



Schools Forum
26 February 2020

**Report from the Strategic Director
of Children and Young People**

**Department for Education updated guidance on Dedicated
Schools Grant Deficits**

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
No. of Appendices:	0
Background Papers:	Prior Financial reports to Schools Forum.
Contact Officer(s): (Name, Title, Contact Details)	Andrew Ward, Head of Finance – CYP 0208 937 6462 Dena Aly, Senior Finance Analyst – CYP 0208 937 2179

1. Purpose of the Report

- 1.1. This report is to inform the Schools Forum of the Department for Education's response and direction following the consultation on DSG deficits.

2. Recommendations

- 2.1. That Schools Forum notes the report.

3. Summary

- 3.1. Many Councils including most London Boroughs are forecasting a deficit on their DSG by the end of 2019/20. The DfE has consulted on how to treat these deficits, and has now responded that DSG deficits can be carried forward against future year's DSG allocations. Having allocated additional High Needs block funding for 2020/21, the expectation is that councils work towards balancing their in-year position on the High Needs block and recover any accumulated deficits over a multi-year period. There remains a risk that this will not be possible if the number of Education Health and Care Plans (EHCPs) continues to increase.

4. Current position

- 4.1. The current position, as reported to the Schools Forum in January 2020, is that overall the Brent DSG is forecast to go into a deficit of approximately £4m at the end of the 2019/20 financial year. This is due to the rising demand on the High Needs block driven by the significant increase in the number of children and young people with EHCPs.
- 4.2. The £4m deficit is the forecast position after reserves have been used and eliminated. Expenditure on the High Needs block is forecast to exceed income by £7m in 2019/20.

- 4.3. The DfE announced in January 2020 that the terms and conditions will be amended to make it clearer that Local Authorities can recover DSG deficits from future DSG allocations.
- 4.4. DSG funding has increased for 2020/21, including an additional £5m for the High Needs block. The additional High Needs block funding, plus a £0.9m transfer from the Schools Block, and measures to contain expenditure mean a balanced budget will be set for the High Needs block.
- 4.5. The DSG budget being set will not attempt to recover any of the deficit incurred in 2019/20, so longer-term actions are required in addition to continued lobbying for sustained further increases in funding. A task group is being set up by the council to co-ordinate and monitor these actions, which will include;
- 4.5.1. Developing Alternative Provision education at the Roundwood site. As previously reported to Schools Forum and as detailed in the report to Brent Council Cabinet on 16 April 2019, new Alternative Provision with wrap around youth provision will be opening on the Roundwood site in January 2021. This provision will reduce the reliance on more expensive independent sector private providers.
 - 4.5.2. As set out in the School Place Planning Strategy Refresh November 2019, proposals are being developed to increase the amount of special provision within the borough, particularly for secondary phase pupils and 16-25 year old SEND students. The Council is also looking to develop new Additionally Resourced Provisions (ARPs).
 - 4.5.3. Utilising the West London Alliance (WLA) of Local Authorities to develop its commissioning arrangements to address cost pressures for the High Needs block. A Dynamic Purchasing Vehicle has been developed to encourage more providers to engage with the WLA and to achieve value for money on out of borough and independent education placements. As more boroughs join the WLA it becomes a more attractive proposition for education providers to sign up to the confirmed rates of funding that it offers.
 - 4.5.4. The Council is working to ensure there is full cost recovery from other local authorities that place pupils in Brent special schools. Standard top up rates are charged to recoup the cost of funding, and these can be increased to reflect administration and other specific costs.
 - 4.5.5. A full and comprehensive banding review of EHCP funding is commencing this month to establish new bandings for April 2021.
 - 4.5.6. As previously reported to Schools Forum, a review of SEND support services funded by the DSG is currently underway. This is being reviewed through the High Needs block sub group

5. Recovery of Deficits

- 5.1. At the end of the 2018/19 financial year, those local authorities with deficits of more than 1% of their DSG were required by June 2019 to submit a 3 year recovery plan to the DfE. The DfE has stated that it now recognises some deficits will need to be recovered over a longer period of time. The Association of Directors of Children's Services has requested that the DfE provide feedback to local authorities on what were the effective actions in the council recovery plans that have been reviewed.

5.2. On the 30 January 2020, the DfE released its response to the consultation on changing the rules on DSG deficits. It confirmed:

5.2.1. The DfE will change the terms and conditions of the DSG and the Schools and Early Years Finance Regulations to ensure DSG deficits are ring-fenced and do not impact on the local authority General Fund.

5.2.2. The DfE recognises that it will have to be mindful of the pressures on high needs when deciding how to allocate funding in future years. Overall funding for schools and high needs is set to increase by £7.1bn in 2022/23 when compared to 2019/20.

5.2.3. The DfE SEND review will report in 2020 and is tasked with looking at fair and sustainable funding for high needs.

5.3. The consultation response does not mention production of recovery plans. The Council is setting a balanced DSG budget for 2020/21 with the £5m increase in High Needs funding being allocated against the pressures in the block in consultation with the Schools Forum. It will not reduce the deficit which will carry forward into 2021/22. A combination of longer term recovery actions and anticipated funding increases will reduce the deficit in the medium term. The main and clearest risk to this strategy is that the number of EHCPs will continue to rise.

6. Financial Implications

6.1. The financial implications have been detailed in the body of this paper.

7. Legal Implications

7.1. There are no legal implications for this report.

8. Equality Implications

8.1. Not applicable.

9. Consultation with Ward Members and Stakeholders

9.1. Not applicable.

10. Human Resources/Property Implications (if appropriate)

10.1. Not applicable.

Report sign off:

Gail Tolley

Strategic Director of Children and Young People