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<p>Summary:</p>	<p>This paper</p> <ul style="list-style-type: none"> • reports an updated outturn position of the High Needs budget Month 6 • Sets out recent National allocations • Summarises the submitted Dedicated Schools Grant (DSG) recovery action plan requirements in light of national allocations • Notes timescales and activity required for consultation on place planning
<p>Recommendations:</p>	<p>For Forum</p> <ul style="list-style-type: none"> • to note the outturn position Month 6 • to note the indicative National allocations • To note High Needs Sub Group comments on the impact of the indicative allocations on strategic approach to the Dedicated Schools Grant recovery plan requirements • To note submission of place numbers for Academies and Special Free Schools.
<p>Reasons for Recommendations:</p>	<ul style="list-style-type: none"> • The DSG is subject to a DfE submitted recovery plan • The high needs block reflects required savings within the DSG recovery plan • The LA is required to submit place numbers to the DfE for changes to place numbers for 2020/21 in Academies and Special Free Schools
<p>Links to Priorities</p>	<ul style="list-style-type: none"> • Children and Young Peoples Plan 2019- 2022: Great Education: building skills for life • 5 SEND Strategic Objectives SEND Strategy 2016-19
<p>Financial Implications:</p>	<p>The DSG recovery plan is required by the DfE and sets out the savings and pressures across the DSG. New indicative allocations now require this to be reviewed.</p>

1. Current Position

Position against month 6 is reported below and forms part of month 6 budget monitoring

Type of provision	Budget	Projection	Overspend/ Underspend
Early Years	£1,274,100	£1,283,200	£9,100
Mainstream - pre 16	£7,376,600	£7,394,249	£17,649
Specialist Units - ASD	£2,371,500	£2,378,900	£7,400
Specialist service HI / VI	£966,700	£992,800	£26,100
PRUs - PEX	£2,592,000	£2,467,600	-£124,400
PRUS - HN (Tone + Specialist Provision)	£657,000	£657,000	£0
PRUS - Medical / Hospital	£1,899,000	£1,899,000	£0
Behaviour Partnership	£2,487,000	£2,487,000	£0
Maintained Special and Free Special Schools	£16,752,300	£17,377,285	£624,985
NMSS and Independent	£10,569,600	£13,164,696	£2,595,096
FE post 16 (Colleges & ISP)	£4,409,600	£4,162,000	-£247,600
Vulnerable groups	£72,100	£72,100	£0
Total	£51,427,500	£54,335,830	£2,908,330

The main overspend projected continues to be the cost of placements at independent and Non-Maintained Special Schools; the projection for month 6 is based on 179 school placements. This continues to be in line with expectations set out in the deficit recovery plan. Special School Top Up funding is projecting an overspend of £0.625m, based on 757 children and represents an increase since month 5 of £0.374m.

2. DSG Recovery Plan: National updates

2.1 In collaboration, Schools Forum and the LA have agreed a whole system approach to the DSG. The LA in partnership with schools has submitted a DSG recovery plan to the DfE as required. This plan sets out the pressures and savings to address the projected overspend across the DSG over 3 years 2019-2022.

A response from the DfE was expected in early September, however this has been delayed following the Government announcement at the end of August 2019 that funding for schools and high needs will rise by £2.6bn for 2020-21, £4.8bn for 2021-22, and £7.1bn for 2022-23, compared to 2019-20. This includes £780m extra for high needs in 2020-21.

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On 11th October 2019 indicative allocations were released. Somerset high needs block has been allocated an indicative budget of £58.198m for 2020-21. This is an additional £5.207m and represents an increase of 9.8%.

The LA received notification from the DfE on Wednesday 31st October to acknowledge receipt of the recovery plan and DfE have requested additional information in relation to Pressure 1¹, 5 and 8 respectively, however have not currently given any timescales for the return of the requested information

Assumptions made within the DSG recovery plan must therefore now be revisited, the impact analysed and the recovery plan revised as and if required . In the absence of timescales from the DfE *it is recommended therefore that progress against the development of the recovery plan should continue.*

Pressures and DSG recovery plan are contained in **Appendix 1** to this report.

2.2 Since 2006 the Department has funded local authorities for their current expenditure on schools, early years and children and young people with high needs through a specific grant known as the Dedicated Schools Grant (DSG), made under section 14 of the Education Act 2002.

At the end of each financial year, a local authority may have underspent or overspent its DSG allocation. The conditions of grant for the DSG provide that any underspend must be carried forward to the next year's Schools Budget.

A newly launched consultation which sets out the Government's intention is that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. No timescale has been set for the length of this process and further details of this consultation are in **Appendix 2** to this report.

Timescales for business as usual consultation activity continues alongside the consultation and have been summarised in **Appendix 3** to this report

3. DSG recovery Plan: Local Updates

Schools forum received a recap on the DSG recovery plan on 8th October

Schools Forum have given agreement in principle to focus improvement activity on an emerging approach which follows best inclusive practice and is broadly known as the Local First approach.

This reflects the needs of children with additional learning needs, including those who are excluded or not able to attend mainstream school and for those with SEND. It sets out shared principles and collective responsibility and facilitates collaboration amongst Schools, LA and wider partners through a whole system approach.

^{1 1} Note Pressure 1 relates to Central Schools block

Transformational activity is therefore required at all levels of activity: universal, targeted, specialist and complex/acute and enduring and work to develop specific activities is underway.

In summary this includes:

- **Saving 2:** reduces need for reliance on expensive independent schools by providing more local special schools and resource base places, focussing on inclusive practice
- **Saving 3:** building capacity and expertise at SEND support in the early years, school and FE colleges through facilitating and supporting the development of sector led improvement and using resources flexibly
- **Saving 4:** intervening early and joint arrangements, sharing costs with schools

It should be noted that the savings represent a whole system approach. The plan sets out three phases of savings, short, medium and long term, with identified activities in each year providing savings across the full 3 year period and beyond. These are summarised as:

Short term: Intervening early and managing demand

Allocating special school places sensibly as new and existing places become available. Introducing flexible approaches to funding (Saving 2). Ongoing aligning and integrating teams across the LA to target SEND services to support best inclusive practice (Saving 3). Connecting partners across the system and utilising all national and regional school to school initiatives to build capacity, skills and confidence and improve outcomes at all phases (Saving 3). Sharing the cost of intervening early, including outreach and flexible use of alternative provision to reduce escalation and supporting education settings to maintain CYP in mainstream settings (Saving 4).

Medium term: Developing a personalised approach

Building on the short-term approach for new places these activities will support children to attend local schools at less cost, using developing outreach support to maintain children in mainstream and developing support to special schools (saving 3 and 4)

These approaches support flexible use of funding to plan transition early and where individual arrangements would benefit children and young people currently placed in independent schools who, with the right support, could access mainstream, mainstream resource bases or special schools local to home (Saving 2)

Specific activity for post-19 will include jointly commissioning 5 days packages with Adult Social Care, Health and in collaboration with our local FE colleges (Saving 2)

Long term: Building capacity in Local special schools and using the Local First approach

The LA has committed to capital investment of £54m which will lead to an additional 436 specialist placements being available from 2020/21 and completed by 2022/23 so young people can attend their local specialist resource base or special school where their needs cannot be met

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in mainstream, local to their homes and community, resulting in a 40% reduction in the need for independent placements by 2023/24. ² (Saving 2)

Joint arrangements and projects will be developed across statutory partners and schools to support identified cohorts of children and young people who have complex and enduring needs (Saving 3) or where intervening early will help swifter and more timely support, such as the mental Health Trailblazer bid (Saving 4). These joint arrangements will be identified based on data analysis.

4. High Needs Sub Group projects update

The High Needs Sub Group continue to develop clear reporting mechanisms for project streams relating to high needs block as part of the developing arrangements for Schools Forum.

Broadly the ongoing project activity will be subsumed into the DSG recovery plan with savings which relate to high needs activity and are set out above. Summarised here:

- Saving 2: The capital investment programme and place planning function. This covers the ongoing building of special schools, development of ASC bases in mainstream schools and the development of a Special Free school.
- Saving 3: Local First - placements in independent schools, contract arrangements and provider resilience.
- Saving 4: Identifying and managing behaviour, now known as part of whole system improvement called "Building emotional resilience" which is the development of a joint approach across schools, LA, CCG and CAMHS and includes the Mental Health trailblazer bid

5. High Needs Sub Group activity

The High Needs Sub Group received a presentation to support the required activities in the meeting. Discussion of the impact of the new High Needs allocation on the DSG recovery plan and possible options. The impact of the indicative additional allocation on the High Needs deficit recovery plan budget was discussed.

Changes to the Central Schools Block (£-1.2m) and Schools Block (£16m) were also noted as these impact collectively on the recovery plan.

Discussion acknowledged that the additional funding would support the Deficit recovery plan to achieve a balanced budget sooner than was anticipated however the High Needs Group

² Where parental preference falls outside of the Local First approach the LA will consider requests on an individual basis and will apply the personalised commissioning approaches described in the medium-term activity above.

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expressed continued support for the activities in the DSG recovery plan and welcomed the opportunity to consider a varied approach to the use of the additional funding to address pressure areas, specifically around performance timescales and related costs for SEND casework team and EPs in undertaking assessments. It was agreed that supporting an increase in 20 week performance was a priority.

5 options were discussed. These options explored the use of some of the additional spend in line with the emerging funding partnership principles. It was noted that these options were not exhaustive and other options could be considered.

A: Saving 4: Building capacity/incentivising Inclusion £355,200 (*New spend*) 2-8% increase Band 2 and 3 mainstream. Based on 2019/20

B: Saving 4 ;(*Saving to be achieved*) £1.174m redesigning Outreach (part year cost³)

C: Additional cost of funding Top Up at 16 weeks for those awaiting a plan - £529,400* (*new spend*)

D: Saving 2 : Local First approach (*invest to save*) saving from 20/21

Bands 3 plus mainstream enhanced (personalised commissioning) £327,000

E: Saving 3 (*Invest to save*) Saving from 20/21. Local First (Personalised commissioning) £389,000

F: Supporting EP Locum use to improve 20 week performance (*New spend* £272,400)

This option was added following the High Needs Sub Group.

G: Building Capacity in Schools to Support Children and Young People with SEND. This option has been added following the High needs group. The SEND improvement plan has identified the need for SEND training for all schools. This funding would be used to provide training to SENCO networks, headteacher associations and in partnership with the LA and other statutory partners to improve outcomes for children and young people with SEND who attend Somerset schools and their families.

The High Needs Sub Group generally welcomed the 5 options and felt that this would encourage best inclusive practice in mainstream schools and work to the principles and activities as set out in the DSG recovery plan.

Option B was discussed in the context of a disapplication from the Schools block to High Needs. The High Needs Sub Group were reminded that movement between blocks now required a disapplication process and that 0.5% of the total Schools block falls within Forum's decision making. Disapplication above 0.5% would require Secretary of State approval. It was noted that the required modelling to ensure the MFG was achieved for all schools was not yet complete, and therefore the High Needs Sub Group could not give definitive support for this option, however it was expressed that if all the proposed options were approved that schools would consider option B an appropriate disapplication request and would benefit all schools.

The High Needs Sub Group requested that validation of costs be undertaken and confirmed to Schools Forum and for the options to form part of the consultation requirement in order to provide relevant information to approve or otherwise a disapplication.

³ Full year cost £2.012m

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6. Discussion and agreement of the additional places for Academies and Special Free Schools

Claire Merchant-Jones outlined the process for special school place planning and shared the planned return. The High Needs Sub Group noted the increase in numbers. See Appendix 3 for information.

7. High Needs Sub Group recommendations to Forum

For Forum to consider the proposed options in this paper.

Appendix 1 DSG recovery plan submitted June 2019

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 £
DSG Balance b/f					6,702,400	9,841,890	11,660,561
Savings (figures should be entered as negative values)							
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
Total savings				(1,507,000)	(1,882,888)	(3,751,707)	(5,737,521)
Pressures (figures should be entered as positive values)							
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
Additional Pressures (figures should be entered as positive values)				3,547,278	4,797,278	5,047,278	5,297,278
Cost reductions from impact of recovery plan				2,040,278	2,914,390	1,295,571	(440,243)
Total DSG forecast overspend							
Net in year impact on High Needs DSG				2,040,278	2,914,390	1,295,571	(440,243)
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				1,694,100	1,694,100	1,694,100	1,694,100
Net in year Forecast Outturn Variance				1,385,278	3,139,490	1,818,671	82,857
DSG Balance – show a deficit as a positive value				6,702,400	9,841,890	11,660,561	11,743,418
				DEFICIT	DEFICIT	DEFICIT	DEFICIT

Since 2006 the Department has funded local authorities for their current expenditure on schools, early years and children and young people with high needs through a specific grant known as the Dedicated Schools Grant (DSG), made under section 14 of the Education Act 2002. This specific grant must be spent on the local authority's Schools Budget, which is defined in regulations (currently the [School and Early Years Finance \(England\) \(No 2\) Regulations 2018](#))

At the end of each financial year, a local authority may have underspent or overspent its DSG allocation. The conditions of grant for the DSG provide that any underspend must be carried forward to the next year's Schools Budget.

To date, the conditions of grant have provided three options for dealing with an overspend:

- the local authority may decide not to fund any of the overspend from its general resources in the year in question, and to carry forward all the overspend to the schools budget in future years
- the local authority may decide to fund part of the overspend from its general resources in the year in question, and carry forward part to the schools budget in future years
- the local authority may decide to fund all of the overspend from its general resources in the year in question

Carrying forward an overspend to the schools budget in future years requires the consent of the local schools forum, or if that is not forthcoming the authorisation of the Secretary of State. In practice, schools forums have almost always approved the carrying forward of an overspend.

[Local authorities' budget data for 2019-20](#) shows that at the end of 2018-19, about half of all authorities experienced an overspend, amounting to over £250m in all, while others were still carrying forward surpluses. The national net position was an overspend of £40m, and authorities were forecasting that there would be a net overspend of £230m at the end of 2019-20.

Until the last few years, few local authorities were recording DSG overspends, and those overspends were small. However, pressures on the high needs budget have led to more and larger overspends in recent years.

The DSG is a specific grant, and the conditions of grant make clear that it can only be spent on the Schools Budget, and not on other aspects of local government expenditure. But where there is an overspend on the DSG, local authorities may currently decide to fund that from general resources. This has led some local authority Chief Finance Officers (often referred to as section 151 officers, with reference to section 151 of the Local Government Finance Act 1972) to conclude that if their DSG account is in deficit, they need to be able to cover the deficit from the authority's general reserves. We know that a similar view is held by organisations that audit local authority accounts. Given the size of some authorities' DSG deficits, and the other pressures on authorities' reserves, there is a risk that covering DSG deficits from general funds may lead authorities to make spending reductions in other services that they would not otherwise make

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The Department has held discussions with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG) about changes that we might make to the DSG conditions of grant and the regulations in order to create certainty that local authorities will not have to pay for DSG deficits out of their general funds. The proposals we are now making following these discussions are described below and are intended for implementation from the start of the financial year 2020-21, so that local authorities would take them into account in setting budgets for 2020-21.

Special School Place Planning : Place return

School	16/17	17/18	18/19	19/20	20/21	21/22
Avalon	53	50	50	60	60	60
Brookside	30	30	30	35	40	40
<u>Critchill</u>	53	53	53	60	66	66
Elmwood	80	80	88	88	160	168
Fairmead	98	98	92	98	100	100
<u>Fiveways</u>	76	76	77	77	77	88
Free School	0	0	0	0	0	0
Mendip FS	30	40	93	137	144	144
Penrose	40	40	40	54	0	0
Selworthy	100	100	100	120	140	148
Sky	65	65	65	72	72	88
Total	625	632	688	801	859	902



Resource Base Place Planning

School	16/17	17/18	18/19	19/20	20/21	21/22
Oaklands	8	8	12	14	14	14
Preston	9	9	11	14	14	16
Westover Green	8	8	10	14	14	14
BCA	0	6	10	14	14	18
Holway Park	0	0	6	14	14	14
Heathfield	9	9	20	25	25	25
Total	34	40	69	95	95	101

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Appendix 3: Timescales for consultation responses

High Needs Sub Group	06/11/2019	06/11/2019	Discussion on timeline for decisions, impact of additional allocation to High needs and High needs savings activities
Consultation with schools/academies	06/11/2019	15/11/2019	Consult on any proposed changes to the local funding formula, de-delegation, education functions
High Needs Places Return	15/11/2019	15/11/2019	Changes and high needs places required for academic year 2020/21
Revised Arrangements for DSG	15/11/2019	15/11/2019	Disapplication to be agreed
Disapplication Requests	20/11/2019	20/11/2019	Deadline for disapplication requests for MFG exclusions, exceptional premises factors, sparsity factors, lump sums for amalgamations, pupil number reductions - to receive response by APT deadline
Schools Forum	27/11/2019	27/11/2019	Consult/Inform on changes to local funding formula. Seek approval for transfers from Schools block if required.
Council approval for block transfers	27/11/2019	27/11/2019	If required/ submitted
Council approval for formula changes	27/11/2019	27/11/2019	Approval for changes to local funding formula in accordance with scheme of delegation
Disapplication Requests for moving funding out of schools block	28/11/2019	28/11/2019	
Updated APT issued	01/12/2019	15/12/2019	
High Needs Sub Group	08/01/2020	08/01/2020	Finalising of High needs recovery actions and disapplication requests (if required)
Schools Forum	15/01/2020	15/01/2020	Inform on final APT figures

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Amendments to disapplication requests	16/01/2020	16/01/2020	As per line 12/14 / 16/18
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