

## **Dedicated Schools Grant - Movement Between Blocks**

The schools revenue funding 2020 to 2021 operational guide issued in October 2019 gives details of the evidence to be presented to the Leeds Schools Forum to explain why a transfer from the schools block to the high needs block is requested.

The requirements have not significantly changed since last year and the majority of this information has not changed as the High Needs Block (HNB) review carried out during 2017 already addressed these issues. The details of these requirements and the evidence to support the request are as follows:-

- **Details of any previous movements between blocks, what pressures those movements covered, and why those transfers have not been adequate to counter the new cost pressures.**

When describing previous year's transfers from the schools block to the high needs block it is important to note that under the national funding formula the initial allocation to each block is from a 2017/18 baseline position. This means that each subsequent year's transfer request replaces the previous year's request and is not on top of the previous year's request.

Schools Forum approved a transfer of £2m from the schools block to the high needs block (HNB) for 2017/18. This was part of a number of proposals totalling £5.3m which aimed to bring the expenditure on the HNB back in line with the funding available. This was in response to identification of probable overspend given new and continued pressures on the budget.

Schools Forum also approved a transfer of £2m from the schools block and a further £500k from the Central School Services block (CSSB) to the HNB in 2018/19. Reductions in expenditure totalling £2.219m were also implemented which included reducing the FFI unit rate to £600 per unit for all settings apart from special school settings.

For 2019/20, Schools Forum had originally approved a transfer of £2.5m from the Schools Block and £0.8m from the CSSB to the HNB. However in December 2018, the government announced additional high need block revenue funding of £125m nationally for 2019/20, of which Leeds received £1.759m. As a result of this additional funding, the transfer from the schools block was reduced to £1.5m and the FFI unit rate for mainstream schools was increased to £650 per unit. This was to support schools in meeting the needs of the most vulnerable learners in the city without the need for an EHC plan. The FFI unit for special schools in the city was maintained at £684.

A budget monitoring report taken to Schools Forum on 10th October 2019 reported a projected overspend of £7.2m on the HNB during 2019/20. The reasons for this include:

The number of new assessments has been steadily increasing which has led to a significant increase in EHC plans. There has been an 80% rise in new assessments in 2018/19 compared to 2014/15. We estimate that if the current high level of demand for support through EHCPs is sustained the number of children supported through these

plans is likely to double by 2025 to over 7,000 children. National statistics tell us that around half of learners with a plan are then taught in specialist provision. This current trend has led to a much greater increase in the need for special school places. There is a great deal of work underway to develop additional SILC placements which go some way to meet the additional demand. For some pupils there is the need to place on a residential basis at a high cost to the local authority. This is usually around complex ASC and also in some cases for complex SEMH. A further demand is for places for pupils with ASC who are able to access an academic curriculum but where they have a high level of anxiety and SEMH. There are not sufficient places in city to meet the need. This has led to Leeds needing to source additional places within the independent settings to make provision available.

These issues have resulted in projected overspends of £2.3m in outside and external residential placements and £5.2m in SEN top ups to institutions.

In respect of mainstream maintained schools and academies, top up funding in 2018/19 totalled £9.21m. Based on this level of expenditure, the increase in unit rate would have meant costs in 2019/20 of approximately £9.98m. However, the projected costs for 2019/20 are £12.50m which is an increase of £3.29m compared to 2018/19. As stated above, the transfer from the schools block to the HNB was £1.5m.

A request is now made to transfer £2.65m from the schools block to the HNB in 2019/20 which is just under 0.5% of the schools block. This amount is from the 2017/18 baseline and represents an increase of £1.15m compared to the amount agreed in 2019/20.

- **A full breakdown of the specific budget pressures that have led to the requirement for a transfer.**

Historically, Leeds has been underfunded in comparison to other LAs; at 17/18, HNB funding for Leeds is 25% lower than the national average (mean) of £327 per pupil, at just £240 per pupil (please refer to the HNB Review, pp. 36). This is in a city of high levels of deprivation, which correlates with increased levels of SEND. The High Needs National Funding Formula seeks to address this inequity in future years. Meanwhile, Leeds continues to manage the implications of a legacy of significant underfunding in comparison to other LAs. As a result if no action is taken, there will be a significant overspend on the HNB which will place the DSG as a whole in a deficit position.

As part of the grant conditions for DSG, where a local authority has an overall deficit on DSG of 1% or more at the end of the financial year, it must submit a recovery plan to the Department for Education, setting out how it plans to bring the overall DSG account into balance within a maximum of three years. In exceptional cases the authority may propose to leave some of the accumulated deficit outstanding, where it is not practicable to do otherwise. The recovery plan should be discussed and if possible, agreed with the schools forum and will require Chief Finance Officer sign off prior to submission to the Department for Education.

Initial allocations for 2020/21 have recently been announced. Nationally, the HNB funding has been increased by £780m with each authority guaranteed an increase of 8% with a maximum increase of 17%. For Leeds, these allocations show an increase of £12.38m compared to 2019/20. However, there is still a cap on gains which means that the increase should have been £17.06m and so there has been a loss of funding of £4.7m.

A full breakdown of pressures in the HNB will be presented to Schools Forum in November. However, it is expected that the significant increase in funding will not be sufficient to fund the estimated costs in 2020/21. The main issues are:

- There is expected to be an overall deficit on general DSG of £4.2m at the end of 2019/20 which will need to be repaid.
- The continuing full year effect of the cost of additional places required from September 2019.
- It is estimated that there will be a requirement for an additional 234 places in specialist settings in September 2020 and due to a lack of suitable places in Leeds, a proportion of these will need to be placed in expensive outside placements.
- An increasing demand for places for young learners aged 17 – 25.
- For services provided by Leeds City Council, there will be unavoidable additional costs as a result of increases in pay and pension rates although this is a much less significant financial pressure.

The alternative to transferring funding from the schools block would be to reduce expenditure in the HNB. As identified in the comprehensive high needs review carried out recently, as the vast majority of high needs expenditure is in payments to institutions, this is likely to have an impact on funding that schools could expect to receive from Funding For Inclusion top ups.

- **a strategic financial plan setting out how the local authority intends to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels.**

During 2017, a review was undertaken of the high needs block of the DSG. This review has highlighted the pressures faced and has sought the opinions of stakeholders on measures to address these pressures. This review included an assessment of future years' projected income and costs, based on known increases in demand along with estimated increases as a result of an increasing population, increasing numbers of pupils identified with SEND and projected inflation pressures.

The findings of the review, including the outcomes of significant consultation with stakeholders, were taken to Schools Forum in October 2017. This included a range of options on how to reduce overspend, and included stakeholders' preferred options, including requesting a transfer of funding from the schools block. This was considered one of the most preferable options by a stakeholders (see further details in high needs block review, pp 47 to 50). The issues identified in the review will be kept under review. Given the volatile nature of the demand on this funding and uncertainty around grant allocations after 2020/21 as the increase in funding to the HNB has been announced for

one year only, it is proposed to use the opportunity of likely increases in funding to take time to consult further on some of the more fundamental changes to the FFI system.

It should be noted that while this request is for a one-off transfer from the schools block for 2020/21, projections indicate a funding shortfall in future years as we await the impact of the new increased funding to be fully realised. The review highlighted a number of options to bring the high needs expenditure in line with the funding available, though how this will be implemented and in what timescales depends on the preferences of schools and Schools Forum and on the feasibility of introducing significant changes to established funding. Therefore at this stage it is possible that there may be future requests to transfer funding from the schools block, although this depends on future funding regulations allowing such a transfer.

- **As part of the review and planning process, the extent to which collaborative working is being developed as a means of securing suitable high needs placements at a cost that can be afforded.**

Leeds continues to consider collaborative working with partners essential to managing sustainable, quality high needs provision in the city. Key to this is our local development of Area Inclusion Partnerships (AIPs) across the city; partnerships of local school and setting leaders who manage funds devolved from the HNB to provide locally based and managed solutions to meeting the needs of children and young people with emerging higher level SEMH needs and behavioural issues, in schools in their area. Leeds has completed a review of this arrangement in close partnership with all stakeholders and identified further measures to strengthen this arrangement. This partnership arrangement has allowed for local schools to develop and manage the right local solutions for their learners, with the support and challenge of the local authority and facilitation of collaborative working with one another. This arrangement has seen a reduction in permanent exclusions, with some areas consistently achieving a '0 permanent exclusions' outcome. This reduces the need for the authority to find costly alternative provision placements and reduces disruption to vulnerable children and young people. This will continue to be an area of focus for Leeds in the years ahead as we continue to experience high numbers of children and young people with these challenging needs.

Leeds has, over a number of years, developed partnership arrangements between its special schools (SILCs) and local mainstream schools. These partnerships are very popular with parents as they enable children with SEND to be educated in a mainstream setting, and therefore to have the opportunity for social and academic integration as appropriate, whilst continuing to benefit from specialist teaching. The children remain on the roll of the SILC and are largely taught by SILC staff. These partnership arrangements are kept under review and new partnerships developed to meet need.

- **Any contributions from health and social care budgets towards the cost of specialist places.**

For Leeds, the costs of external residential placements are met by Children and Families Services in the first instance. An exercise is then completed to analyse those costs between care (local authority cost), health (CCG cost) and education (DSG cost). The actual cost for 2018/19 and projected costs for 2019/20 for this are:

	2018/19	2019/20
Local Authority	£9.116m	£9.063m
CCG	£0.873m	£0.892m
DSG	£2.358m	£2.458m

These costs are kept under review to reassess the costs allocated to DSG to ensure that an appropriate charge is made. This exercise (completed on a person by person basis analysing each placement cost) shows that relevant costs chargeable to DSG are expected to be over £3m in 2019/20. This is due to more complex placements with higher education elements built into the plans.

It is proposed to phase these costs into the HNB over the next few years in line with increases in the projected grant due. In order to ensure that the charges to the HNB are evidenced correctly, an exercise will be carried out annually to review these costs.

- **How any additional high needs funding would be targeted to good and outstanding primary and secondary schools that provide an excellent education for a larger than average number of pupils with high needs, or to support the inclusion of children with special educational needs in mainstream schools.**

It is recognised that any future planning for SEND provision needs to be made in a way that is not only financially sustainable but also in line with family wishes. The Strategic Review of SEND provision in Leeds is consulting on a number of priorities for the city, which starts with the need to drive inclusion and to increase capacity in mainstream school and to increase specialist provision in areas of the city where there is demand by first looking at Resource Provisions as well as with SILC Partnerships. It is important to note that one of the key principles of the review is that any future planning, expansion and new provision will only be made in good or outstanding schools/settings, therefore targeting any additional high needs funding effectively and appropriately. By predicting trends and by regularly reviewing SEND provision the LA will be better placed with regard to any future year requests to move money between blocks.

Leeds's Funding for Inclusion system ensures that schools are funded according to the needs of their pupils, and not only through Education, Health and Care plans. Popular and successful schools that attract greater numbers of children with SEND through the normal admissions process will therefore receive higher levels of funding to support them to make excellent provision for those pupils.

- **Details of the impact of the proposed transfer on individual schools' budgets as a result of the reduction in the available funding to be distributed through the local schools funding formula.**

This detail has been sent to schools as part of the National Funding Formula consultation. This proposal is to transfer £2.65m from the schools block to the high needs block. The proposal also includes transferring all available funding from the CSSB (currently estimated to be £250k).

The details on the estimated impact on schools budgets of the proposed transfer are included in the consultation.

- **The extent to which schools more generally support the proposal, including the outcome of local school consultations.**

Key points from the consultation for the High Needs Block Review carried out in 2017 were:

- Participants in focus groups during consultation on the review recognised the need to reduce overspend, with none stating that they opposed this. Many noted that they found it difficult to identify HOW to make savings, but all agreed that action must be taken.
- Participants were asked to identify and rank their 'top 5' preferred options of a list of 19 which had been identified as possibilities. These were then scored accordingly, the highest scores reflecting the most selected options. In ranking terms, the option to transfer funding from the schools block was joint 4<sup>th</sup> most preferred option of stakeholders (along with other options achieving the same or a very similar score).
- However, it should be noted that of the 3 more popular options, the total estimated savings was less than £300k. These savings have now been fully implemented. The transfer of funds from the schools block is one of only 4 options in the final 8 most preferred by stakeholders, which will achieve meaningful progress towards reducing a significant projected overspend. Of those 4, it is the 3<sup>rd</sup> most popular option.
- It should also be noted that many of those indicating preference for a transfer of funds, noted that they felt this was a 'short term' solution only, but a necessary one as we work on other areas of making savings. A view on equity shared by the participants is reflected in this comment: 'it is fairer (to transfer funds from the schools block to the HNB) as it spreads the savings across children and young people who don't have SEND as well'. Essentially, it was felt the need to make savings should not be borne only by those schools with children and young people with additional needs.

This consultation is to assess the support of schools in Leeds for the proposal to transfer £2.65m (an increase of £1.15m from 2019/20) from the schools block to the high needs block in 2020/21.