

Item 9

Surrey Schools Forum

8 Dec 2022

For information and discussion

Surrey County Council DSG Recovery Plan – updated December 2022

SUMMARY OF ISSUE:

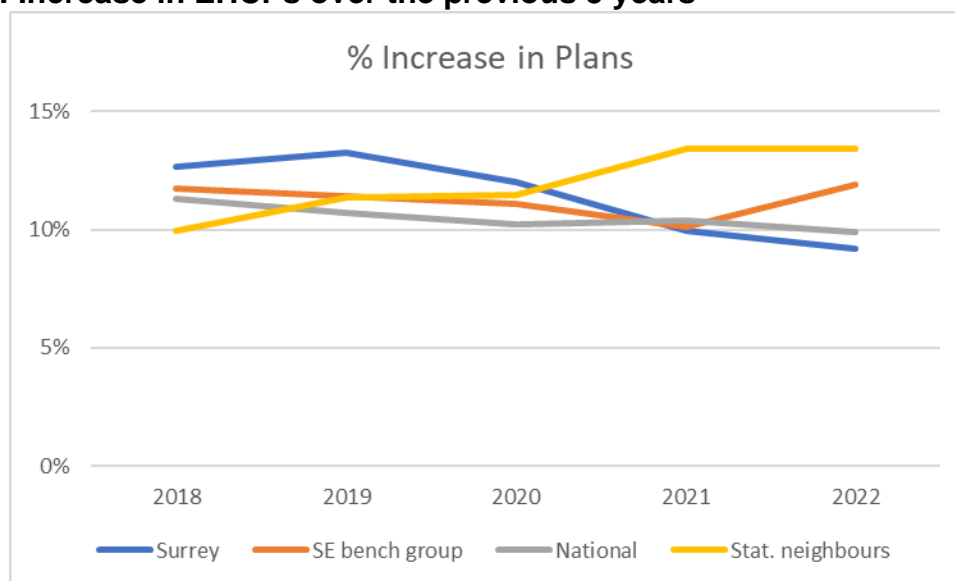
This paper provides an update on the current Dedicated Schools Grant (DSG) Safety Valve agreement for the Council and includes updates on the 2021/22 outturn and developments since the last report in May 2021.

Details:

Overview and background

1. The demand for Special Educational Needs Disabilities (SEND) provision has increased significantly since 2015 due to increased demand resulting from the legislative changes brought about by the Children & Families Act and the SEND Regulations, 2014 and SEND Code of Practice, 2015 which extended the age range of Statements of Special Educational Needs and EHCPs from 0-25 years. Since the first year of this extension the number of young people aged 20-25 has increased by over 100% to now account for around 8% of all EHCPs as at Nov 2022.
2. Since that revised guidance came into effect, Surrey has seen the number of EHCPs increase by between 9 -16% each year. This has caused a significant increase in demand at a time without comparable increases in funding allocations.
3. In 2021 the DfE initiated a programme called “Safety Valve”, which aims to provide support to those councils with the highest percentage Dedicated Schools Grant deficits through Agreements that assure a timely return to financial sustainability.
4. The Safety Valve agreements all include commitments to enable a return to in-year balance including potential, financial contributions from the DfE, local authority and other DSG blocks as well as additional capital investment (assessed through a parallel bidding process).
5. Five local authorities entered into agreements in the first round – Bury, Hammersmith and Fulham, Kingston upon Thames, Richmond upon Thames, and Stoke on Trent.
6. In November 2021 the DfE invited Surrey and a number of other local authorities to enter a second round of negotiations, and in March 2022 added safety valve agreements for Dorset, Hillingdon, Kirklees, Merton, Rotherham, Salford, South Gloucestershire, Surrey and York
7. Whilst demand has increased significantly since 2015, Surrey CC transformation programme has been in place for a number of years and data indicates that EHCPs growth in Surrey has been reducing over recent years (Chart 1).

Chart 1: Increase in EHCPs over the previous 5 years



8. Surrey has experienced a significant increase in the number of children and young people with additional needs and disabilities in the past 4 years. Although the percentage increase in growth of Education, Health and Care Plans (EHCPs) has reduced in recent years, Surrey’s growth in EHCPs had been higher than the national picture and the South East benchmarking group but in the last 2 years it is on par. On average, Surrey’s EHCP growth has been 12% since 2017.
9. Autism (also referred to as ASC) has been the most prevalent primary need in Surrey since 2015 and currently accounts for 34% of EHCP’s. On average, ASC has grown by 35% in Surrey over the last 4 years and continues to trend upwards. Our next 2 largest areas of need Speech and Language and Communication (SLCN) accounting for 19% and Social Emotional and Mental Health accounting for 16% have increased over the same period on average at 49% and 39%
10. Whilst the demand has increased over this period, the funding levels have not done so at a comparable rate. Table 1 below shows the year on year increases in funding within the High Needs Block (HNB). Despite some higher year increases, the rate is overall significantly below the increase in demand and does not address the historic deficit. It is worth noting that funding increases need to account for both EHCP growth and price inflation. Whilst DfE have indicated that additional funding could be forthcoming in 2023/24, we await the formal communication on School Funding in December 2022.

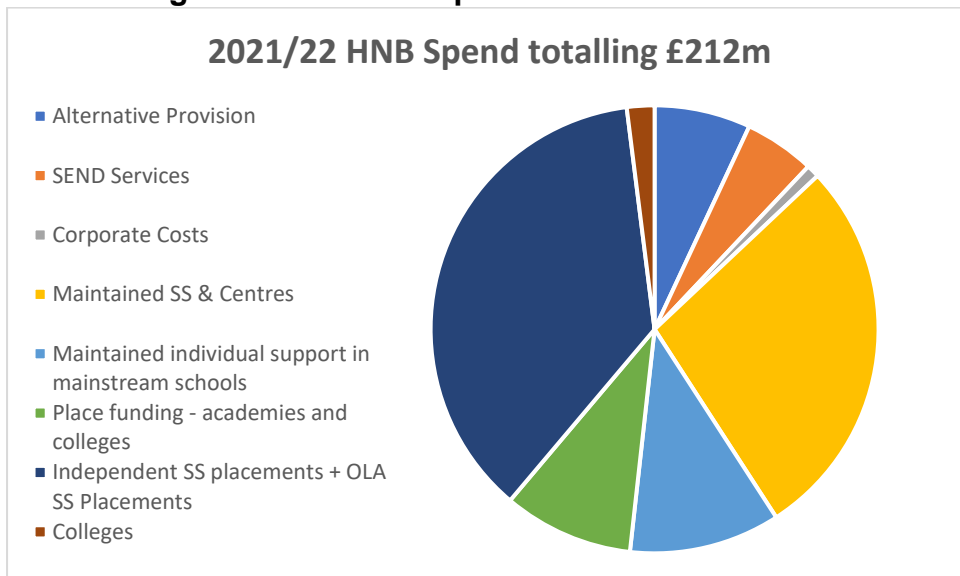
Table 1: Year on year High Needs Block funding growth

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
% year on year increase	2.70%	4.16%	1.68%	8.61%	8.44%	12.88%

Note: like for like comparison. I.e. excludes increase for transfer of teachers pay and pensions grant in 2021/22 and 2022/23 and 2017/18 adjusted for rebase of movement blocks, to avoid distorting like for like comparisons.

11. The combination of such significant increase in demand and lower rates of funding increase have resulted in an unsustainable financial position.
12. Pressure within the HNB is not unique to Surrey with authorities across the Country lobbying the DfE for support in this area, and 14 Local Authorities have now entered into Safety Valve agreements.
13. The DfE HNB Benchmarking tool allows analysis of Surrey CCs planned spend relative to other authorities and cohorts. These are set out in more detail later in this report (Appendix B, 2021-22 Budget is the latest available data within the tool). When considering benchmarking data, it is important to remember that other authorities are also in a position of financial pressure and so should not necessarily be considered financially stable in the longer term. Altering costs to match others would not necessarily result in creating a financially stable position if demand continues to grow at current rates.
14. In the 2021/22 financial year the spend on High Needs was £212m, £35m higher than High Needs DSG allocation. Chart 2 shows the key areas of spend.

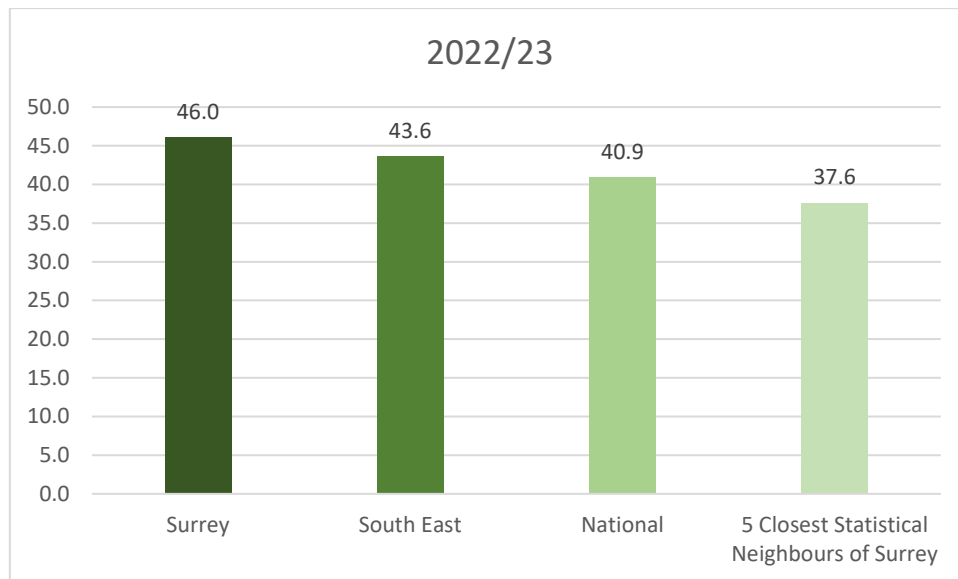
Chart 2: High Needs Block expenditure areas



Other factors causing financial pressures

15. Surrey continues to have a high number of EHCPs compared to national and local comparators as shown in Chart 3. However, they are not so much higher than other authorities to explain the full disparity in HNB position. Other factors driving the level of DSG HNB spend include;
 - a. Significantly higher spend on Non Maintained Independent (NMI) schools
 - b. High levels of top up funding, in particular within NMIs and Alternative Provision
 - c. An imbalance of expenditure between top up funding and core place funding, with a higher proportion within top up compared to other authorities.

Chart 3: Number of Children aged up to 25 with SEN EHCP (per 1,000 of 0-18 year olds)



16. In order to both address the current annual operating deficit and create a financially sustainable service in the future, the ongoing strategies are focused on addressing these areas to bring Council expenditure more in line with other authorities.

Transformation Strategy Themes

17. The Additional Needs and Disabilities transformation is a holistic and far-reaching programme. It incorporates activity across the Local Area 'SEND' system and is structured in a thematic way to aid delivery. It encompasses four key areas of focus:

a) Inclusion in local maintained schools and early help: Increasing the proportion of children able to thrive in a mainstream or specialist-maintained provision closer to home along with their peers and siblings. Providing improved information, advice and support so that needs are met earlier, improving outcomes and avoiding unnecessary escalation.

b) Sufficiency, outcomes, and value of school places: Ensuring that the school estate provides sufficient, suitable places for children with Special Education Needs and Disability within the county, improving the value of independent places that are used through partnership and market management and reviewing the school funding model within maintained provision to ensure funds are allocated as efficiently and effectively as possible.

c) Preparation for Adulthood: Supporting post 16 children in preparing for adulthood through more and better educational pathways and support for independence.

d) Partnership Accountability: Ensuring all partners across the local area, including Council departments and local providers are working effectively together to support improvements in outcome, experience, and sustainability of the 'SEND' system in Surrey.

Financial position

18. The Council is facing significant financial pressures within its DSG High Needs Block (HNB) which has caused it to generate a deficit for a number of years. At the end of 21/22 the cumulative outturn position on the High Needs block would have been a deficit of £118m, had it not been offset to a deficit of £78m, net of £40.5m DfE Safety Valve contribution. In 22/23 the forecast cumulative forecast position is just under £100m (net of an additional £12m DfE contribution).

DSG Budget Planning

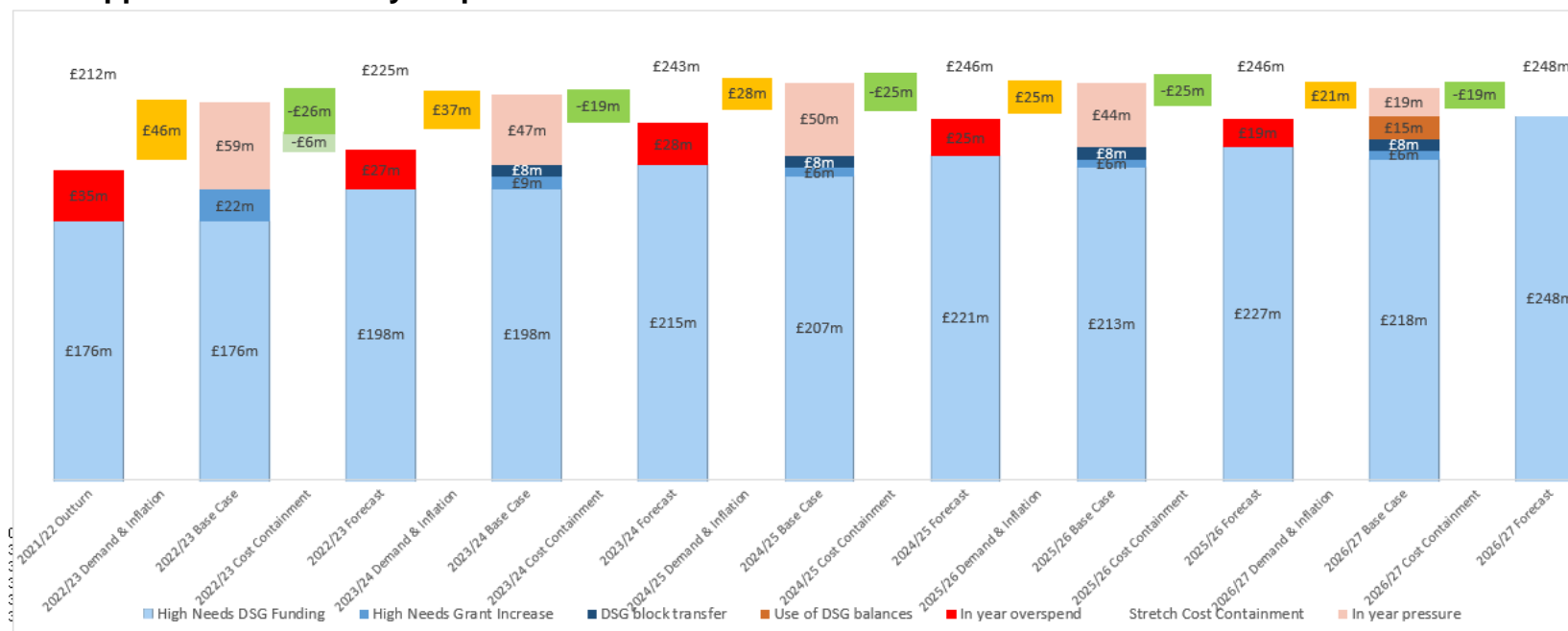
19. Standard practice for authorities with a forecast DSG deficit is to use the DfE DSG management template to model future expected costs and income to support reaching a balances position. Submitting this template was a requirement of the Safety Valve negotiations. The key element being the estimate of the scale to which the above strategies (or levers) will impact on costs within the budget. At the same time there should be periodic reviews around anticipated growth and funding assumptions. The Council uses its own more granular monitoring and forecasting tools to populate this template. In line with best practice, this report includes the assumptions contained within the current management plan for Schools Forum to ensure transparency on the recovery journey.
20. The template contains an unmitigated and mitigated budget for a five-year period. The unmitigated budget position shows the projected expenditure based purely on growth expected over that period. The key growth assumptions underpinning the 2022/23 model are EHCP growth of 9.1% with inflation contained to within 2% (these assumptions were established at the beginning of 2022, before the cost of living crisis and much higher inflation materialised).
21. In order to address the underlying assumptions built into the model and also mitigate the existing underlying pressures, a number of levers were identified to ensure the effective use of resources. These activities total £32.7m in 22/23 and the key elements 22/23 are;
 - a. Additional maintained places from the 'SEND' capital strategy £8.3m
 - b. Market Management £5.2m
 - c. Preparation for Adulthood £4.3m
 - d. Managing Need £6.4m
 - e. Partnership Engagement £3.3m
 - f. Other activities £5.2m
22. The mitigated budget shows the impact and areas where proposed strategies will impact and the reductions in expenditure required. Appendix A shows the projected 5-year profile of High Needs expenditure. It shows the level of forecast growth and cost containment required for the HNB to achieve the Safety Valve trajectory.

Next steps

23. The Council provide quarterly monitoring reports on the 'safety valve' agreement to the DfE which include performance indicators, financial projections and risk management. The 2022/23 Q1 & Q2 reports were approved by DfE and positive feedback was received. These each triggered instalments of £3m. The Q3 will be submitted in January.

24. When submitting the quarterly monitoring reports the Council have highlighted significant developing risks in the medium term regarding inflation and level of Demand which funding is not keeping pace with.
25. In October, following schools forum, the Council notified the DfE of two disapplication requests. One relating to the 1% schools block transfer and another to vary MFG for outliers to Specialist Banding (effecting two schools in 2023/24). The requests need Secretary of State approval and the Council await confirmation of the outcome.
26. The Council are now in the process of completing the DSG Management plan template to update for changes in future forecast, taking into account revised inflation levels for 23/24. These could lead to higher than originally anticipated cost containment targets, should no further funding become available.
27. In addition to the DfE monitoring reports the Council will continue to report periodically to Schools Forum on the progress of the Safety Valve and DSG management plan as a whole.
28. The intention is to provide Schools Forum with an update before Summer following the first full year of the Safety Valve.
29. When considering future planning, the council continue to
 - make decisions that are child centred and outcome focused, to maximise the positive impact on children and young people in Surrey, ensuring that no one is left behind
 - work in partnership with children, young people and families to deliver our shared improvement strategies and plans
 - ensure that Inclusion is a consistently strong reality across schools and settings in Surrey
 - as a system hold each other to account for “living within our means”, whilst also influencing national policy and funding to support the outcomes that children and young people in Surrey deserve

Appendix A – HNB 5-year profile



Note: all numbers are rounded to nearest £m

Non graphical version of Appendix A (All figures in £m)

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
High needs DSG funding	176	198	207	213	219	224
DSG block transfer			8	8	8	8
Use of DSG balances						15
In year overspend	35	27	28	25	19	0
Total projected cost	212	225	243	246	246	247
Cost containment required to meet projected cost		32	19	25	25	19

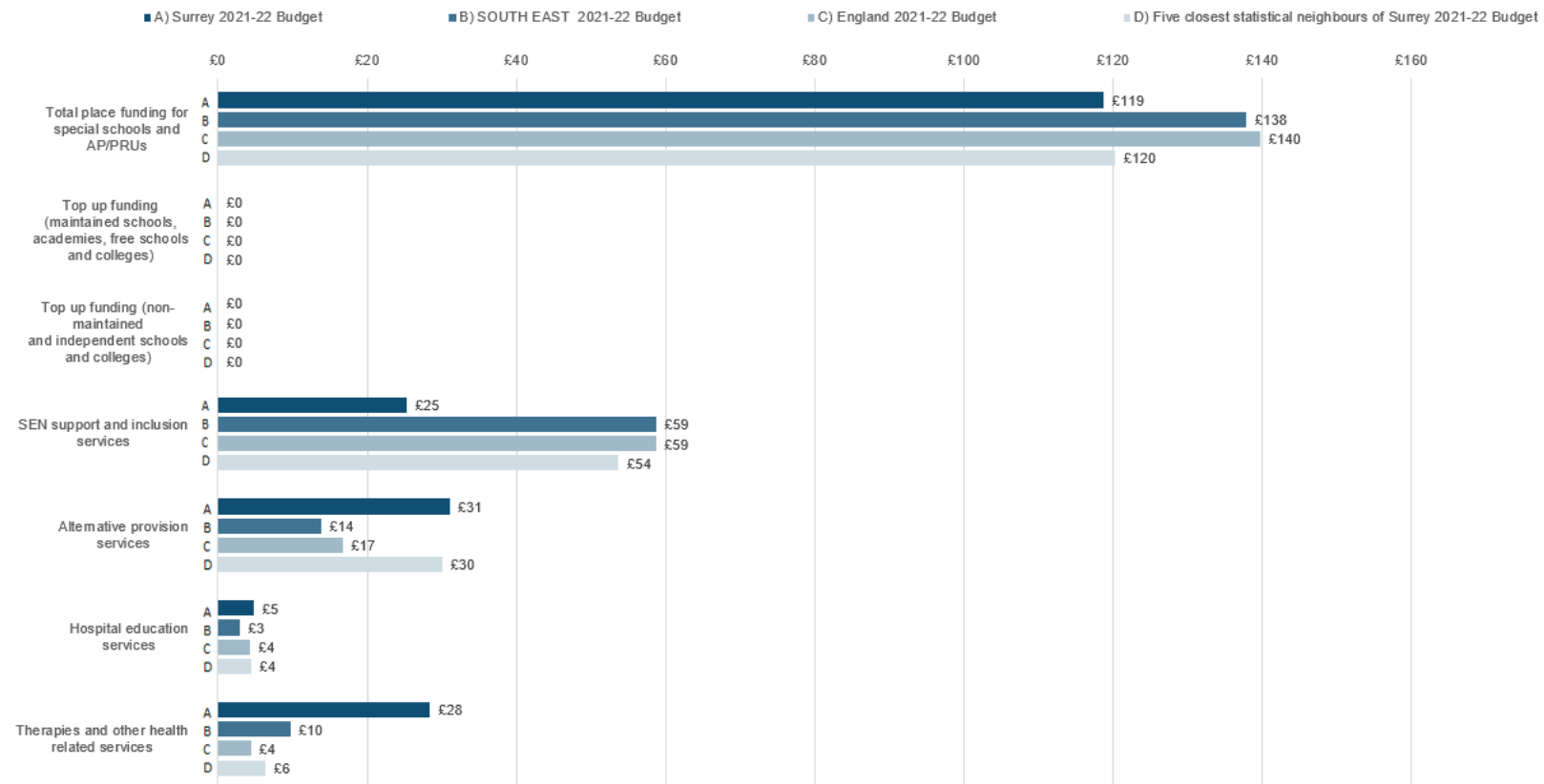
Appendix B DfE Benchmarking tool. 2021-22 Budget Comparison

1. High needs amount per head of 2-18 population

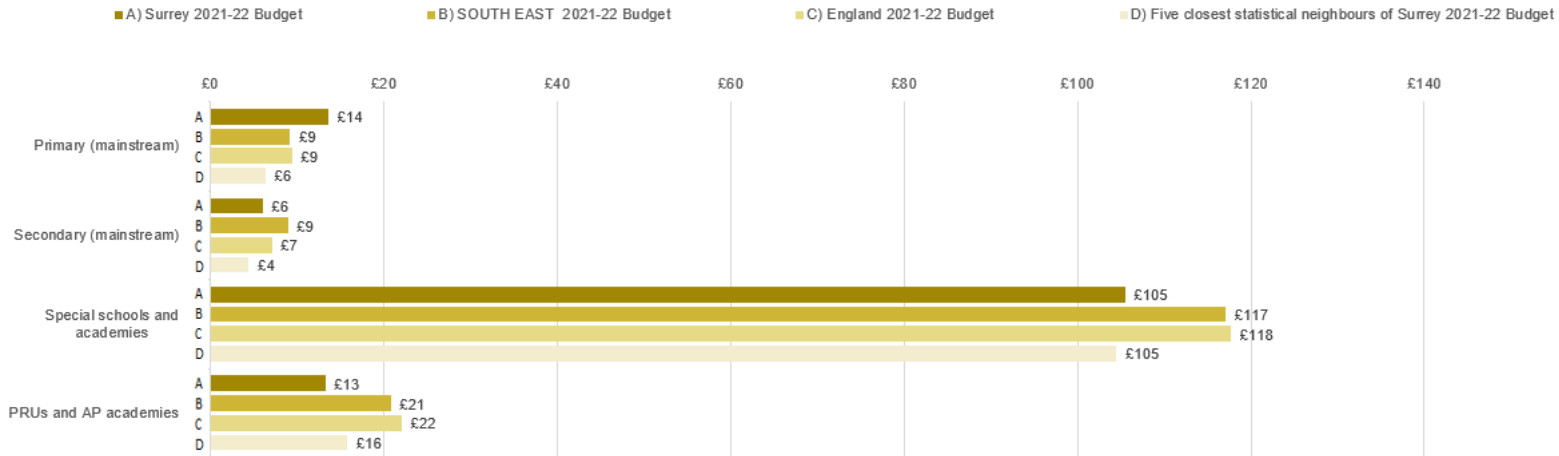
This chart compares budgeted and/or outturn spend per head, using aggregated section 251 categories

Note that place funding includes academies for the budget

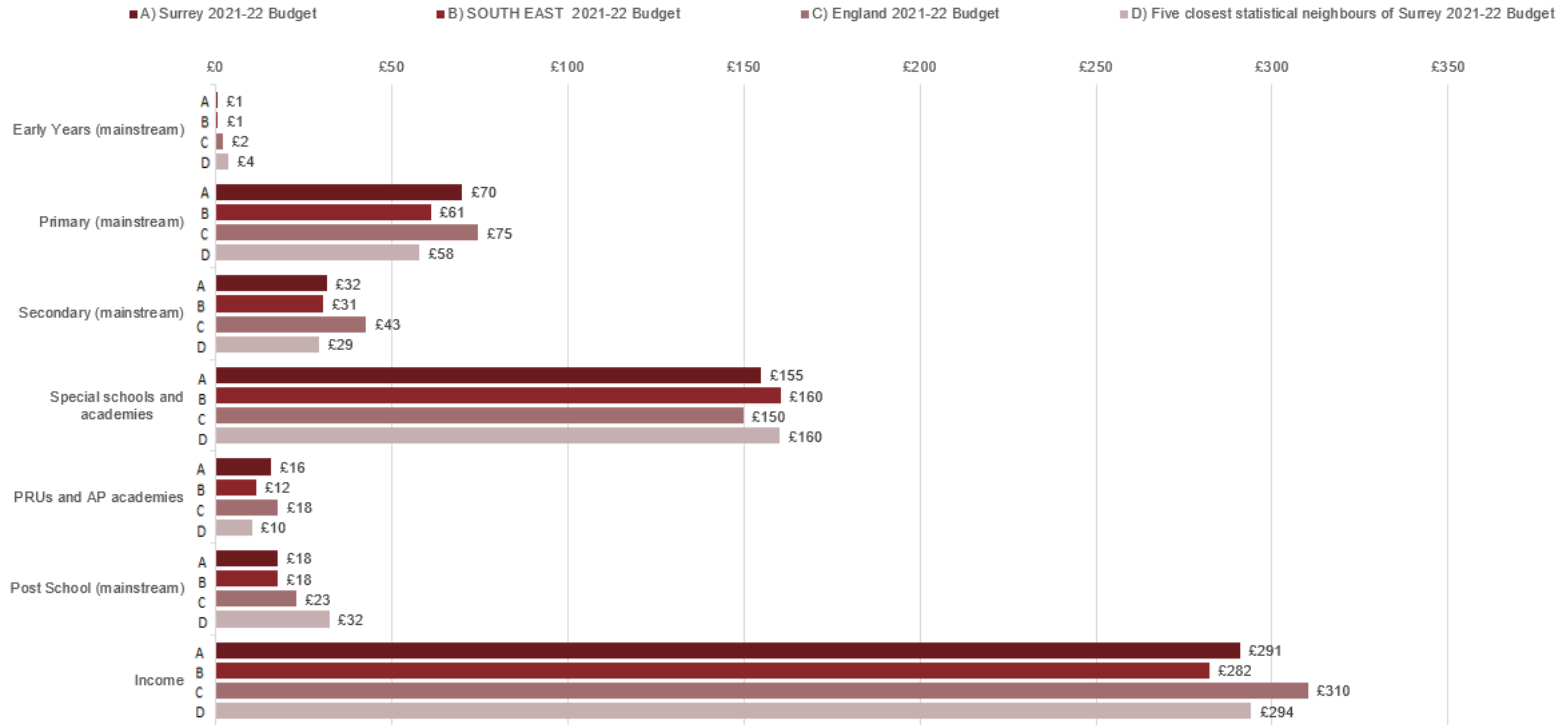
Note that the place funding category includes special schools and academies and PRUs and AP academies to enable comparison across years



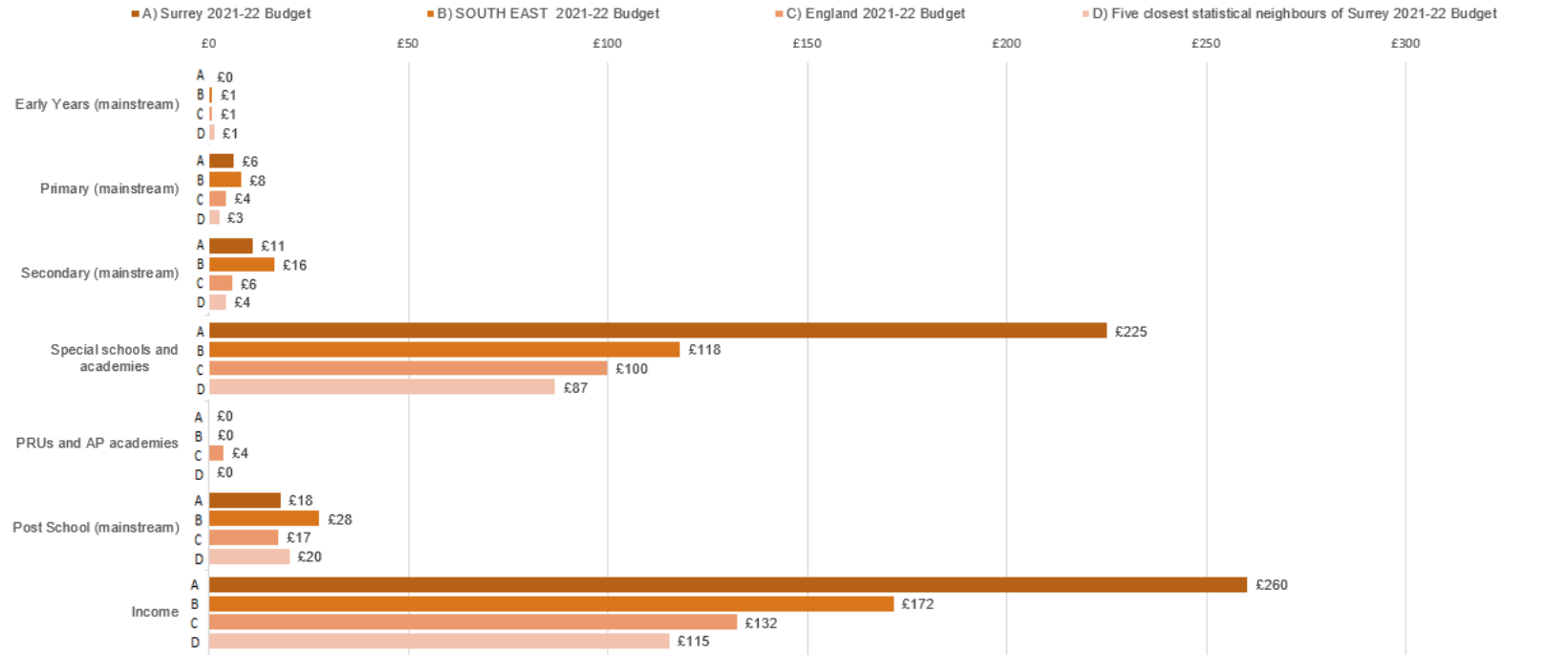
2. High needs amount per head of 2-18 population: place funding split by phase (for mainstream) and type of institution (for specialist provision)



3. High needs amount per head of 2-18 population: top up funding (maintained schools, academies, free schools and colleges) split by phase (for mainstream) and type of institution (for specialist provision)



4. High needs amount per head of 2-18 population: top up funding (non-maintained and independent schools and colleges) split by phase (for mainstream) and type of institution (for specialist provision)



Appendix 3: Overall DSG position up to 2025/26

Overall DSG position (pre recoupment total)	2018-19	2019-20	2020-21	2021-22	2021-22	2022-23	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26	2025-26
Income/surplus should be shown as negative	outturn	outturn	outturn	Mitigated forecast	Unmitigated forecast	Mitigated forecast	Unmitigated forecast	Mitigated forecast	Unmitigated forecast	Mitigated forecast	Unmitigated forecast	Mitigated forecast	Unmitigated forecast
1. Expenditure (Positive figures)													
Schools block	£609,472,338	£624,350,299	£662,910,146	£721,908,646	£721,908,646	£745,964,724	£745,964,724	£774,899,669	£774,899,669	£790,397,662	£790,397,662	£806,205,616	£806,205,616
Central school services block	£6,063,353	£6,329,298	£5,862,740	£6,594,982	£6,594,982	£5,872,657	£5,872,657	£5,872,657	£5,872,657	£5,872,657	£5,872,657	£5,872,657	£5,872,657
Early years block	£68,799,973	£71,968,567	£75,469,441	£78,147,819	£78,147,819	£76,344,748	£76,344,748	£76,344,748	£76,344,748	£76,344,748	£76,344,748	£76,344,748	£76,344,748
High needs block	£169,315,989	£185,810,442	£200,779,656	£217,129,000	£245,261,922	£238,055,741	£292,179,577	£256,560,744	£329,879,930	£259,730,110	£358,048,800	£260,155,295	£383,478,768
Planned spend from DSG reserves													
Total expenditure	£853,651,653	£888,458,606	£945,021,983	£1,023,780,447	£1,051,913,369	£1,066,237,870	£1,120,361,706	£1,113,677,817	£1,186,997,004	£1,132,345,177	£1,230,663,867	£1,148,578,316	£1,271,901,789
2. DSG income (Negative figures)													
Schools block	-£612,722,831	-£629,137,913	-£663,838,185	-£721,977,014	-£721,977,014	-£745,810,724	-£745,810,724	-£782,726,938	-£782,726,938	-£798,381,477	-£798,381,477	-£814,349,107	-£814,349,107
Central schools services block	-£6,308,878	-£6,234,682	-£5,996,131	-£6,594,982	-£6,594,982	-£6,428,657	-£6,428,657	-£6,317,457	-£6,317,457	-£6,228,497	-£6,228,497	-£6,157,329	-£6,157,329
Early years block	-£71,022,895	-£75,631,899	-£77,282,000	-£78,147,819	-£78,147,819	-£76,344,748	-£76,344,748	-£76,344,748	-£76,344,748	-£76,344,748	-£76,344,748	-£76,344,748	-£76,344,748
High needs block	-£145,553,616	-£147,142,935	-£160,037,000	-£176,400,000	-£176,400,000	-£198,044,000	-£198,044,000	-£207,246,000	-£207,246,000	-£212,764,000	-£212,764,000	-£218,447,000	-£218,447,000
Total income	-£835,608,220	-£858,147,429	-£907,153,316	-£983,119,815	-£983,119,815	-£1,026,628,129	-£1,026,628,129	#####	-£1,072,635,143	-£1,093,718,722	#####	-£1,115,298,184	#####
3. High needs block - other income (Negative figures)													
CCG contributions	-£525,986	-£1,093,416	-£2,132,202	-£2,829,000	-£2,750,000	-£2,998,740	-£2,998,740	-£3,178,664	-£3,178,664	-£3,369,384	-£3,369,384	-£3,571,547	-£3,571,547
Other (Please specify)	-£5,364,879	-£3,675,788	-£3,467,102	-£2,800,000	-£2,260,500	-£3,768,000	-£2,968,000	-£3,994,080	-£3,194,080	-£4,233,725	-£3,433,725	-£4,487,748	-£3,687,748
Total other income	-£5,890,865	-£4,769,204	-£5,599,304	-£5,629,000	-£5,010,500	-£6,766,740	-£5,966,740	-£7,172,744	-£6,372,744	-£7,603,109	-£6,803,109	-£8,059,296	-£7,259,296
4. Block transfers (Income/Block moved to as negative, Outgoing/block moved from as positive. Should net to 0)													
Schools block		£3,100,000						£7,827,269		£7,983,815		£8,143,491	
Central schools services block													
Early years block													
High needs block		-£3,100,000						-£7,827,269		-£7,983,815		-£8,143,491	
Total Block Transfers (should net to 0)	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
5. In year net position deficit / (surplus)													
Schools block	-£3,250,493	-£1,687,614	-£928,039	-£68,368	-£68,368	£154,000	£154,000	£0	-£7,827,269	£0	-£7,983,815	£0	-£8,143,491
Central schools services block	-£245,525	£94,616	-£133,391	£0	£0	-£556,000	-£556,000	-£444,800	-£444,800	-£355,840	-£355,840	-£284,672	-£284,672
Early years block	-£2,222,922	-£3,663,332	-£1,812,559	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
High needs block	£17,871,508	£30,798,303	£35,143,352	£35,100,000	£63,851,422	£33,245,001	£88,168,837	£34,314,730	£116,261,186	£31,379,186	£138,481,691	£25,505,509	£157,772,472
Total net	£12,152,568	£25,541,973	£32,269,363	£35,031,632	£63,783,054	£32,843,001	£87,766,837	£33,869,930	£107,989,116	£31,023,346	£130,142,036	£25,220,837	£149,344,309
6. Other													
Council contribution (negative)	-£2,141,000												
Add brought forward deficit / (surplus) (net)	-£4,043,000	£5,968,568	£31,510,541	£63,779,904	£63,779,904	£98,811,536	£127,562,958	£131,654,536	£215,329,795	£165,524,466	£323,318,911	£196,547,813	£453,460,947
Brought forward earmarked amounts in other blocks (optional memorandum item, not used in calculation)													
Planned year end position	£5,968,568	£31,510,541	£63,779,904	£98,811,536	£127,562,958	£131,654,536	£215,329,795	£165,524,466	£323,318,911	£196,547,813	£453,460,947	£221,768,649	£602,805,256