Cabinet

DSG Recovery Plan and DSG Sustainability Plan

9 July 2020

Recommendation(s)

1) That Cabinet approves the Dedicated Schools Grant (DSG) Recovery Plan
2) That Cabinet approves the sum of £554,187 from the Sustaining Prevention Fund to be allocated to the SEND & Inclusion Change Programme
3) That Cabinet continues to raise the issue of sufficient funding for High Needs through direct correspondence with the Secretary of State/Chancellor of the Exchequer and through the Local Government Association, County Council Network and f40 group

1. Executive Summary

1.1 The purpose of this report is to present the Recovery Plan for the Dedicated Schools Grant, as a result of overspend in the High Needs Block.

1.2 As noted in June's Cabinet report, the challenges in the SEND system within Warwickshire are significant. In short, the Recovery Plan will only reduce the deficit, and not resolve it. Delivering statutory duties within the allocated budget from the Department for Education is not considered viable or sustainable.

1.3 The crisis in SEND funding and services is a national issue facing all councils and has been reflected in a number of recent reviews including the Public Accounts Committee, National Audit Office, County Council Network and Local Government Association. The National Audit Office concluded that: *'The system for supporting pupils with SEND is not, on current trends, financially sustainable.'*

1.4 Warwickshire must ensure that within budget allocation and statutory duties, it delivers value for money. Fundamental transformation is needed within the SEND system in Warwickshire to deliver the scale of change required. Again, as noted in June, there are three main challenges facing the Council:

i.) The DSG Recovery Plan, which is being developed, does not currently lead to full financial recovery against the in-year or cumulative overspend. WCC could make meaningful inroads to the overspend alongside addressing increasing demand, adhering to statutory duties and delivering the SEND & Inclusion Strategy. Given the scale of the financial challenge this will likely fall short of closing the annual gap, meaning cumulative deficits being carried forward into future years unless alternative Council funding is permitted (subject to Secretary of State approval as this is against current DfE rules) or national additional funding; and

ii.) Demand to meet SEND requirements continues to increase at a faster rate than change can be delivered. Investing the right level of resources to support the SEND Change Programme and seeking to address the projected overspends will be key. However, this won’t necessarily speed up the full benefits realisation which is expected to be delivered over a five-year programme of work. Further detailed work will be undertaken by officers on the level of investment required to support the SEND Change Programme and where this could be funded from.

iii.) In order to achieve the scale of change required within the SEND area the programme will require some difficult choices to be made. Based on other Councils’ experiences this is necessary and is highly likely to generate strong views and feelings from some of those impacted. Without strong leadership support for this, we will be unable to deliver the full benefits of our recovery and sustainability plans.

2. SEND Change Programme

2.1 The SEND Change Programme (approved by Cabinet in June) brings together plans on four areas:
(i) transformation of system behaviours (informed by an external review undertaken by Impower);
(ii) DSG Recovery Plan for the year 2019/20;
(iii) DSG Sustainability Plan 2027/8; and
(iv) Delivery of statutory duties (including the SEND and Inclusion Strategy).

SEND Change Programme

SEND Transformation	**DSG Recovery Plan**	**DSG Sustainability Plan**	**SEND & Inclusion Strategy**
A series of pilot projects focussed on changing behaviours in the system as recommended by the Impower review	A quantified plan to be submitted to DfE demonstrating how the local authority will recover the DSG overspend in 2020/21	The medium to long-term financial plan to balance the DSG on a sustainable basis, based on High Needs Task & Finish Group review	Implementation of actions following internal and peer review; continued delivery of the priorities identified in the SEND & inclusion Strategy

2.2 Local authorities can no longer fund services within the DSG block (see 4.5), however, WCC can allocate resources to deliver the SEND Change Programme. The programme enables the Council to use the corporate infrastructure to address the system behaviours, savings and financial sustainability, whilst ensuring delivery of statutory duties. The programme will be managed in accordance with the Council's programme management standards and it is intended that additional capacity will be provided by the programme management teams.

2.3 The full list of projects is available at Appendix A. These projects cover savings, delivery of statutory duties and best practice. Warwickshire is yet to receive its Ofsted/CQC SEND Local Area Inspection, one of only two local authority areas in the West Midlands not to have done so.

2.4 In order to deliver the first phase of the programme (21 projects) the following costs have been identified.

Title	Estimated Cost (£0)	Activity	Period
Subject Matter Expert (SME) x6	£60,000	External review, challenge and recommendations on individual service areas (service review) and development of quality assurance documentation on EHC needs assessment.	June 2020 – March 2021
IMPOWER Projects	£360,000	To test and develop effective approaches to early intervention in relation to Special Educational Needs and Disabilities (SEND) to best serve local children, young people and their families.	July 2020 – Sept 2021
PMO: Programme Manager x1 Project Managers X3 Business Analysts X3 Project Support Officer x1	£494,045	To oversees project and programme delivery and ensures appropriate governance, monitoring and stakeholder engagement is in place. Responsible for PPD's, and business case development, for risks and issues reporting.	July 2020 – Sept 2021
SEND Project Officers x 2	£104,187	Dedicated capacity from the business (SEND & Inclusion) to drive through changes in the projects.	Sept 2020 – Sept 2021
Communications	£30,000	Supports with change communications activity including school leaders, parents and carers, and the wider public.	July 2020 – Sept 2021

2.5 These costs have been approved by the Change Portfolio Board (30th June). Costs for Programme Management Office (PMO) will be funded through the Organisational Change Fund. It is proposed that remaining costs of £554,187 are funded from the Sustaining Prevention Fund.

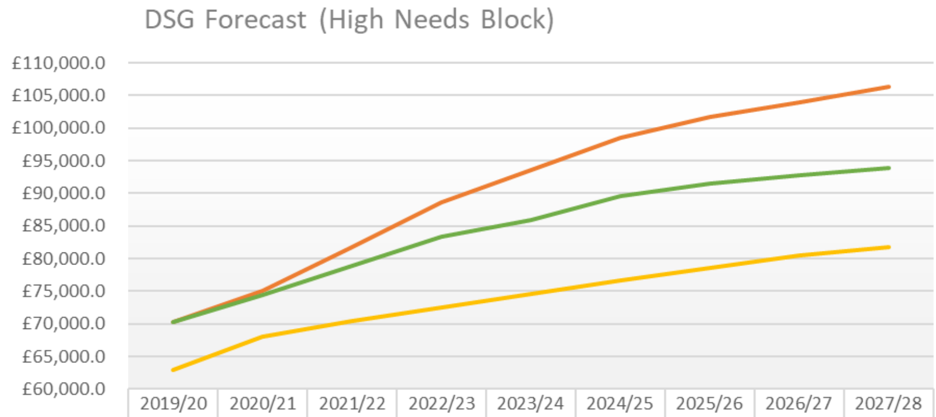
3. DSG Recovery Plan and Sustainability Plan

3.1 Due to the overspend of £7.34m in the High Needs Block in 2019/20, the overall Dedicated Schools Grant has overspent by more than 1%. As a result, it is expected that a DSG Recovery Plan for 2020/21 must be submitted to the DfE 'as and when requested'.

3.2 The DSG Recovery Plan covers the period April 2020 – March 2023 to show how overspend from 2019/20 will be recouped over 3 financial years. However, as projections for future years forecast further overspends in future years, it is recognised that this plan is not sufficient and a DSG Sustainability Plan is required to address the build-up of cumulative deficits and to look ahead longer term (to March 2028).

3.3 A sub-group of Schools Forum was established to set out a quantified plan for recovering the 2019/20 overspend. This is attached at Appendix B. This was shared with and discussed by the Schools Forum on 4th June 2020, who confirmed their support for the plan.

3.4 The current baseline projection shows the gap between expected yearly budget and expenditure to be £16.035m by 2022/23 and rising in subsequent years before interventions. The cumulative effect is an overspend of £80.412m by 2024/25 if no interventions are made (total of the gap between DSG Position and DSG Allocation over that period). The graph below shows the gap between forecast allocations and expenditure, with and without the proposed savings plan.



	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast DSG HNB Position (As-is)	£70,268.8	£75,129.4	£81,758.0	£88,586.1	£93,509.7	£98,457.4	£101,722.6	£103,970.2	£106,394.2
Forecast DSG HNB Budget Allocation	£62,925.5	£68,073.0	£70,407.1	£72,550.8	£74,611.1	£76,627.6	£78,583.9	£80,500.7	£81,766.5
Impact of Savings Plan	£70,268.8	£74,420.4	£78,963.8	£83,301.7	£85,991.1	£89,603.4	£91,519.3	£92,758.7	£93,861.4

3.5 The measures proposed in the DSG Recovery Plan (Appendix B) are to be extended beyond the three-year period to create the DSG Sustainability Plan (Appendix C). The measures which will deliver forecast savings, supported by Schools Forum, are set out in the table below

3.6 In the context of SEND funding, it is important to be aware that placement costs differ and there is a "mix" of provision cost. Generally, costs in independent specialist provision are more expensive than state-funded specialist provision, which in turn are more expensive than state-funded mainstream provision. The DSG Recovery Plan complements other projects in the SEND & Inclusion Change Programme by re-ordering the current system to ensure state-funded provision has the right skills and resources to meet the needs of learners with SEND, thereby delivering better outcomes at lower cost.

3.7 It is also important to make clear that changing the overall distribution of placements is focussed on new placements. For existing placements, learners will only be able to move placements as and when it is in the learner's interests to do so (e.g. at the end of a key stage, when another setting can meet need, and there is confidence that the learner can establish positive friendships). It must be noted that without parent/carer and the child or young persons' agreement to the move the likelihood of this happening would be extremely difficult.

Intervention	**Description**
1. Continued increase in Resourced Provision capacity and utilisation *(Invest to save)*	Placements currently in special schools could be catered for in Resourced Provision, creating capacity in special schools and reducing the need for higher costs independent specialist placements; capital investment already secured.
2. Increase in special school capacity at the Pears site *(Invest to save)*	The 80 place provision for ASD/SEMH needs will reduce need for higher costs independent specialist placements; capital investment already secured.
3. Increase the timeliness of EHC plans issued in early years (ages 0-4) *(Invest to save)*	By ensuring package of support are in place earlier, the demand for special school (more costly) places in Reception Year and Year 1 should be reduced.
4. Align increase in EHC plans with statistical neighbours *(Clear, fair and transparent operating procedures)*	Assumed reduction in requests for assessment and fewer placements to be made in specialist provision (state-funded and specialist). Includes review current SEND Guidance and clarify thresholds for panel decision-making.
5. Contracts with Independent Specialist Provision to ensure financial discipline *(Contract Management)*	The Warwickshire framework contract limits 1% inflation to stated prices and ensure robust contract management

6. Reduce the use of alternative provision *(Service/system redesign)*	Placements in alternative provision have increased and now match (or sometimes exceed) special school costs. Packages of support in mainstream settings would be a less costly alternative and will ensure children remain in mainstream settings.
7. Invest to save in supported internships quality assurance *(Invest to save)*	By increasing the number of supported internships and ensuring they find employment we can achieve positive outcomes for the young person, cease the EHC plan and deliver savings for adult social care.

3.8 The Recovery Plan will continue to be developed to include further interventions when there is confidence that savings can be delivered. For example, the trial project 'Changing the Conversation' (part of SEND Transformation) will test with a sample of school consortia whether a different approach to early intervention will result in lower costs. There is a strategic aim to release more resources to mainstream schools to meet the needs of learners with SEND, but this must be matched by confidence that some of behaviours in the system will change.

3.9 Further to this, value for money reviews will take place of five local authority services funded by DSG to ensure resources are being used in the most efficient way to deliver good or better outcomes. A savings target has not been put on these reviews, but the scope for each review will require exploration of whether alternative service models would deliver efficiencies.

3.10 Some activities will focus on ensuring costs do not increase such as the review of the special school funding matrix. The matrix is used to identify the amount top-up funding that follows a learner in specialist settings, based upon their needs. The matrix is due to be reviewed.

3.11 We will work with partners in social care and health to ensure our joint commissioning arrangements continue to deliver value for money, in the face of increasing demand.

3.12 There are also a number of measures in the wider change programme that will contribute to savings indirectly. For example, training and workforce development, equipping schools and stakeholders with the skills to meet the needs of learners with SEND.

3.13 Officers will continue to explore opportunities for capital investment, based on a clear business case, to support the education of learners with SEND, particularly in the South of the County.

3.14 Activities that are considered 'business as usual', such as issuing EHC plans within 20 weeks, will continued to be monitored but do not form part of the programme. For clarification, there is no backlog with issuing EHC plans. In 2019, 89% of EHC plans were issued within the statutory 20 weeks (up from 30% in 2017). From January to May 2020, performance was 88%.

3.15 The DSG Recovery Plan will need support across the system to implement and therefore will require significant work with stakeholders including schools, parents and carers, children and young people and partner agencies. In particular, school leaders will need to support and implement change in local settings. At a strategic level, the Council will continue to work in partnership with the Schools Forum, including consideration of movements of funding (up to 0.5%) between blocks in the DSG.

4. Financial Implications

4.1 The DSG High Needs 2019/20 financial position was an overspend of £7.343m, offset by Council funds of £2.103m resulting in a deficit carry-forward of £5.240m as a starting point for the financial year 2020/21.

4.2 The increase in DSG High Needs Block funding allocations for 2020/21 was £5.147m, however the growth pressures in pupil numbers, complexity of need and unit cost of placement are expected to continue to out-strip the grant funding in this financial year resulting in a projected in year overspend.

4.3 The table below summarises the baseline forecast position before the interventions are modelled, as well as the financial impact of the interventions. As noted in the report the gap after the current seven planned interventions is £55.251m. By 2024/25 (the current period of the Council's MTFS), the annual savings required for full sustainability is £21.830m, the current planned interventions only achieve £8.854m of this (41%)

	2020/21 £000	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
1. Baseline Forecast Position					
DSG Deficit brought forward	(£5,240)	(£12,297)	(£23,648)	(£39,683)	(£58,582)
Annual (Over) Spend	(£7,056)	(£11,351)	(£16,035)	(£18,899)	(£21,830)
Cumulative Deficit	(£12,297)	(£23,648)	(£39,683)	(£58,582)	(£80,412)
2. Interventions					
Total annual savings from Interventions	£709	£2,794	£5,284	£7,519	£8,854
3. Impact after interventions					
DSG Deficit brought forward	(£5,240)	(£11,588)	(£20,145)	(£30,895)	(£42,275)
Annual (Over) Spend	(£6,347)	(£8,557)	(£10,751)	(£11,380)	(£12,976)
Cumulative Deficit	(£11,588)	(£20,145)	(£30,895)	(£42,275)	(£55,251)

4.4 Of the seven planned interventions the intervention highlighted as "S2" refers to the full utilisation of Special Schools and The Pears Project, the latter of which Cabinet has already approved plans for.

4.5 Following the recent change to the Terms and Conditions of the DSG, Councils are no longer able to fund any deficits within the DSG. The route to obtaining Secretary of State permission to overrule the Terms and Conditions have not yet been articulated, nor has a precedent been set that this is possible. The Department for Education (DfE) has indicated councils should not set aside provision within their own accounts to offset any DSG deficits. However, this statement is inconsistent with guidance from the National Audit Office issued in March 2020 which confirms the previous position that there is no statutory basis for having a negative DSG Reserve and the accounting code under which our accounts are prepared which "neither anticipates or allows for a voluntary earmarked balance to be presented in a deficit position". Therefore, to comply with DfE guidance and the accounting code under which we operate the Council will need to maintain a positive reserve equal and opposite to the negative DSG reserve until such time as a permanent resolution is in place. This position is consistent with the advice from our external auditors.

4.6 The agreed Council's MTFS 2025 was to set aside enough reserves to offset the forecast High Needs Block cumulative deficit over the five-year MTFS, until the DSG is in a balanced position. The current amount set aside is £30m over five years. The level of the deficit now being forecast means the Council will have to put aside a further £25m of reserves requiring £5m a year to be generated and ring-fenced in reserves, if additional savings aren't identified.

4.7 The implications of this report fundamentally impact the Council's MTFS as approved at Council in February 2020. In the absence of Government implementing a sustainable, systemic resolution of the fundamental problems with the legislation, policy framework and funding to deliver it, any further allocations to reserves to address the cumulative gap will create a requirement to identify further savings within the MTFS refresh.

4.8 The proposed interventions do not currently sufficiently address the projected DSG High Needs deficit in either the short or long-term. The further potential measures that are referred to in this report (paragraphs 3.8 onwards) that are still in testing and/or early stages of development will need to be quantified when ready and the SEND change programme may need to identify, quantify and achieve additional interventions beyond those. It is recommended that Cabinet receive further updates on any actions and issues that will affect the sustainability of the High Needs Block both on a national and local level.

Financial Modelling Assumptions

4.9 The financial modelling of the pressures, growth and funding of DSG High Needs Block is a complex process, which relies on both quantitative as well as qualitative data and assumptions spanning multiple years and originating from multiple sources. The points below provide an overview of some of the high-level assumptions:

i.) the assumptions on the growth pressures are based on 2 years of historic data held by the Education Service as well as the ONS population;

ii.) transitional assumptions have been applied to pupil number movements between year group projections;

iii.) inflationary costs have only been applied to external providers based on historic trends; and

iv.) the DSG High Needs Block grant allocation has been modelled to take in account the anticipated growth in pupil number as well as inflating the rates of per pupil funding in line with previous years' increases for Warwickshire.

4.10 Any variation to the assumptions and / or any further intelligence which affect the current assumptions will impact the baseline projection, the value of the interventions and the financial position after such interventions.

5. Environmental Implications

5.1 There are no specific environmental implications arising from the decision being made as part of this report.

6. Timescales associated with the decision and next steps

6.1 The DSG Recovery Plan will be submitted to the Department for Education 'as and when' requested.

6.2 Each project has its own timeline and milestones (see Gantt Chart at Appendix A).

6.3 Regular reporting will be through the SEND & Inclusion Change Programme Board, as well as to Schools Forum, SEND & Inclusion Partnership and Overview & Scrutiny Committee.

6.4 Cabinet continues to raise the issue of sufficient funding for High Needs through direct correspondence with the Secretary of State and through the Local Government Association, County Council Network and f40 group.

7. Appendices

Appendix A: SEND & Inclusion Change Programme Projects

Appendix B: DSG Recovery Plan

Appendix C: DSG Sustainability Plan

Appendix D: Equality Impact Assessment

8. Supporting Documents

1. SEND Change Programme, Cabinet, 11th June 2020
2. Allocation of 2020/21 Dedicated Schools Grant, 30th January 2020, Cabinet
3. High Needs Block, 16th December 2019, Cabinet
4. SEND & Inclusion Strategy, 11th April 2019, Cabinet

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