabilities Strategy.</p> <p>The recommendations in this report are in line with the new corporate priorities and new Ways for renewing Croydon:</p> <ul style="list-style-type: none"> - We will live within our means, balance the books and provide value for money for our residents. - We will focus on tackling ingrained inequality and poverty in the borough. - We will focus on providing the best quality core service we can afford 	
FINANCIAL IMPACT	
<p>Croydon has updated DSG recovery Plan to reflect the most recent strategies in line with current service demands, activities, assumptions, risks and data.</p> <p>The Council planned to bring the High Needs Block expenditure within the High Needs Block funding allocation from 2023/24 and likely to recovery of the cumulative deficit thereafter.</p>	

1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the Dedicated Schools Grant (DSG) management plan as at September 2021;

Note the updated timetable for the reporting to future GPACs of the actions being taken to address the DSG deficit and the opportunity to challenge the overall

2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the recent Dedicated Schools Grant (DSG) Management Plan. The grant condition requires all local authorities with an overall deficit on its DSG account at the end of the 2020/21 financial year to meet the following requirements:
- 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) 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) Expected to keep School's Forum updated regularly about the Local Authority's DSG account and plans for managing it, including high needs pressures and potential savings.

3. THE DEDICATED SCHOOL GRANT MANAGEMENT PLAN

- 3.1 The purpose of the management plan as per the DfE guidance is to:
- comply with paragraph 5.2 of the DSG conditions of grant 2020 to 2021
 - monitor how DSG funding is being spent
 - compare data on high needs spend between LAs
 - highlight areas where LAs may wish to review spending
 - form evidence-based and strategic future plans for the provision of children and young people with special education needs and disabilities (SEND)
 - present complex funding information simply to schools' forums and other external stakeholders to provide assurances that LAs are achieving value for money from their DSG spend
 - provide a consistent reporting format to help LAs share best practice and initiatives
- 3.2 The plan template is a live document and contains comparative data on special provision and placements, Section 251 budget and outturn data and High Needs National Funding Formula illustrative allocations.
- 3.3 The management plan should reflect the most current forecast DSG position and will be published on the LA local offer website as set out in the Special educational needs and disability (SEND) Code of Practice: 0 to 25 years.
- 3.4 The actual plan must be submitted to the Department for Education (DfE) in the specified Education & Skills Funding Agency (ESFA) template. An extract from that complex formula driven forecast template was presented to the School Forum on 4th October 2021, is attached at Appendix 1.
- 3.5 The management plan was reviewed at the High Needs Working Group and expected to will be reviewed and recommended by the SEND Finance Board, agreed by the Chair of the High Needs Working Group and the School Forum.
- 3.6 The Director of Children's Services (DCS) and the Section 151 Officer (CFO), in accordance with the timetable set out in Appendix 2 are expected to review the most recent plan.
- 3.7 The DSG deficit management plan identifies a number of approaches to realign service and local provision to meet the needs of our children and young people with

SEND. This overarching strategy aims to deliver appropriate support and placement at a much earlier stage and within the borough.

- 3.8 A significant cost driver is the number of children and young people educated outside the borough. Improving the in-borough offer by identifying needs earlier, supporting schools to better meet these needs and building parents' and carers' confidence in local provision aims to reduce out borough placement and travel costs.
- 3.9 The SEND Finance Board, is made up of the Chairs of the School Forum and High Needs Working Group alongside LA officers (Director of Education and Deputy S151 Officer); the group will meet regularly, meetings have been proposed for every six weeks.
- 3.10 The management plan will be used as the tool to review the recovery plan and measure the progress of the deficit recovery plan which will be presented to the School Forum, termly and this Committee, quarterly.
- 3.11 The Council Finance officers met officers from the ESFA to in September to review the plan. They recommended to the LA to update the governance section of the template with all relevant assumptions and challenges with regard to the forecasting model with a lack of a more reliable pupil data.

4. TREND ANALYSIS - EDUCATION, HEALTH CARE PLAN (EHCP)

4.1 The trend below provides some useful context to the overall reason for the continued overspend in the High Needs spend since the introduction of the Children and Family ACT 2014. The robustness of the SEND strategy depends on some many variables including accurate forecast of caseloads and cost of top up funding for pupils with severe and complex needs. Most feasible risk management therefore require regular review of all underlying assumptions embedded in plan.

4.2

Table 1. ESFA recent data on EHCP numbers over the last five years

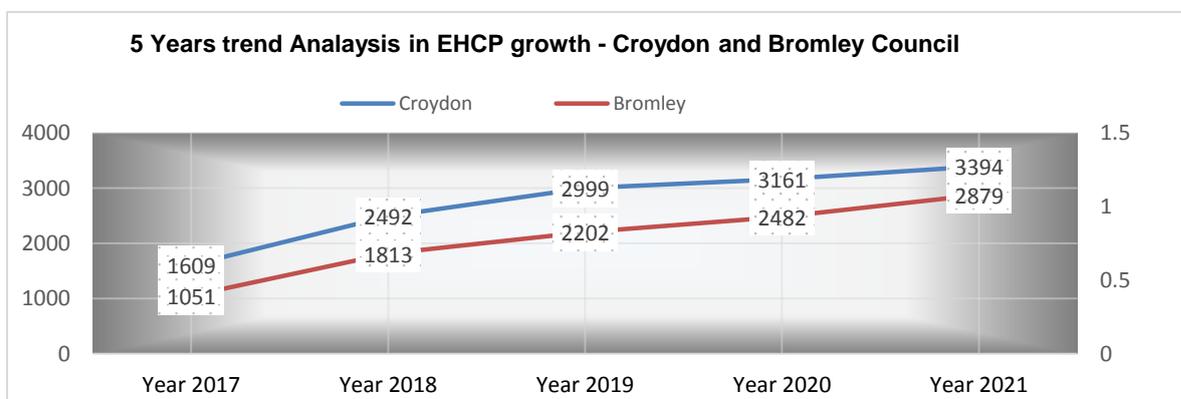


Table 1 above indicates that the percentage increased in EHCP numbers for Croydon over the last five years was 111% as compared to Bromley which was 174%

Interestingly, the latest percentage increase over last year was 7.4% and 16% respectively between Croydon and Bromley. However, the average annual percentage increase in the High Needs DSG grant is around 5%. This

demonstrates an example of how difficult it is for the local authority meet its financial target when faced with legal obligation to provide a statutory service to most vulnerable pupil with limited funds hence expose to possible legal and financial risks.

5. RISKS

- 5.1 High Needs budgets would continue to experience cost pressures across the independent / FE Colleges and special schools due to continued increase and demand for EHC assessment and plans.
- 5.2 Specialist placement pressures may result in young people with profound disabilities requiring provision out of borough at additional cost to the Council.
- 5.3 There is a possibility that the SEND demand may grow faster and does not inline with projected increases in the school age population which may lead to increased pressure on limited resources.
- 5.4 There is also the possibility of delayed project implementation thereby leading to delayed realisation of benefits. This may be due to the external factors such as COVID.19 impacting upon project delivery., the right to parental preference provided in the Family and Children's ACT (2014) or geographical issues that may affect the target number of cases used in the model.
- 5.5 Access to robust data to inform planning and trend analysis of our SEND community is currently challenging. This makes forecasting and benchmarking difficult and prevents full understanding of the Croydon SEND landscape.
- 5.6 The delivery of quality provision in partnership such as the Pathways development with Croydon College is key to our growth strategy and dependent upon successful implementation. Project planning is underway but CCB approval will be critical to this.

6. DEPARTMENT OF EDUCATION VIEW ON HISTORIC DSG DEFICIT BALANCES

- 6.1 Session 22 of the DFE (13th October 2021 updates) of the Schools Operational Guide reiterate that:

The department recognises that some local authorities will still not be able to pay off their historic deficit from the DSG over the next few years regardless of their best efforts in implementing a robust deficit recovery plan.

- 5.2. In these cases, the department anticipates to work closely with these local authorities to agree a plan of action to help pay off its deficit over time. However, the department will require convincing evidence from the local authority that it would be unrealistic to pay off the historic deficit from the DSG. The department will

then discuss the evidence with selected local authorities.

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1 The financial considerations are incorporated above and within the DSG Management Plan.
- 7.2 Based on the current plans, that would mean a deficit would remain at the end of 2025/26 and, whilst it is envisaged that the School Finance regulations remain as they currently stand (allowing the deficit to be held against future DSG), if The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 regulations fall away (i.e. are not extended) then the Report indicates that external auditors will expect the deficit remaining to be recovered in full or held against unearmarked general fund reserves in 2025/26.
- 7.3 Governance arrangement rooted with the deficit plan monitoring process ensures transparency and opportunity to challenge the progress against the Recovery Plan is an essential post implementation review for improvement. This was highlighted in the external auditor's report in the information for Public Interest issued in 2020.
- 7.4 Communities and Local Government (as reported to the Extraordinary Council Meeting of 1 December, 2020). Whilst acknowledging the financial position of the Council in respect of the General Fund, the Section 114 notice has no bearing on this decision as this approval is to determine the funding formula in order to passport the Schools Block element of the ring-fenced Dedicated School Grant, to be used for the purposes of providing education, to the borough's schools in accordance with *The School and Early Years Finance (England) Regulations* and DfE guidance.

Approved by: Phillip Herd (Interim) Head of Finance – Children, Families and Education on behalf of Richard Ennis (Interim) Section 151 Officer.

8. LEGAL CONSIDERATIONS

- 8.1 The Head of Litigation and Corporate Law comments on behalf of the Interim Director of Law and Governance that the Local Government Finance Act 1992 section 31A places the Council under a statutory duty to set a balanced budget and to take any remedial action as required in-year.
- 8.2 Dedicated Schools Grant (DSG) is paid to the Council by the Secretary of State under the Education Act 2003 section 14. It is a ring-fenced specific grant provided outside the local government finance settlement. It must be used in support of the schools budget for purposes defined in regulation 6 and schedule 2 of *The Schools and Early Years Finance (England) Regulations 2020*.
- 8.3 Details of the national funding formula (NFF) are contained in various Department of Education (DfE) publications.
- 8.4 The Education and Skills Funding Agency Guidance DSG: Conditions of grant 2020-2021 require any local authority with an overall deficit on its DSG account or whose deficit has substantially reduced during the year to present a Plan to the DfE for managing their future DSG spend.
- 8.5 The Report in the Public Interest dated 23 October 2020 referred to in this report was issued under the Local Audit and Accountability Act 2014. The Council must

comply with the requirements of the Act in responding to the Report. The report sets out a range of recommendations, which have been agreed by the Council, and an Action Plan has now been put in place. The report provides, amongst other things, that the DSG should be managed within existing budgets. Regular reports are required to be made to the General Purposes and Audit Committee regarding actions being taken by the Council to address the DSG deficit which has built up.

- 8.6 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulation 2020 which came into force on 29 November 2020 introduced a new accounting treatment for DSG deficits for the financial years 20/21, 21/22 and 22/23. Any outstanding deficit at the end of this period will, as currently enacted, reduce un-earmarked general fund reserves in the financial year commencing 1 April 2023.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the interim Director of Law and Governance and Deputy Monitoring Officer.

9. HUMAN RESOURCES IMPACT

- 9.1 There are no direct Human Resources considerations arising from this report. If there are subsequent proposals that affect the workforce as a result of the budget limit set, consultation and planning must be in line with HR policies and procedures and HR advice must be sought from the assigned provider. Council HR should be kept informed of proposals.

Approved by: Debbie Calliste, Head of HR for Children, Families and Educations on behalf of the Director of Human Resources

10. EQUALITIES IMPACTS

- 10.1 The funding allocations and formulae are set nationally and are therefore already subject to an equality assessment. The Council is also committed to the government's vision - an education system that works for everyone. No matter where they live, whatever their background, ability or need, children should have access to an excellent education that unlocks talent and creates opportunity. We want all children to reach their full potential and to succeed in adult life.
- 10.2 In setting the Education Budget 2021/22, the Council has taken into account the need to ensure targeted funding is available for work on raising the attainment of disadvantaged pupils who are likely to share a "protected characteristic" (as defined in the Equality Act 2010) and close the gap between them and their peers.
- 10.3 The Council will ensure that the system for distributing funding is fair in order to support the life chances of our most vulnerable children and young people; a fairer funding system will help provide all schools and all areas with the resources needed to provide an excellent education for all pupils irrespective of their background, ability, need, or where in the country they live.
- 10.4 This will help the Council meet its equality objective "to improve attainment levels for white working class and Black Caribbean heritages, those in receipt of Free School Meals and Looked after Children, particularly at Key Stage 2 including those living in six most deprived wards."

Approved by: Denise MacCausland, Equality Programme Manager

11. ENVI-RONMENTAL IMPACT

11.1 There are no direct implications contained in this report.

12. CRIME AND DISORDER REDUCTION IMPACT

12.1 There are no direct implications contained in this report.

13. DATA PROTECTION IMPLICATIONS

13.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

CONTACT OFFICER:

Phillip Herd (Interim) Head of Finance –
Children, Families and Education

APPENDICES TO THIS REPORT

Appendix 1	DSG management plan Croydon October 2021
Appendix 2	Updated Timetable

BACKGROUND DOCUMENTS:

School Forum Papers
SEND Strategy 2021

Dedicated Schools Grant (DSG) Deficit Management Plan – September 2021**Schools Forum – 4 October 2021****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.

14. Background

- 14.1 As part of the latest Dedicated Schools Grant (DSG) grant conditions, all local authorities with an overall deficit on its DSG account at the end of the 2020 to 2021 financial year are expected to meet the following requirements:
- d) 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;
 - e) 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;
 - f) Expected to keep School's Forum updated regularly about the Local Authority's DSG account and plans for managing it, including high needs pressures and potential savings.
- 14.2 This paper aims to provide Schools Forum with an update on the deficit recovery plans which the LA is required to submit to the DfE to demonstrate how the LA is working towards keeping the High Needs Block spend within budget.
- 14.3 A five-year DSG Deficit Recovery Plan was earlier submitted to the DfE and this paper provides an update position which we have scheduled a meeting with the DfE to then review.
- 14.4 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 is useful.
- 14.5 **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.
- 14.6 The reason for the adverse movement was due to significant cases of a number

of complex high needs pupils being admitted at some special schools at the beginning of the new academic year as well as additional one off payments to few schools including Harris Federation for outstanding funding cases, St Joseph Specialist, Priory Special School and St Nicholas' Special School. All related to additional funds due to complex cases.

Table 1 – breakdown of additional spend by school

	School name	Extra funding allocated	Number of pupils this funding relates to	Commentary
A	St Nicholas School	42,154	8	Additional funding for complex SEND cases
B	Priory Special School	237,344	9	Additional funding for complex SEND cases
C	St Joseph Specialist Cranleigh	209,748	2	Cases reported post after Q3 forecast
D	Red Gates School	175,000	156	Additional funding for complex SEND cases
E	Harris Federation	580,078	95	Historical cases / not factored in the forecast
F	Other miscellaneous schools	24,676		Other miscellaneous schools

14.7 As a result of the extra spending detailed in Table 1 the cumulative High Needs block (including previous years) overspend at the end of March 2020/21 has now reached a new peak of £24.221m.

15. Current forecast and Management plan updates

15.1 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.

15.2 The current in-year High Needs overspend forecast as at July 2021 (Period 4) is £3.5m. The forecast position for this year has remained stable. This represents improvement on previous years and records a positive downward trend over time as demonstrated in Table 2 below.

Table 2 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*		

*exc Schools Block transfer

*P4 forecast

15.3 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.

16. Management Plan - Overview of recovery

16.1 Table 3 below demonstrates how the budget has been managed over the years to keep the forecast overspend down to £3.5m at Q1 of 2021.

Table 3 - Trend analysis – In year overspend and cumulative position

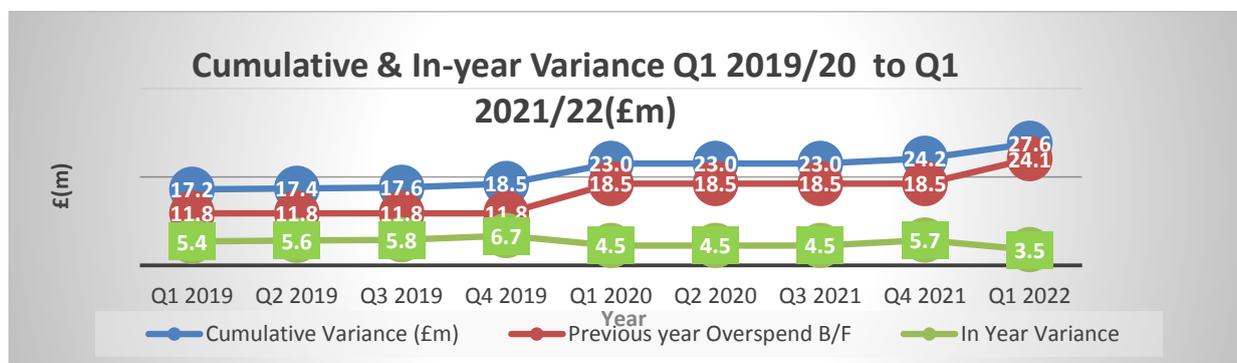


Table 4 shows a steady rise in the overall expected DSG deficit of £24.221m at 2020/21 to £28.519m by the end of 2025/26.

Table 4 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	71,144	71,798	72,739	74,521	79,847
Total income	-55,716	-61,240	-67,644	-71,000	-72,739	-74,521	-79,847
Total net - High Needs (In - year)	6,673	5,743	3,500	798	-	-	-
Schools block transfer	-1,238						
Total net - DSG (In - year)	-70	3,920					
Add brought forward deficit	9,193	14,558	24,221	27,721	28,519	28,519	28,519
Overall Cumulative deficit position	14,558	24,221	27,721	28,519	28,519	28,519	28,519
Do nothing option - Deficit position	14,558	24,221	29,639	30,086	32,861	35,629	33,408

16.2 Table 4 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

16.3 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.

16.4 **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. This again demonstrates the importance and usefulness of the Deficit Recovery Plan

17. **Work streams**

17.1 Our 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. The long-term aim is for Croydon to have more Croydon children and young people supported through the very 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 new 'Preparation for Adulthood Policy' 2021 as developed through the work of the SEND Transformation Post 16 Delivery Group and the SEND Post 16 Options guidance which now goes out to every pupil at Year 11;
- An increase in local specialist provision with additional capacity of 30 places within St. Nicholas Special School. 20 places opened September 2021 and 10 additional places planned for September 2022;
- The continued development for Post 19-25 students at Croydon College which has supported 53 students to date;
- The opening of a new special school – Addington Valley Academy – which has supported 21 year 7 pupils with complex ASD and challenging behaviours for this academic year and placement plans for 80 pupils for September 2021;
- Out of borough placements are being reviewed with costs and requested uplifts being managed through the South London Commissioning Partnership. A quality audit is scheduled for our most high-cost placements in order to ensure provision is meeting needs and delivering according to contract and EHCP specifications;
- The Special School Funding Review currently underway aims to establish a transparent fair funding framework for our specialist provision which would minimise in-year additional funding pressures and requests.

18. Governance of SEND

- 18.1 We have incorporated a SEND Finance Board into our SEND Governance Structure, membership of this includes the Chair of school forum and the Chair of the high needs working group. The Board will provide challenge and oversight of the DSG Management Plan.

19. Risks

- 19.1 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 ***

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.

Reporting Timetable

Appendix 2

Report	SEND Finance Board	High Need Working Group	General Purposes and Audit Committee	School Forum	DCS and CFO Sign Off
DSG Management Plan, refreshed Recovery Plan	16-Feb	3-Mar	4-Mar	8-Mar	12-Mar
DSG Outturn (2020/21)				14-Jun	
DSG Management Plan, Progress Report (Q1)			Jul-21		
DSG Management Plan, Progress Report (Summer Term / Q2)	TBC Oct-21	TBC Oct-21	Oct-21	4-Oct	
DSG Management Plan, Progress Report (Autumn Term / Q3)	TBC Jan-22	TBC Jan-22	Jan-22	17-Jan	
DSG Outturn (2021/22)	TBC Jun-22	TBC Jun-22	Jun-22	13-Jun	