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Bournemouth, Christchurch and Poole Council
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Rt Hon Michael Gove, MP
Secretary of State for Levelling Up,
Housing and Communities
2 Marsham Street
London
SW1P 4DF

Date: 14 July 2023
Our ref: GBF/ER
Contact: Graham Farrant
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Dear Secretary of State,

Dedicated Schools Grant deficit

Thank you for your time last week at the LGA Conference when you met with Cllr Vikki Slade and me. We agreed that I would write to you to illustrate the continuing financial challenges that are being presented to this Council by the growing cost of the accumulating deficit on the Dedicated Schools Grant and the services that we provide that are funded from that.

Despite our best endeavours and supported by the Delivering Better Value (DBV) programme sponsored by DfE the accumulated deficit on the DSG is currently forecast to grow in future years, as follows:

	Balance 31/3/22 £m	Balance 31/3/23 £m	Balance Estimate 31/3/24 £m	Balance Estimate 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m
Dedicated Schools Grant	(20.3)	(35.8)	(63.7)	(105.9)	(157.8)	(218.7)

This estimate assumes that savings can be delivered from the activities identified through the DBV programme, including reducing EHCP growth, greater proportion of placements in mainstream schools, new places being created in special schools and with better utilisation to reduce use of higher cost independent schools. However, the timescale to deliver most of those savings is beyond our financial planning period.

This issue is also linked to our assessment by Ofsted as we have a Written Statement of Action to comply with regarding SEND provision across the BCP area.

As is the case with a number of other local authorities, we are incurring expenditure significantly greater than the resources made available by government for the High Needs Block within the Dedicated Schools Grant. This has been an issue ever since the introduction of Education, Health, and Care Plans (EHCPs) under the Children's and Families Act 2014, but our problem has grown in more recent years as demand and costs have increased significantly above the funding increases. These EHCPs are legal documents which set out a child or young person's special educational needs and the support that is required to meet those needs. Although we have the responsibility for maintaining high needs expenditure within budget, we have almost no levers with which we

can affect this in the short term given the legal and service constraints and the costs are increasing more rapidly than the funding.

Statutory Instrument: At the moment we are completely reliant on the statutory set-aside of this budget and have no reserves or provision against which we can hold this debt should it materialise for the Council. If that were to happen at the end of the current set aside period in 2026, it would take much more than our available reserves and therefore the Council would be technically insolvent. Using current forecasts, we are likely to have negative reserves by March 2024.

Any private sector organisation which has negative reserves on its balance sheet, is likely to fail the “going concern” accounting concept. For the Council, as a local authority, the most likely scenario is that the Council’s Section 151 Officer would have to advise your department of their financial concerns and possibly issue a s114 report which would result in an immediate and severe curtailing of activity to the provision of non-statutory services and a reduction of statutory services.

It is clear that we need to continue to look to government to find a long-term solution to this fundamental challenge to our ongoing financial position. In addition, I should point out that the financing of this expenditure carries a cost to the Council, which is estimated to be costing us approximately £1.25m in financing costs alone this year. There is an argument, of course, that if this debt is not the responsibility of the Council, then Council Tax should not be used to fund the costs of cash-flowing the debt.

Additional funding: It is worth recognising that as part of the Autumn Statement the government announced that the core schools’ budget will increase. However, the DSG conditions of grant for 2023/24 stipulate the method by which a high proportion of the increase in funding is to be allocated to local specialist state-funded providers (maintained and academy special schools, hospital schools and alternative provisions). This limits the benefits of the increase to the Council. I wanted to draw this situation to your personal attention as it is clearly not sustainable in the longer term and when the set-aside is removed, currently scheduled for 2026, this Council will face an insurmountable financial challenge.

Please let me know if you require any further information or if you would want us to discuss the specific circumstances that we face with your team.

Yours sincerely,



Graham Farrant
Chief Executive

cc Councillor Vikki Slade, Leader of BCP Council