Report to:	**SCHOOLS' FORUM**
Date:	21 June 2022
Reporting Officer:	Tim Bowman - Director of Education (Tameside and Stockport)
Subject:	**DSG HIGH NEEDS SPENDING AND DEFICIT RECOVERY PLAN**
Report Summary:	This report provides an update on the current DSG deficit position along with updates on the Delivering Better Value programme and the action plan to address spending pressures.
Recommendations:	• Schools Forum to note the report. • Schools Forum members to outline any further savings ideas or considerations to be explored and added to the recovery plan.
Corporate Plan:	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supports Aspiration and Hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial policy and framework.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The High Needs funding is part of the Dedicated Schools Grant (DSG). It is a ring fenced grant solely for the purposes of schools and pupil related expenditure. The High Needs block is significantly overspending and the management plan is not sufficient to recover the deficit or balance the in-year overspending.
Legal Implications: (Authorised by the Borough Solicitor)	The way in which the council account for the deficit has been altered by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 which require DSG deficits to be held in a separate reserve account as set out in the main body of the report. Requirements on how the Council should plan its management of grant and report to DfE remains governed by the School and Early Years Finance (England) Regulations 2022. Under Schedule 2 of the School and Early Years Finance (England) Regulations 2022, Councils are required to carry forward overspends to their schools budget either in the immediately following year or the year after. They can apply to the Secretary of State to disregard this requirement. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by a Local Authority (LA), and permission may be given subject to conditions. The impact of these provisions means that a council with a grant deficit must: (1) carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year (2) carry part of it forward into the new financial year and the rest of it into the following financial year

(3) carry all of it into the following financial year

(4) apply to the Secretary of State if it wishes to fund any part of the deficit from a source other than the DSG.

In addition, any council with a deficit at the end of the financial year is required to co-operate with the DfE and in particular provide information when requested.

Ultimately, The Secretary of State can impose specific grant conditions on councils with an overall deficit position when it is considered that insufficient steps are not being taken to address the situation.

It is therefore imperative that this report sets out how the budget is to be brought back into balance.

Risk Management:

The correct accounting treatment of the DSG is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review as the DfE's current expectation is that LA's balance their in year spending by 2023/24; there is a real risk that Tameside will not be able to do that.

There is the risk that the number of EHCPs will continue to grow despite the management action being taken outlined in the report, which could impact on the LA's ability to reduce the deficit.

There is a risk that the DfE Green paper will not move at a sufficient pace to make enough impact to change current demand.

Access to Information:

NON-CONFIDENTIAL

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Information:

The background papers relating to this report can be inspected by contacting Christine Mullins – Finance Business Partner, Financial Management, Governance, Resources and Pensions

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1. INTRODUCTION

1.1 This report provides an update in relation to the High Needs DSG deficit position and forward spend projections.

1.2 The report gives a high level outline of the DfE's Delivering Better Value scheme that Tameside have been invited to take part in and local context on the changing landscape.

1.3 The report provides an update on the proposals and work streams already in the Management Action plan to start to address the DSG High Needs deficit. These strands of work have been discussed at previous meetings, any further savings ideas or considerations that Schools Forum identify can be explored and added to the plan.

1.4 These proposals will be included in the DSG Management Action Plan to the DfE outlining our recovery proposals.

2. DEFICIT POSITION AND IN YEAR GAP

2.1 The cumulative DSG deficit for Tameside at the end of 2021/22 is £3.243m, an increase from £1.687m in 2020/21.

2.2 The High Needs element of the grant allocated by the DfE for 2021/22 was £28.196m, a block transfer from Schools block of £0.878m was approved by schools forum providing funds of £29.073m to support High Needs provision in the borough. Spend of £31.046m exceeds the in-year allocation by £1.973m.

2.3 The SEND Green paper highlights the unprecedented investment in the high needs sector where funding has increased by 40% between 2019-20 and 2022-23. Despite this and the proposed management actions below, Tameside continues to face significant deficits both in year and now on the overall DSG.
Part of this is in relation to the cap on funding on the High Needs National Funding Formula, a significant part of the funding allocation is still based on 2017-18 baseline spend. Tameside have been receiving a cap on funding since 2018-19, the cap for 2022-23 is £2.988m.
The table below shows the current High Needs Funding allocation's across all Greater Manchester (GM) Authorities and Tameside are receiving the second lowest allocation per pupil.

Table 1: High Needs Funding Allocations all GM Authorities

LA	2022-23 High Needs Block	Mid 2022 2-18 Population	Unit Per Pupil Funding
Trafford	£36,667,827	55,340	£663
Tameside	***£32,917,502***	***48,784***	***£675***
Wigan	£45,620,718	65,626	£695
Stockport	£42,816,539	61,424	£697
Rochdale	£36,870,805	51,557	£715
Bolton	£53,292,486	65,585	£813
Salford	£48,580,888	55,440	£876
Oldham	£51,158,374	56,805	£901
Manchester	£114,058,597	117,712	£969
Bury	£40,929,921	41,626	£983
	£502,913,657	**619,899**	

2.3 This cumulative deficit will need to be recovered along with bringing our in year spending in line with the grant allocated by the DfE. Within the High Needs DSG National Funding Formula (NFF) the funding due to Tameside is capped and has been since the start of the NFF, however it is DfE's expectation that the LA and schools operate within the spending limits of the amount allocated.

2.4 In LA Accounts, there is currently a time limited agreement that any deficit reserve in the DSG will not be taken into consideration by the external auditors when considering the financial health of the LA, the guidance states;

'Where a local authority has a deficit on its schools budget relating to its accounts for a financial year beginning on 1st April 2020, 1st April 2021 or 1st April 2022, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years.'

As this is the last year that this arrangement is in place, it is therefore imperative we take timely, appropriate action.

3. GROWTH PROJECTIONS AND PROFILING FUTURE SPEND

3.1 Tameside historically had low numbers of Education Health Care Plans (EHCP's). However in recent years demand for assessment and awarding of plans has grown exponentially. We are now more in line with other LA's, the impact of Covid is not yet fully understood, but is impacting on support needed. It is difficult to ascertain at this stage if the increased demand is temporary.

3.2 Growth modelling was carried out by Edge-ucate last year; however, the growth projections predicted by them have been exceeded. Although Edge-ucate only predicts Pre 16 growth, final numbers of new EHCP's in this sector for 2021-22 are already 70 higher than they predicted.

3.3 There has been some issues with the robustness of data and placement information, which presents difficulty in projecting the demand growth and subsequently the financial implications. To improve the position the lead for the SEND data has transferred to the Schools Improvement Data lead and a 3-4 week diagnostic review of the SEND processes and systems along with a recommendations report will be undertaken by Tameside's Transformation Team over the summer.

3.4 Once the outcome of the review of data referred to above is completed, high level changes will be updated in line with actual changes and costs.

3.5 The current forecast of the in-year and continuing gap that Tameside needs to address is as follows;

Table 2: Projected DSG Deficit

	2022-23	2023-24	2024-25	2025-26	2026-27
Overall DSG Deficit Projection	**£000**	**£000**	**£000**	**£000**	**£000**
In year gap after saving delivery	(2,844)	(4,008)	(6,571)	(7,804)	(8,807)
Prior Year Carry forward Deficit	(3,243)	(6,087)	(10,094)	(16,666)	(24,470)
Year End Deficit	**(6,087)**	**(10,094)**	**(16,666)**	**(24,470)**	**(33,277)**

3.6 It is clear that the current plan does not address the financial difficulty faced.

4. UPDATE ON EXISTING MANAGEMENT ACTION PLAN

4.1 **Funding**

An annual vote has taken place with the mainstream sector to look to transfer funds from the Schools Block to the High Needs Block fund, these transfers have been considered on an annual basis and have been approved by schools forum in line with regulations.

4.2 **Review of Services Funded from High Needs**

A review of the services that are funded from the High Needs Block took place to look where any potential financial savings could be realised which covered the following areas:

Portage – A review of the portage service was undertaken, for inclusive practice and waiting times for families. Where appropriate support was provided by other existing groups including targeted and inclusive universal support groups resulting in budgetary savings of £40,100.

Early Years (EY) Appropriate Funding Posts. – A review of the Pupil Support structure identified 2 posts that were being funded from High Needs that support the Early Years agenda, this was a SEMH worker in Pupil Support and a Hearing Impaired Specialist post. This post were redirected to EY's central support funding realising a saving of £106,700 to the High Needs Budget.

Pupil Support Restructure – A review of the Pupil Support team was undertaken to consider the offer to schools and the way the service was aligned. This review has realised annual savings of £16,245.

Total annual savings realised through these reviews £163,045.

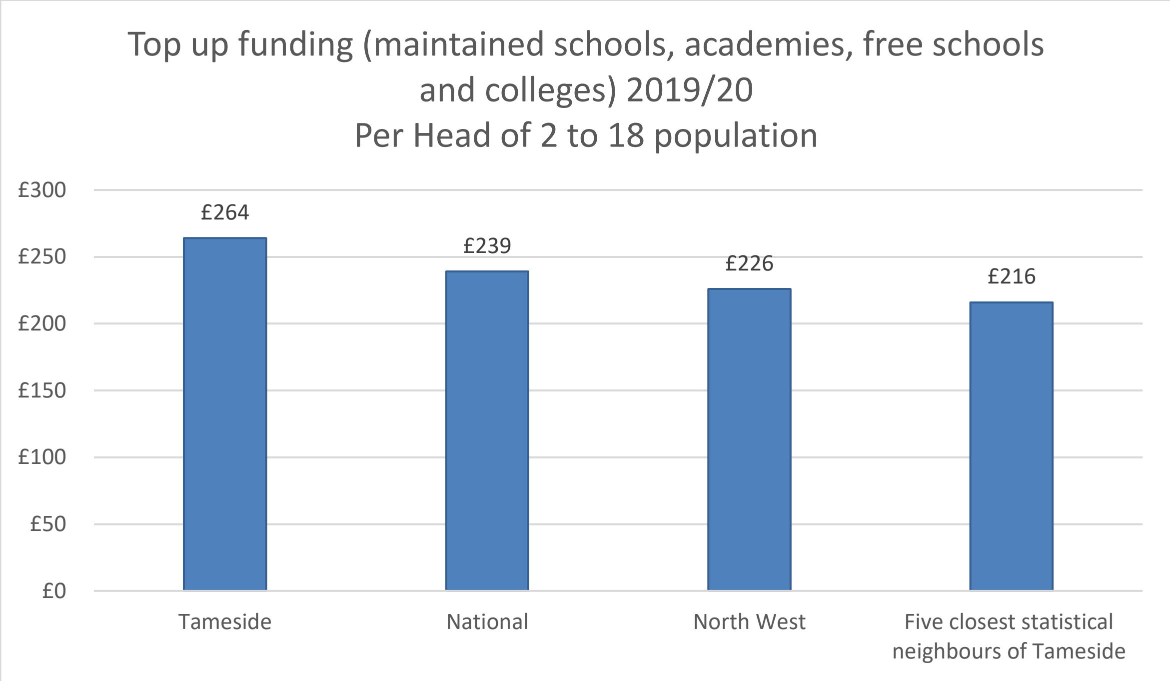
4.3 **Review of Element 3 Savings**

A review of the Element 3 top-up funding is underway. No financial implications of this have been considered at this stage. A banding model has been developed by the SEND team which focuses on the provision needed to support the pupils need rather than funding the type of need. This Matching Provision to Need (MPTN) document has been consulted upon within the Special School Sector. Consultation will be extended to include mainstream schools and a more detailed timeline will be shared ahead of a planned implementation date of April 2023.

The reason the financial impact has not as yet been determined is because part of the work plan will be to work through realistic costings of the provision in school, once the MPTN model has been approved and a mapping exercise will need to take place to move all students with funding to the new model. A detailed timeline will be brought back to Schools Forum in September 2022.

Benchmarking information shown in Table 3 shows the spend on top-up funding in Tameside on average top-up is between £38 and £48 higher than the rest of North West and statistical neighbours.

Table 3: Published Benchmarking - Top Ups per head of Population



4.4 **Resource Base Review**

As part of the specialist provision, the council have consulted on implementing additional local resource bases in mainstream settings. This is considered good practice in terms of keeping pupils in the local community to build networks and support inclusive practice.

This proposal sought to establish 40 additional local places in 2021-22, a further 40 places in 2022-23 and 40 more in 2023/24.

In 2021-22 consultation took place with the following settings to establish additional bases, and create additional places:

Table 4: New Resources Places September 2021

New Base	**No of Places**
Corrie (school)	10
Russell Scott (school)	4
Rosehill (academy)	10
Oakfield (academy)	8
Greenside (academy)	10
Total Additional Places Established	**42**

Work continues to expand this model into additional primary and secondary settings. This proposal does not offer financial savings but does help in addressing demand in borough and avoid more costly placements in independent and non-maintained schools, average cost of a placement in an Independent setting costs £35,000 per placement as opposed to £10,000 per placement in a local base.

4.5 **Growth and Over Capacity Funding**

Further to a report approved by Schools Forum 24 November 2020, regarding funding additional places in specialist settings, the report looks to bring the local approach in line with national funding guidance. The first 5% of growth after the annual place commissioning has taken place will not be funded. Along with this where places have been commissioned but not filled in specialist settings, consideration will be given to offsetting top-up payments against unutilised place funding. Again there is not a saving in this proposal just potential cost avoidance of £50,000 per annum.

4.6 **Contract Review**

One of our special schools has a PFI style contract. A review of this contract will be undertaken to see if it represents value for money. It is envisaged savings could be found from this contract. This review will be undertaken with the support of the LEP, the outcome of which will be considered by Elected Members at Executive Cabinet. Potential savings to the High Needs block as a result of this review is an annual £279,000.

4.7 **Post 16 Provision**

A sixth form provision has been established at Cromwell school to provide increased parental choice and expand the provision in the Borough

4.8 **Tameside Pupil Referral Service (TPRS) Funding and Inclusive Practice**

A review of the funding model for TPRS was considered, TPRS received funding removed from schools in line with guidance for the funding to follow the child where exclusions occur and give to the admitting schools, where the pupil had not been admitted to a new school by the end of the financial year. This funding was on top of the council commissioning a number of alternative provision places from TPRS. After review and discussion it has been agreed that this funding will instead be returned to the High Needs Budget. This realised savings of £61,112 in 2021-22 and is expected to be approximately £160,000 in 2022-23.

In addition, a review of the number of places commissioned and inclusive practice with schools will continue to explore appropriate funding through working groups with the Tameside Primary Consortium (TPC) and Tameside Association of Secondary Headteachers (TASH).

5. CURRENT CONTEXT

5.1 Since the last update report to Schools Forum in September 2021 on the High Needs management plan, there has been some delay in moving forward on parts of the deficit recovery plan partly due to capacity issues within the SEND team as resources have been diverted to respond to;

- The SEND Inspection;
- The response to the Ofsted written statement of action;
- Additional workload as a result of the Covid pandemic.

In addition, the Service has experienced operational difficulties due to significant staff turnover and vacancies in the SEND team.

5.2 The Council have approved additional staffing in the SEND team to support the increased demand. Separate reports approved the following additional posts;

Report 1	SEN Caseworkers	Grade H x 1
	EHCP Writers	Grade F x 3
Report 2	SEN Caseworker	Grade H x 1
	SEND Admin Post	Grade C x 1
	Admin Apprentice	Apprentice

5.3 The DfE have also indicated some changes in approach to support local authorities with High Need Deficit recovery. The DfE already had the Safety Valve Intervention programme, which was introduced in 2020/21, this was developed to support those LA's with the very highest percentage DSG deficits recognising they would need help to turn things around. Although

Tameside's deficit is significant to us in terms of our spending levels it is i not significant enough for us to be considered for this programme.

5.4 There have been some further developments and in addition to this scheme, the DfE are launching a Delivering Better Value in SEND program (DBV). The program aims to build the capacity and capability in the system to begin to address existing challenges and pressures in anticipation of wider SEND reforms outlined in the Green Paper. The LA's that will be eligible for support from this program are LA's that have deficits that are growing but not yet at the level for Safety Value intervention.

The DfE are investing £85m for DBV across 55 LA's, some of this has been earmarked for the analysis stage, however the bulk of this funding will be for bidding for and local action plans. The DfE have appointed Impower Consulting Ltd as delivery partners in this work.

The first 20 eligible LA's will commence in June 2022 and Tameside has been identified as an LA that would be eligible for this program.

5.5 The program will follow two phases, the first phase will be a diagnostic stage, where the LA will receive some support from a SEND professional advisor and a SEND Financial Partner. This support will be to:

- carry out a review of current practice;
- support us to look at our data and analysis of this to support future decision making;
- Review our current spending:
- Support to review action plan to address deficit and produce a delivery plan to be submitted back to DfE.

It is anticipated the first stage will take approximately 6 months to get agreement from the DfE and then the second is expected to last around 18 months in delivery with the aim of bringing the budget back into a balanced positon.

5.6 DfE have suggested that funding will be provided to the LA to add capacity to the local teams to support this work however, specific details and confirmation has not yet been received.

6. CONCLUSION

6.1 With regards to the implementation of the action plan to date, this has realised savings in total of £323,000 from the review of SEN Support Service's and TPRS funding. The review of the resource bases creates cost avoidance of £1.428m provided the bases are fully utilised and a £50,000 cost avoidance on funding Over Capacity.

6.2 The current action plan, with the estimated growth does not address the in-year and continuing budget gap that Tameside faces.

7. RECOMMENDATIONS

7.1 As set out at the front of the report.