

Schools Forum Decisions and Consultations  
– 27 November 2019

Item: xx

Title: **DSG Recovery Plan**

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<b>Summary:</b>	The DfE have responded to the Somerset Deficit Recovery Plan requesting the Local Authority to update the plan following the October funding announcement.
<b>Recommendations:</b>	A) Schools Forum is asked to support a transfer of £237,000 from the Schools Block to the High Needs Block for 2020/21 B) Schools Forum is asked for a view on their preferred option: - <ol style="list-style-type: none"><li>1. Reduce the deficit over 5 years;</li><li>2. Maintain the deficit at historic level and release funding for further investment for high needs proposals;</li><li>3. Reduce the deficit to below the DfE 1% recovery plan trigger point over 4 years with investment available beyond year 5.</li></ol>
<b>Reasons for Recommendations:</b>	The DfE require Somerset delivers a robust recovery plan to return DSG to surplus. This cannot be done without a reasonable contribution from Schools.
<b>Links to Priorities and Children and Young Peoples Plan:</b>	Somerset County Councils Business Plan – Improving Lives, providing fairer life chances and opportunity for all. Somerset Children and Young Peoples Plan – Learn well and develop skills for life.
<b>Financial Implications:</b>	The financial implications are set out in the report.

## **1. Background**

- 1.1** The DfE responded to the Somerset Local Authority DSG Recovery Plan on the 30<sup>th</sup> October 2019.
- 1.2** The DfE have provided comment on the submitted plan and expect local authorities to address the points raised and provide feedback to their Schools Forum.

## **2. DfE Feedback**

- 2.1** The DfE have asked Somerset to review our DSG recovery plan considering the additional funding in relation to their following comments: -
  - Discuss impact of additional HNB funding on the recovery plan
  - Expect plan to continue to develop over time and envisage that it will form a reference point for both ongoing discussions and further development with your Schools Forum
  - Assessed that the plan should be extended for additional years to consider when the deficit will start to reduce
  - Revisit assumptions re CSSB transfers in light of reduction in funding
  - Would have liked to have seen a further detailed explanation on reclassification contributing to the pressure you have identified in P5
  - Would have liked to have seen a further detailed information regarding the pressure identified in P8
  - Would have expected to see a more thorough breakdown and detailed explanation of the increased number of EHCPs year on year
  - Appreciate this is a new process – keen to ensure the process is as clear as possible

## **3. Proposed Revision of the Somerset DSG Deficit Recovery Plan**

- 3.1** The original plan as approved by the DfE is presented in Appendix 1.
- 3.2** Option 1 responds to the feedback provided by the DfE and sets out the adjustments required as a result of the funding announcement and the recovery plan extended for a further 2 years.

**3.3** Option 1 – reduce the deficit over 5 years

<b>Description</b>	<b>Year 1 2019/20 £m</b>	<b>Year 2 2020/21 £m</b>	<b>Year 3 2021/22 £m</b>	<b>Year 4 2022/23 £m</b>	<b>Year 5 2023/24 £m</b>
Deficit*	9.842	11.660	8.624	5.670	2.716
Net in year overspend			0.083	0.083	0.083
Additional HNB Funding		(4.038)	(4.038)	(4.038)	(4.038)
Reduction in CSSB Funding		1.238	1.238	1.238	1.238
Proposed Transfer from Schools Block		(0.237)	(0.237)	(0.237)	0
<b>Revised Deficit</b>	<b>9.842</b>	<b>8.624</b>	<b>5.670</b>	<b>2.716</b>	<b>0</b>

\* Note Years 1 and 2 are the deficits in the original recovery plan; Years 3, 4 and 5 are updated

**3.4** Main assumption in the revised deficit plan are: -

- No new spending without DCS approval
- All additional high needs income will be used to reduce the deficit
- Action will be taken to reduce the historic costs in the CSSB as quickly as possible so that the savings can be used to offset high needs expenditure before the DfE reduce Somerset's allocation. For example, a £1.2m reduction in 20/21 which is equivalent to 20%. Further reductions are to be expected in due course
- High needs expenditure will be as set out in the plan – i.e. will not worsen
- A small contribution of £237,000 from the Schools Block is assumed, which is less than 0.1%. Schools Forum will be asked to approve a transfer each year for the next 3 years – 2020/21, 2021/22 and 2022/23
- The high needs working group will monitor the delivery of the recovery plan
- Formal review of plan by Schools Forum annually

- 3.5** Option 2 retains the historic deficit and provides new money to meet high needs investment proposals.

<b>Description</b>	<b>Year 1 2019/20 £m</b>	<b>Year 2 2020/21 £m</b>	<b>Year 3 2021/22 £m</b>	<b>Year 4 2022/23 £m</b>	<b>Year 5 2023/24 £m</b>
Deficit	9.842	11.660	9.842	9.842	9.842
Net in year overspend			0.083	0.083	0.083
Additional HNB Funding		(4.038)	(4.038)	(4.038)	(4.038)
Reduction in CSSB Funding		1.238	1.238	1.238	1.238
Proposed Transfer from Schools Block		(0.237)	0	0	0
High Needs Investment Proposals		1.216	2.716	2.716	2.716
<b>Revised Deficit</b>	<b>9.842</b>	<b>9.842</b>	<b>9.842</b>	<b>9.842</b>	<b>9.842</b>

- 3.6** Option 3 reduces the deficit below the 1% trigger in Year 4 (2022/23) – see the table in Option 1 - that requires a DSG Recovery Plan for DfE approval. Note that £2.7m will be available in year 5 for additional investment. It is advisable to spread this one-off funding over a number of years to achieve a sustainable impact. Further details will need to be worked up if this is the approved option.
- 3.7** All 3 options require a transfer of £237,000 from Schools Block in 2020/21.
- 3.8** It is estimated that the transfer of £237,000 will have a £5 per pupil impact on individual schools. The final deduction can only be determined following announcement of final DSG allocations in December. Alternatively, this could be achieved by capping the gains made by some schools under the NFF. Feedback from the consultation will be presented as a verbal update at this meeting.
- 3.9** On the agenda is the report from the High Needs Working Group which sets out proposals for new investment of £1.2m per year which if supported will result in further expenditure on the high needs block which could be funded in Option 2 but would require an additional transfer of approximately £25 per pupil over and above the transfer of £237,000 in Option 1. As above this could be equally achieved by capping the NFF gains.

#### 4. Evidence required by the DfE to assist Schools Forum

4.1 DfE expect to see evidence of Schools Forum discussions which include appropriate representation from special schools and other specialist providers. DfE expect the evidence presented to the Schools Forum to include:

- Details of any previous movements between blocks - *£1.1m in 18/19 and £0.3m in 19/20. The pressures are set out in the deficit recovery plan*
- A full breakdown of the specific budget pressures that have led to the requirement for a transfer – *see deficit recovery plan*
- It's particularly important that any changes in the provision for mainstream school pupils with high needs are highlighted so that those schools can understand both why a transfer of funds from the schools block might be needed, and how future transfers might be avoided – *see high needs sub group report on the agenda*
- A strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels – *see updated recovery plan above*
- The local authority should demonstrate an assessment and understanding of why the high needs costs will be at a level that exceeds the increased levels of high needs funding that all local authorities will receive in 2020 to 2021 – *the high needs budget is sustainable within the new levels of funding, provided no additional spend is incurred*
- The Schools Forum can only give approval for a one-off transfer of funding out of the 2020 to 2021 schools block – *understood. Schools Forum will be asked to consider a transfer each year in Option 1*
- The local authority should give details of whether the cost pressure is such that they would anticipate the need to seek schools forum approval for a transfer in subsequent years, if this is permitted, and how they are planning ahead to avoid such transfers in the longer term – *yes, the updated recovery plan requires a small (less than 0.1%) transfer in years 2, 3 and 4 to achieve a balanced budget*
- As part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded – *this is the responsibility of the high needs sub group*
- DfE expect effective partnership between the local authority, those institutions offering special and alternative provision (including

mainstream schools), and parents; and between the local authority and neighbouring authorities – *this has always been the Somerset model*

- Any contributions from health and social care budgets towards the cost of specialist places – *health and social care contribute on an agreed basis to individual placements*
- How any additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools – *in the Option 1 revised recovery plan the additional money is aimed at recovering the deficit*
- Details of the impact of the proposed transfer on individual schools' budgets as a result of the reduction in the available funding to be distributed through the local schools funding formula – *indicative impact is set out above in paragraphs 3.8 and 3.9.*
- The extent to which schools more generally support the proposal, including details of the outcome of local school consultations, the options or proposals that were subject to consultation, how many schools agreed, disagreed or did not respond – *schools forum will be advised verbally at the meeting following the end of consultation*

## Appendix 1

**DSG Deficit Recovery Plan**

Ref.	Block	Type of provision e.g. special schools	Action e.g. increasing special school places	2018-19	Year 1	Year 2	Year 3
				£	2019-20 £	2020-21 £	2021-22 £
<b>DSG Balance b/f</b>					<b>6,702,400</b>	<b>9,841,890</b>	<b>11,660,561</b>
<b>Savings (figures should be entered as negative values)</b>							
S1	CSSB		Active engagement of local schools and colleges in designing services and provision	(1,507,000)	(1,680,000)	(2,065,000)	(2,726,000)
S2	High Needs	Special schools	Capital investment in new, expanded or adapted special schools		0	(326,658)	(827,946)
S3	High Needs	Mainstream and Special schools	Increased resource for mainstream schools – targeted funding		(202,888)	(186,382)	(171,575)
S4	High Needs	Alternative Provision	Active engagement of local schools and colleges in designing services and provision		0	(1,173,667)	(2,012,000)
S5	Early Years		Other		0	0	0
<b>Total savings</b>				<b>(1,507,000)</b>	<b>(1,882,888)</b>	<b>(3,751,707)</b>	<b>(5,737,521)</b>
<b>Pressures (figures should be entered as positive values)</b>							
P1	CSSB		Difficulties arising from the funding formula		1,000,000	1,000,000	1,000,000
P2	High Needs		Increased use of INMSS or out of area placements	2,250,978	2,250,978	2,250,978	2,250,978
P3	High Needs		Pressure on maintained special school capacity	540,000	540,000	540,000	540,000
P4	High Needs		Increase in the number of EHC Plans	0	0	0	0
P5	High Needs		Specific needs of children with SEMH/ASD	300,000	550,000	800,000	1,050,000
P6	High Needs		High rates of exclusions and use of AP	291,900	291,900	291,900	291,900
P7	High Needs		Post-16 responsibilities	164,400	164,400	164,400	164,400
P8	High Needs		Other	1,694,100	1,694,100	1,694,100	1,694,100
<b>Additional Pressures (figures should be entered as positive values)</b>				<b>5,241,378</b>	<b>6,491,378</b>	<b>6,741,378</b>	<b>6,991,378</b>
Cost reductions from impact of recovery plan				3,734,378	4,608,490	2,989,671	1,253,857
Total DSG forecast overspend							
Net in year impact on High Needs DSG				3,734,378	4,608,490	2,989,671	1,253,857
Estimated High Needs Block change (additional grant)				(1,171,000)	(1,171,000)	(1,171,000)	(1,171,000)
Approved transfer of schools block to HN block				(1,178,100)	(298,000)	0	0
Other adjustments							
<b>Net in year Forecast Outturn Variance</b>				<b>1,385,278</b>	<b>3,139,490</b>	<b>1,818,671</b>	<b>82,857</b>
<b>DSG Balance – show a deficit as a positive value</b>				<b>6,702,400</b>	<b>9,841,890</b>	<b>11,660,561</b>	<b>11,743,418</b>
				<b>DEFICIT</b>	<b>DEFICIT</b>	<b>DEFICIT</b>	<b>DEFICIT</b>