

Safety Valve – DSG Deficit Recovery

Risks – Briefing Note for Bury's Schools' Forum

23 November 2022

Background

Bury entered into a formal agreement with the Department for Education (DfE) in respect to the full recovery of the DSG deficit by 2025. This agreement was published in March 2021 and is available to view at:

[Bury: Dedicated Schools Grant 'Safety Valve' Agreement](#)

A vital aspect of the agreement is the additional £20m of High Needs Block Dedicated Schools Grant that has been agreed by the DfE in order to help Bury fully clear the cumulative DSG deficit by the end of 2024/25 financial year. In addition to this revenue funding Bury has also been awarded additional High Needs capital funding of £3.8million to help develop and increase places for SEND children in the local area.

In addition Bury has also secured approval and funding for a further Special Free School which will provide much needed in-borough provision for SEND children with Social, Emotional and Mental Health (SEMH) needs.

Risks

The Safety Valve agreement, and associated additional funding, is conditional upon Bury achieving a positive in-year balance on its High Needs Block by the end of 2022/23 and in each subsequent financial year.

The DSG is subject to statutory guidance, specifically the existing DSG Conditions of Grant 2021-22 includes the following provision:

5.3 Further conditions relating to additional allocations of DSG If the Secretary of State provides an additional allocation of DSG to a local authority, he may attach further conditions to that allocation beyond those set out in this document.

In order to ensure the Safety Valve agreements are enforced by statutory requirements the Secretary of State has ratified the provision at 5.3 and has added further conditions in respect to the additional DSG as follows:

Bury: Conditions of Grant for Additional DSG allocation for 2021-22

- 1.** These conditions in respect of an additional DSG allocation are made under paragraph 5.3 of the DSG conditions of grant (2021-22).
- 2.** Subject to the conditions below, the Secretary of State agrees to pay to the authority an additional £4 million of DSG during the financial year

2021-22 in four instalments on xx dates. Up to £1.125m of this additional funding may be used by the authority towards covering the cost of implementing its high needs transformation plan. The remainder of the funding must be put towards reducing the authority's cumulative DSG deficit.

- 3.** In order to receive the instalments of this additional funding, the authority must demonstrate satisfactory progress towards:
- (1) Reducing its cumulative DSG deficit in line with the figures set out in the agreement signed with the Secretary of State's representative
 - (2) Strengthening of their SEN assessment and placements process, including clarifying assessment thresholds for EHCPs by March 2022. This should include reviewing transition arrangements for children and young people throughout 2021-22.
 - (3) Reviewing and planning appropriately for transition arrangements (completed by March 2022).
 - (4) Robust planning for future provision, including reducing the use of independent school placements by increasing the availability and suitability of local provision within Bury. This should include developing a model for forecasting future needs by March 2022.
 - (5) Improving the quality and timeliness of management information to enable evaluation of impact of central services.
 - (6) Supporting and driving schools in Bury to meet a higher level of need in a more cost-effective way within mainstream settings, while maintaining the quality of provision. The authority will develop a culture in which demand is more effectively managed.
 - (7) Remodelling financial practice to ensure accurate contributions from appropriate funding sources, by December 2021.

These additional conditions will be updated to reflect the Safety Valve agreement and funding amounts in each subsequent financial year.

Failure to adhere to these conditions presents a significant financial and reputational risk to Bury. These risks include, but are not limited to:

- a) Failure to set a positive in-year balance on the High Needs Block by the end of 2022/23 and in subsequent years
- b) Failure to recover the DSG deficit in the required timeframe
- c) Failure to deliver the SEND transformation priorities as outlined in the Safety Valve agreement
- d) Additional High Needs revenue funding instalments being reconsidered at DfE discretion

- e) Further imposed more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where the Secretary of State believes that they are not taking sufficient action to address the situation
- f) Under current statutory framework, if the DSG deficit is not addressed through working together, the Safety Valve additional funding from DfE will be lost and this will fall to the DSG, impacting to an even greater extent on all schools.
- g) Impact on Bury setting a balanced budget subject to the local authority being required to recover the deficit directly should any changes to the current statutory requirements be made.

Conclusions

Schools' Forum must consider how they can positively and proactively support the many changes required to deliver SEND transformation throughout Bury and achieve full recovery of the DSG deficit whilst providing complete assurance to sustain the essential benefit of the continued support from the DfE.

The main beneficiaries of all aspects of the DSG blocks are Bury's children and young people aged 0 to 25. The recovery of the DSG deficit and full compliance to the Safety Valve agreement are therefore fundamentally critical to ensuring continued support is available to meet the needs and ensure the best possible outcomes for all are successfully achieved.

Forum should appreciate the relatively short-term impact on funding, required to recover the deficit, which is mitigated by continued increases to schools delegated funding in accordance to National Funding Formula (NFF) developments, Comprehensive Spending Review (CSR) commitments, and additional grants that continue to be provided directly to schools and academies, including Pupil Premium Grant (PPG).

Schools' Forum will be presented with numerous deficit recovery proposals for their consideration, support and recommendations where required.

For transparency the full range of options for consideration to deficit recovery proposals will be brought to Schools' Forum and any associated sub-groups of Forum.

The LA will ensure all options are financially feasible and will conduct full and proper consultation where necessary, especially where there is any impact on staffing.

Financial Overview

For transparency the following table outlines the DSG funding summary for 2021/22:

| Summary DSG | Allocation | Estimated Spend | Variance | Allocated to Schools etc | |
|---|---------------------|---------------------|-------------------|--------------------------|--------------|
| Schools Block | £139,599,047 | £139,344,443 | -£254,604 | £139,344,443 | |
| High Needs Block | £35,246,286 | £36,567,795 | £1,321,509 | £34,550,895 | |
| Central School Services Block (CSSB) | £952,016 | £922,631 | -£29,385 | £290,531 | |
| Early Years Block | £14,064,264 | £14,064,264 | £0 | £13,692,164 | |
| Dedicated Schools Grant (DSG) | £189,861,613 | £190,899,133 | £1,037,520 | £187,878,033 | 98.4% |
| Centrally retained including services provided to schools, academies, settings | | | | £3,021,100 | 1.6% |
| | | | | £190,899,133 | |

DSG Recovery options

All aspects of the DSG are being explored in order to achieve financial transformation that will contribute to the full recovery of the DSG deficit as required by the end of 2024/25

Central Services

The review of centrally retained services funded by the DSG is ongoing but is limited to the extent of savings that may be found due to only 1.6% of the overall DSG being in scope of this review, not all services will however be affected by this review. Timescales for full and proper consultation with all staff affected will also impact on when any savings achieved may be factored into the DSG deficit recovery profile.

Other options being considered (not in any priority order) include:

- a. Mainstream EHCP top-up bandings
- b. Special School top-up Bandings
- c. Special School Moderation
- d. Pupil Referral Unit (PRU) top-up funding
- e. Growth Fund
- f. Falling Rolls Fund
- g. Schools Block Transfer – maximum 0.5%
- h. Controls on Surplus Balances – see proposal at Item 8d
- i. Early Years Block Underspend
- j. Central Schools Services Block underspend
- k. Resourced Provision enhancements
- l. Volume top-up threshold

- m. Out Borough Placements
- n. Alternative Provision Placements
- o. Complex Case Panel (CCP) tri-partite funding
- p. Inclusion Partnership funding
- q. Personal Budgets review and audit

It should be noted that some of the above will be linked to developments to sufficiency and capacity of provision in the local area through use of High Needs Capital, including the additional Capital allocation secured through the Safety Valve agreement, as well as the developments of new Special Free Schools.

All of the above are subject to more detailed review prior to any contributions to the DSG deficit recovery being realised.

Schools' Forum views on how any other contributions to the deficit may be considered within Bury's DSG and current funding mechanism are welcomed.

Recommendations:

The LA requests support from Bury's Schools' Forum with the full delivery of the DSG deficit recovery in accordance to the formal DfE Safety Valve agreement, DSG Conditions of Grant, and required timeframes.

The LA requests Bury's Schools' Forum to support all recommendations in order to secure the long term sustainability of the DSG and to avoid any further intervention from the DfE.