

Date: 8 December 2022	Item 5	Type of report: Noting
Report title:	Safety Valve Application and High Needs Budget for 2023-24	
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1. Executive Summary

This report provides an update to the Schools Forum on the Safety Valve application, central education expenditure supported by the Dedicated Schools Grant (DSG) high needs block and the independent review on the High Needs block top up rates.

2. Schools Forum Actions

The Schools Forum is asked to:

- Note the current progress and impact of the government's Autumn Statement on Southwark's Safety Valve application;
- Note and comment on the subsequent High Needs block central retentions amendments;
- Note and comment on the progress and next actions of the top-up rate reviews.

3. Safety Funding Application

- 3.1 Since the last meeting of the Schools Forum, the council has submitted the final application for securing Safety Valve funding to eliminate the projected DSG deficit at the end of the 2026-27 financial year of £23m. The application was submitted on the 5th October 2022 and we await confirmation of an in principle agreement before Christmas.
- 3.2 As part of the autumn statement, the government announced additional funding, on top of the provisional allocations published in July, for the core schools budget in each of the next two years, which will include revised allocations for high needs funding.
- 3.3 Revised DSG allocations will be published in December (possibly as late as 19th December), along with any guidance or conditions attached to how the additional high needs funding should be used.

3.4 The Department for Education have indicated that this will require an updated DSG management plan, which may affect the amount of safety valve funding needed.

4. High Needs Block Central Retentions

4.1 The application for Safety Valve funding was supported by a delivery plan to enable a more efficient high needs system. In order to achieve this the council has developed savings proposals to reach an in-year balance on the DSG by 2024-25.

4.2 Part of this plan is to reduce centrally retained expenditure supported by the High Needs Block, as illustrated in Appendix A. The LA is responsible for setting this but needs to consult with the Schools Forum.

4.3 Since 2018-19, the direction of travel has been to reduce centrally retained expenditure in the context of the financial challenges of the DSG and the council has reduced the charge from £5.9m to £3m – primarily through reductions in corporate overheads (£1m), transport (£0.9m) and other non-education provision (£0.8m). The agreed 2022-23 central retention budget was £3.006m.

4.4 From 2023-24, it is proposed to reduce this amount to £1.744m by reducing funding for home to school transport costs; central education management costs and central recharges, in line with the School Finance Regulations (the regulations).

4.5 It should be noted that this reduction would not result in a decrease of the overall expenditure incurred by the Council. The impact on the Council's general fund will be addressed during the 2023-24 budget setting process.

Home to school transport

4.6 After receiving £200k in the 2022-23 budget challenge process, the remaining £200k DSG subsidy for home to school transport will be removed in accordance with the regulations. This will be addressed through the budget challenge process in 2023-24 via support from the General Fund.

Central education management costs

4.7 The Safety valve submission also proposes the removal of funding for Education Access management and SEN central costs from the high needs block. Again, in accordance with the regulations and, again, will be addressed with additional council investments.

Central recharges (corporate overheads)

- 4.8 Finally, as part of the Safety valve submission the DSG management plan is proposing reductions to the corporate overheads charged to the high needs block.
- 4.9 The rationale to charge overheads to DSG is that there are a number of posts in the Council that are funded by DSG and perform duties related to the DSG most notably with regard to SEND, Early Years and Admissions. In order to capture the full costs of these posts the apportionment of the Council overhead costs such as accommodation costs, IT, HR, Payroll, Finance and insurance costs associated with these posts needs to be allocated to DSG.
- 4.10 Generally costs are apportioned either directly or on another fair basis. For example, a number of costs are apportioned on the basis of DSG funded staff FTE which is a reasonable basis in our view as it reflects a driver of cost for the DSG. Some areas have a notional apportionment to recognise some element of fixed cost, for example banking and transactional services.
- 4.11 The review outcome was to reallocate those recharges to the DSG block, where appropriate, or to the Council's general fund.

5. Freezing of top up rates for 2023-24

- 5.1 Currently Southwark special schools have significant surplus balances and the LA met the minimum funding guarantee uplift of 3% from the 2021-22 funding baseline in 2022-23. Preliminary benchmarking of Southwark's top up rates against other local authorities indicates that the Council's top up rates are higher than other boroughs by approximately 20%. In the light of this, no inflationary uplift is proposed for top up rates for three years from 2023-24 to 2025-26.
- 5.2 An independent consultant has been engaged to undertake further work on benchmarking of the top-up rates. This work is focusing on our statistical neighbours and covers local government funded provision including mainstream maintained and academy provision, reconsideration of any further work on LA MS SEND resource base (RB) top ups, special school top ups and Further Education Post 16 top up rates.
- 5.3 A programme of meetings/visits is ongoing with special and alternative provisions. The purpose of the visits is to consult with schools/settings to:
- Clarify the position of the Local Authority in the light of the DSG management plan
 - Provide the opportunity for schools to contribute ideas and strategies to the process the High Needs block deficit recovery
 - To listen to school/setting specific concerns

5.4 To date, visits have been made to three settings and four schools. All settings were well informed on the processes of LA's DSG deficit management and the ongoing application for 'Safety Valve' funding. Including:

- The 2.9% uplift to High Needs Block funded settings/schools in 2022-23
- Savings made by Budget Recovery to date including reductions to in-year deficits
- The 'Safety Valve' requirement of a balanced in-year budget
- The proposal to freeze the EHC plan 'Top-ups' and other pupil/student funding for special/alternative/additionally resourced settings at their current (2022-23) levels for the next three years
- The controls on surplus revenue balances

5.5 All special schools (maintained and academies) and alternative provision settings will be consulted by the end of the autumn term.

Appendix A

High Needs Block Centrally Retained	Original Budget 2022-23	Revised Budget 2022-23	Proposed Budget 2023-24
Home 2 School Transport	200,000	0	0
EA Management - DSG	172,860	179,208	0
Central Costs - SEN	211,000	211,000	0
Autism Support Team	287,004	287,004	287,004
SEN Inclusion Team	305,600	305,600	305,600
Hearing & Visual Impairment	668,163	668,163	668,163
SALT	320,000	320,000	320,000
Central Recharges	841,373	741,373	163,586
TOTAL	3,006,000	2,712,348	1,744,353

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