

Meeting:	Schools Forum
Date:	2 June 2020
Subject:	Item 5: DSG High Needs Deficit Recovery Plan
Responsible Officer:	Carole Wells, SEND Strategy Programme Lead

Section 1 – summary

1. This report sets out the DSG High Needs Deficit Recovery Plan for 2020-2023.
2. Schools Forum is asked to:
 - Review, discuss and comment on the Deficit Recovery Plan
 - Note that the Deficit Recovery Plan will not bring the deficit back into balance

Section 2 – report

DSG Deficits Legislation

3. All local authorities that have a **cumulative DSG deficit of 1%** or more at the end of a financial year are required to submit a recovery plan outlining how they will bring their deficit back into balance in a three-year time frame.
4. Local authorities that are required to submit a recovery plan should do so by 30 June in the following financial year.
5. The 1% calculation will be based on the latest published total DSG allocations for 2019-20, gross of recoupment, as at the end of the 2019-20 financial year, and excludes maintained school balances.
6. In previous years the ESFA has asked LAs with a cumulative deficit of 2% or more to provide plans outlining how they will bring their deficits back into balance. The decision to move the threshold to 1% is in recognition of the increase in LAs recording a DSG deficit over the last two years.

7. The ESFA anticipate that by requiring all LAs with a cumulative deficit of 1% or more to provide a recovery plan, they will have better visibility of deficits and will be able to work with LAs to help bring deficits back into balance.
8. Recovery plans should **be discussed with schools forums, and be signed off by the local authority's chief financial officer** (CFO) before the plans are submitted.
9. If an LA feels that a three-year time frame is not realistic, it will be able to submit with its plan, evidence that states how this may not be achievable.
10. The ESFA will review each recovery plan on a case by case basis and will decide if a recovery plan can be accepted that leaves some or all of the deficit accumulated to date outstanding. This would result in the LA carrying forward the agreed deficit and we would not require this to be recovered within the three-year period.
11. Any LAs that propose to leave part or all of their accumulated DSG deficit outstanding will need to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals. They will also need agreement from their CFO.

Harrow's Position

12. As reported at Item 4 on the agenda the final position on the DSG and specifically the High Needs Block is a deficit of £2.944m. **This represents 1.35% of the overall DSG for 2019-20.**
13. This will be transferred to a separate reserve which will hold a deficit balance which sits with the LA.
14. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves.
15. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.

Deficit Recovery Plan

Background

16. The DfE has provided a template and a series of questions which constitutes a Deficit Recovery Plan (DRP). The following paragraphs set out a high level summary

of the DRP including an overview of the SEND Strategy and pupil and financial projections. The DRP is required for the 3 year period 2020-21 to 2022-23 however for the purposes of strategic planning the projections have been estimated to 2030.

17. **The detailed DRP is at Appendix A.** It is not currently in the format required by the DfE because these are a set of complex spreadsheets that are not particularly easy to follow. However the questions set by the DfE are on the attached followed by the LA responses.

Context

18. The demand for special school places for pupils with severe learning difficulties (SLD) is increasing exponentially. If we do nothing or are unsuccessful in implementing measures Harrow's cumulative deficit will be approx. **£16.517m by March 2023.**
19. An analysis of the current and projected pupil numbers in special schools and additionally resourced mainstream schools (ARMS) underpinned the decision making and plan to reduce the DSG deficit.
20. In order to reduce spend on the High Needs Block it is necessary to develop the **'Whole System Shift' model**
21. This will require **expansion of SLD provision** across all four special schools in Harrow by:
- Increasing the number of places at Kingsley
 - Increasing the number of places at Shaftesbury
 - Increasing the proportion of pupils at Shaftesbury with SLD
 - Increasing the proportion of pupils at Alexandra with SLD
22. The model also requires **increased additionally resourced mainstream school (ARMS) provisions** for pupils with MLD in Harrow to ensure a pathway of specialist provision for pupils who would have previously attended Shaftesbury or Alexandra.
23. There will also be a **review of existing additionally resourced mainstream school (ARMS) provisions** for pupils and to further expand ASD provision to ensure a pathway for specialist provision from primary through to secondary.

Measures

24. It is important to note that the measures in place and proposed **will not bring the deficit back into balance.**
25. However the proposals are cost effective in containing the new growth in demand through providing local provision thus preventing further increase in spend on INMSS as measures aim to maintain the current ratio of in and out borough placements.

26. There are no assumptions that Harrow will open a new/satellite special school given the constraints around legislation, funding and site access.

27. In respect of the deficit, the proposals:

- Will reduce the increase in the projected cumulative deficit, over a three year period, from £16.517m to £15.043m.
- Will reduce the increase in the projected cumulative deficit, over a six year period, from £46.199m to £36.317m.

Barriers to overcome to support the success of the measures

28. The current most pressing issue is the reduced capacity in schools to engage and commit due to Covid-19. The realignment of the MLD schools to include SLD pupils is critical to the whole system shift and to the position in the secondary phase in September 2021. Although discussions with Shaftesbury and Alexandra commenced earlier this academic year, they are now on hold.

29. In relation to ARMS provision, as well as schools' capacity to engage and commit, there are potentially capital works required which may delay the opening of any new provision.

30. There will also need to be significant timely engagement and communication, with parents of children who will be part of the phase transfer in September 2021, to start from the commencement of the autumn term in September 2020.

Further Considerations

31. Analysis of the accumulated DSG deficit, local circumstances and the current and projected number of CYP with SEND in the system evidence that the LA will not be unable to recover the deficit in the medium to long term and the accumulated DSG deficit will continue to be outstanding.

32. The measures do not provide Harrow with sufficient capacity to reduce the current 'spend' on out borough placements and thus reduce the overall DSG deficit.

33. In order to further increase capacity to overall reduce the DSG deficit a new special school is required. The challenge is the availability of a site. To take forward any opportunity of a new site will take time as there are complexities, consideration of costs and available capital. In addition the school would have to be a free school and there are currently no current free school programmes open. However this is a long term measure and yet again this will not fully bring the deficit back into balance.

34. Expanding provision is challenging at the best of times and there are many complex issues to overcome. COVID 19 will present further challenges to the lead in time for developing and progressing new provisions and the 'whole system shift' model. The priority for education settings at this time is to prepare for the wider opening and for pupils and staff to return safely. In light of this further consideration will need to be given to the scope and pace of the 'whole system shift' model

Any LAs that propose to leave part or all of their accumulated DSG deficit outstanding will need to provide a clear explanation as to why their deficits could not be recovered in the short term and provide thorough evidence to support their proposals.

35. Despite the significant proposals and measures planned over the next ten years, this will not reduce the deficit. This is due to the following contributory factors:

- historical underfunding
- current budgets being based on historical budgets rather than historical spend
- extension of age range to include 0-5 and post 19
- current and projected formulaic funding which does not keep pace with demand
- significant historical and projected growth in number of EHCPs
- continued growth in complexity of pupils' needs
- limitations about creating cost effective provision in borough due to mechanisms, capacity and site limitations

Projected Deficit Scenarios	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
In-year deficit without previous expansions (up to 2019-20)	£2,944	£2,851	£4,517	£6,205	£7,805	£10,111	£11,766
Cumulative deficit without previous expansions (up to 2019-20)	£5,638	£11,226	£18,481	£27,424	£37,967	£50,816	£65,319
In-year cumulative deficit projections with no further expansion	£2,944	£2,851	£4,517	£6,205	£7,805	£10,111	£11,766
Current cumulative deficit projections with no further expansion	£2,944	£5,794	£10,312	£16,517	£24,322	£34,433	£46,199
Projected in-year deficit with more SLD places & MLD ARMs	£2,944	£2,851	£3,944	£5,304	£6,188	£7,191	£7,895
Projected cumulative deficit with more SLD places & MLD ARMs	£2,944	£5,794	£9,738	£15,043	£21,231	£28,422	£36,317

Assumptions

No increase in budget beyond 2020 to 2023 and beyond that assumed 2% increase pa

Approx. 3% increase in number of EHCPs equating to 50+ per annum

1% annual price increase on INMSS

Same level of starters and leavers each year (in-year) as in 2018-19 and 2019-20

Section 3 – contact details

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