

Title of report: Dedicated Schools Grant - Deficit Management Plan

Meeting: Herefordshire schools forum

Meeting date: Friday 13 January 2023

Report by: Strategic Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To approve the Dedicated Schools Grant (DSG) management plan subject to any amendments prior to submission to the Department for Education (DfE).

Recommendation(s)

That:

- a) That the DSG Deficit Management Plan is recommended to the Director of Children Services for submission to the Department for Education**

Alternative options

1. The alternative is that the deficit management plan is not approved and not submitted to the DfE; this is not recommended as the DfE will place Herefordshire on the formal deficit recovery plan action list which is significantly more onerous than informing the DfE of our plan through an informal management plan.

Key considerations

2. Like most English local authorities Herefordshire has now slipped into a cumulative Dedicated Schools Grant deficit position at the end of 2021-22 financial year. The deficit is £0.27m and solely attributed to overspend in recent years in the high needs block due to the legal requirement in the Children's Act to meet pupil need irrespective of available financial resources. Although the deficit is currently very modest at £0.27m, extrapolation using trend analysis from those five local

authorities with the largest DSG deficits and who had similar small deficits in 2016 forecasts that Herefordshire's DSG deficit could potentially rise to £30m by 2029-30.

3. Local authorities will become responsible for covering the deficit if the government (DfE/Department for Levelling Up, Housing and Communities (DLUHC)) does not continue to renew the temporary statutory override to ring-fence DSG deficits from councils' wider financial position in their statutory accounts. On 16 December 2022, this ring-fence was extended for a further temporary period of three years until March 2026, at which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. This will have significant consequences for Herefordshire as funding will be required to be diverted from mainstream council services such as Children's, Adults and Highways to meet the cost of the DSG deficit.
4. Discussions with the DfE LA stakeholder engagement team and Herefordshire corporate finance colleagues agreed that a DSG deficit management plan would be prepared and considered by Schools Forum. In addition, the plan outline has been shared with our external auditors Grant Thornton in early July so that they can see we have the necessary steps in hand.
5. A recent survey by the Society of County Treasurers in 2021-22 shows that only three authorities out of 51 have a DSG still in surplus and that Herefordshire is the smallest deficit of those 48 Local authorities in deficit. Compared to our statistical family neighbours we are the 2nd best out of 11. Nationally the biggest absolute deficit is Kent at -£104m and as a proportion of the DSG high needs block Dorset's deficit is -135%; Herefordshire by comparison is -1%.
6. A key assumption in the preparation of this DSG management plan is that the DfE increases in high needs grant are sufficient to meet cost pressures. The council's view is that the DfE has a critical responsibility to fund the high needs block adequately and that Herefordshire Council has an equal responsibility to spend the allocated DSG high needs grant funding efficiently. To date DfE have increased the high needs block funding by 2019/20 +4.7%, 2020/21 +14.9%, 2021/22 +11.2% and 2022/23 5.5%.

Community impact

7. While there is no impact from the approval of the deficit management plan, failure to mitigate the overspend could result in the council having to cover the DSG deficit from its available reserves. This diverting of resources could impact the council's ability to deliver on the ambitions set in the County Plan.
8. Actions set out in the deficit management plan have considered the specific ambition to ensure all children are healthy, safe and inspired to achieve. The Children's Services Improvement Plan establishes a SEND Strategy Board to provide strategic oversight and direction for improvement. The SEND Strategy Board will be asked to review the DSG Deficit Management Plan at an early meeting in the new year.

Environmental Impact

9. There is no environmental impact.

Equality duty

10. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

- A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

11. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. It is a statutory requirement for the council to meet pupils' needs irrespective of budget availability in line with the Children's Act 2014 and the Equality Act 2010.

Resource implications

12. The DSG deficit is projected to reach £30m by 2029-30 without action. A key assumption in the DSG management plan is that the DfE increases in high needs grant are sufficient to meet cost pressures. The council's view is that the DfE has a critical responsibility to fund the high needs block adequately and that Herefordshire Council has an equal responsibility to spend the allocated DSG high needs grant funding efficiently. The revenue actions in the deficit management plan are funded from DSG and Schools Forum will be consulted regularly through the normal budget setting process. Capital funding is the responsibility of the council.
13. The statutory accounts override has been extended by the government until March 2026. If a deficit remains at this point and there is no further extension, the council will be required to fund the DSG deficit from reserves. The council has sufficient reserves to cover the immediate deficit.

Legal implications

14. Local authorities will become responsible for covering the deficit in financial year 2026-27 if the government (DfE/DLUHC) does not again renew the temporary statutory override to ring-fence DSG deficits from councils' wider financial position in their statutory account. As it stands, this ring-fence has been renewed on 16 December 2022 for three years and is now due to end after the accounts for the financial year 2025/26, at which point authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. This will have significant consequences for Herefordshire as funding will be required to be diverted from mainstream council services such as Children's, Adults and Highways to meet the cost of the DSG deficit.
15. There are no direct legal implications at this stage and the legal obligations on Herefordshire Council are covered within the narrative in the body of the report.

Risk management

16. There are significant risks that the council is not able to make additional places available to reduce the number of out county places necessary to meet increases in autism needs. The DfE may not approve the bid for a new free special school. There is a further risk that DfE grant funding will not fully meet high needs cost pressures although we will reduce this risk by lobbying through f40 and local MPs to seek improvements in grant funding.
17. Risks will be regularly monitored through Schools Forum and the Budget Working Group.

Consultees

18. The Budget Working Group has been consulted and approved the deficit management plan for submission to School Forum. The Chief Finance Officer supports the plan. The Corporate Director for Children and Families has been consulted.

Appendices

The Deficit Management Plan is attached as an appendix.

Background papers

Report to Children and Young Peoples Scrutiny Committee 26 July 2022 re SEND – autism provision and nurture hubs

Statistical analysis from DfE Pupil census data 2015-2021

Society of County Treasurers financial summary of DSG deficit information.

Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published

Governance	Sarah Buffrey	Date 08/12/2022
Finance	Louise Devlin	Date 07/12/2022
Legal	Francis Fernandes by email	Date 05/12/2022
Communications	Luenne featherstone	Date 05/12/2022
Equality Duty	Carol Trachonitis	Date 12/12/2022
Procurement	Carrie Deeley by email	Date 02/12/2022
Risk	Chris Jones by email	Date 02/12/2022

Approved by Darryl Freeman Date 03/01/2023

Please include a glossary of terms, abbreviations and acronyms used in this report.

BWG Budget Working Group (of Schools Forum)

CAMHS Children and Adolescent Mental Health Service

DLUHC Department of Levelling Up, Housing and Communities

DSG Dedicated Schools Grant

DfE Department for Education

EHCP Education Health Care Plan

ESFA Education and Skills Funding Agency

MASH Multi Agency Safeguarding Hub

MFG Minimum Funding Guarantee – a funding mechanism by DfE to provide a funding protection mechanism to smooth budget losses over a number of years

PRU Pupil Referral Unit H3 Home and Hospital Teaching Team (Hub, Home, Hospital)

SEN Special Education Needs

SEND Special Education Needs and Disability