

## **Dedicated Schools Grant 2019/20 – Evidence to support the proposed transfer between blocks**

### **1. Background**

- 1.1. The schools revenue funding 2019 to 2020 operational guide issued in July 2018 gives details of the evidence to be presented to schools and the Leeds Schools Forum to explain why a transfer from the schools block to the high needs block is requested.
- 1.2. The funding requirements and local position have not significantly changed since last year, as the findings of the 2017 Leeds High Needs Block (HNB) remain current. Notably, that review emphasised the national and local increase in numbers of children and young people with special education needs and disabilities (SEND), due to: the rising birth rate over the past decade; the increase in complexity of SEND needs amongst individuals (resulting from factors such as increased survival rates in premature births with medical complications); and the legislative changes brought about by the Children and Families Act 2015, which required additional support in education for young people with complex needs to be extended from an upper limit of age 19, to an upper limit of 25 years. All of this, in combination with the historical underfunding of Leeds in terms of High Needs funding in comparison to other LAs, has led to current pressures upon the HNB.
- 1.3. The review also noted the attainment ‘gap’ in Leeds between outcomes achieved by those with SEND, and achieved by their peers without SEND. This ‘gap’ is greater in Leeds than in other LAs, and Leeds is not by any means performing as well as we would like to in this area; indeed, less well in comparison to our peers and statistical neighbours. There is a pressing need to improve these outcomes and reduce this gap. This is reflected in recent and emerging local strategies, including the Future in Mind: Social Emotional and Mental Health strategy for Leeds, the developing local strategy on Attainment, Achievement and Attendance (the ‘3 As’), and the recently revised Leeds Children and Young People’s Plan 2018-23 (which includes a specific priority of ‘improve at a faster rate, educational progress for children and young people vulnerable to poor learning outcomes’).
- 1.4. Such improvements cannot be made if funding reductions place undue pressure and restrictions on education providers, especially given the need for specific costly resources to support some complex needs. Those stakeholders participating in consultation on the High Needs Block during the 2017 review reported significant concerns that future funding may be not be adequate to fully meet rising levels of needs.
- 1.5. The full report on the 2017 review of the High Needs Block may be found by education colleagues on the Education Hub (under ‘inclusion’) and was presented to Schools Forum in October 2017. More briefly, further details of the requirement for transfer of funds, and the evidence to support the request for transfer are provided below.

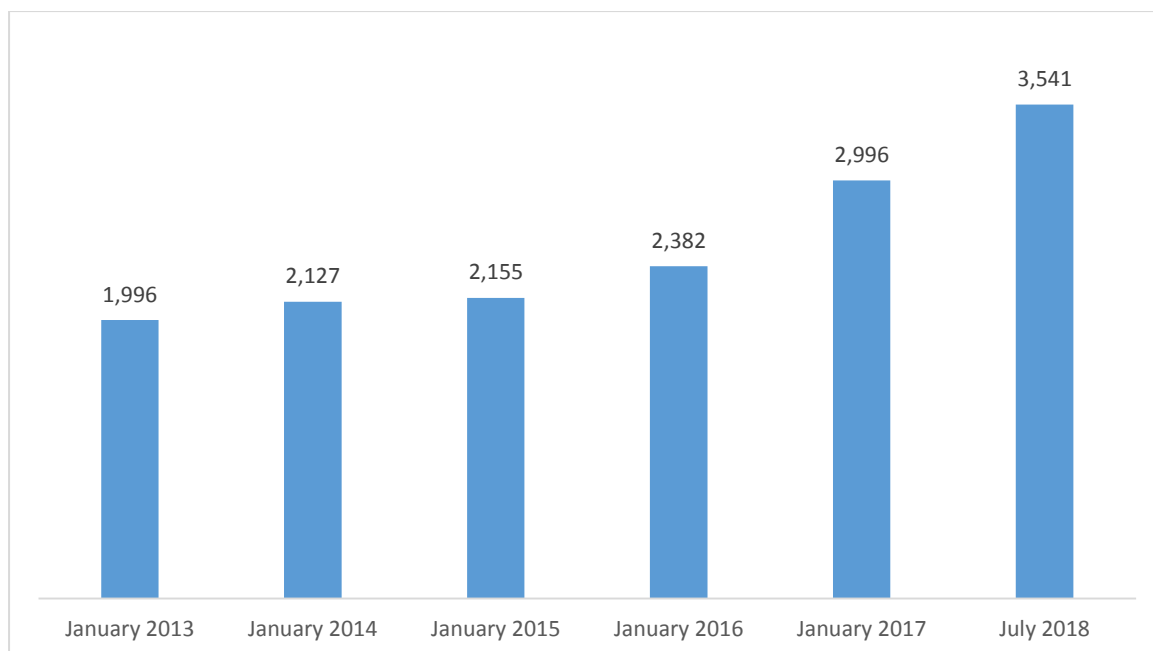
### **2. Evidence the Local Authority is required to provide to support the transfer of funds between the schools block and the high needs block**

- 2.1. 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

- 2.1.1. 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 which aimed to bring the expenditure on the HNB back in line with the funding available. This was in response to identification of a forecast overspend given new and continued pressures on the budget.
- 2.1.2. Schools Forum also approved a transfer of £2m from the schools block and a further £500k from the Central School Services Block to the HNB in 2018/19. Reductions in expenditure totalling £2.219m were also implemented in the following areas:
- Reduction in the FFI unit rate from £684 to £600 for all settings apart from special school settings (estimated saving of £1.511m).
  - Increasing the threshold before schools become eligible for additional place allocations (estimated saving of £492k).
  - No longer funding the Teenage Pregnancy Service from DSG (saving of £216k).
- 2.1.3. However, a budget monitoring report taken to Schools Forum on 4th October 2018 reported a projected overspend on the HNB during 2018/19, despite the earlier measures as above.
- 2.1.4. For 2018/19 the reduction in the FFI unit rate to £600 has been applied, with the exception of specialist provisions. Despite this SEN top-ups to institutions continues to be the largest area of overspend. The projected overspend for 2018/19 is now £1,584k and the largest areas within this are as follows:
- The 2018/19 budget for top ups to mainstream schools and academies was increased by £831k compared to the previous year's budget to reflect an increase in numbers partly offset by savings from reducing the unit value. However this budget is still projected to overspend by £386k as a result of more children receiving a diagnosis of Complex Communication Difficulties.
  - The 2018/19 budget for SILC top ups was increased by £1,379k compared to the previous year to reflect the projected increase in the number and complexity of provision. The current overspend on this area of £861k is partly due to a further increase in the number of pupils in the SILCs plus an increase in the number of pupils that now meet the criteria for additional funding in E band (communication and interaction) and G band (medical needs).
  - A projected increase in top up funding of £276k for the new SEMH provision.
  - The Outside Placements budget is currently expected to be £250k overspent. Although the number of day placements has reduced, there have been some very high cost placements for which there is no available place in Leeds. There has also been an increase in the number and cost of high needs pupils in external residential placements and so an overspend of £300k for the education costs is projected on this.
  - These overspends are partly offset by underspends in services managed by Children & Families directorate.
- 2.1.5. The findings of an extensive review of the High Needs Block, undertaken by the local authority in 2017 and presented to Schools Forum in October 17 and updated in a report taken to Schools Forum in October 2018, shows that funding pressures are expected to continue for a number of years as a result of rising demand and complexity of needs. The new High Needs National Funding Formula

does allocate additional funding to Leeds, although there is a 3% cap on gains, which means it will take some time for this increase to be realised in full.

- 2.1.6. The number of Emotional Health and Care Plans (EHCP's) has increased significantly in Leeds due to both population growth and a new 19-25 responsibility. The total number of live statements or EHCP's over the past few years is as follows:



- 2.1.7. A request is now made to transfer £2.5m from the schools block to the HNB in 2019/20. This amount is from the 2017/18 baseline and represents an increase of £500k compared to the amount agreed in 2018/19.

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

- 2.2.1. 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; however, in order to give some stability to local authorities, there is a cap on gains of 3% which means it will take a number of years for the Leeds allocation to reach the full amount of the formula allocation. 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 is expected to be a significant overspend in 2018/19 to 2021/22 before the funding increase starts to more closely match local need.

- 2.2.2. The high needs consultation gave a more detailed breakdown of actual costs compared to grant in 2015/16 and 2016/17 and projected costs compared to the expected grant for 2017/18 to 2021/22. These details were updated in a report taken to Schools Forum in October 2018.

2.2.3. In summary, the key points are:

- An expected increase in grant to £76.591m in 2021/22 (before ESFA deductions). This is largely as a result of the High Needs National Funding Formula which allocates significantly more grant to Leeds using a formula which is 50% based on needs and 50% on historical spend, though it does also include increases in funding as a result of increased responsibilities.
- The majority of this funding is passported to other institutions, and is expected to increase by £7.050m (13.2%) between 2016/17 and 2021/22. This is due to an increase in the number and complexity of cases with projections for future years based on known increases with a further adjustment for forecasted population changes.
- Commissioned services costs have increased for the hospital services as a result of a significant increase in the number of pupils, which has a specific increase within the funding settlement. As a result, these costs are expected to increase by £0.262m (19.09%).
- There are a number of other costs charged to this block. The new specialist SEMH provision has required significant set up costs in order to be fully operational. In October 2016, Schools Forum supported a disapplication request to allow prudential borrowing costs to be charged to the HNB which have been built in from 2019/20 onwards. Finally, the DSG deficit from previous years will need to be repaid and so costs have been built in to do that over a number of years.

2.2.4. The projected in year shortfall in funding until 2021/22 is as follows:

	2019/20 £000	2020/21 £000	2021/22 £000
High Needs Block Grant (after deductions)	60,794	62,898	65,937
Projected expenditure	64,564	66,228	68,331
<b>In Year Shortfall before actions</b>	<b>3,770</b>	<b>3,330</b>	<b>2,394</b>

2.2.5. It should be noted that the grant calculations for 2020/21 and 2021/22 are estimates as allocations have not been issued beyond 2019/20.

2.2.6. Although there is still a shortfall in funding each year, the overall pressure is starting to stabilise and the aim is to move towards a balanced budget over a number of years.

2.2.7. At this stage, the proposal to transfer funding from the schools block would mean there are no savings options proposed which would have an impact on mainstream schools. The alternative to transferring funding from the schools block would be to reduce expenditure in the HNB. This is likely to have an impact on funding that schools could expect to receive from Funding for Inclusion top ups.

2.3. 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

2.3.1. 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 schools and other 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.

- 2.3.2. 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).
- 2.3.3. It should be noted that while this request is for a one-off transfer from the schools block for 2019/20, given the gradual nature of introduction of the introduction of the increased HNB funding under the new National Funding Formula, projections indicate a funding shortfall in future years as we await the impact of the new increased funding to be fully realised. The review has 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 systems without impacting negatively on children and young people. Therefore, at this stage it is possible that there may be future requests to transfer funding from the schools block.
- 2.4. 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
- 2.4.1. 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. In 2013 and 14, the local authority undertook a review of this arrangement in close partnership with all stakeholders and identified further measures to strengthen this arrangement, which continue to be in implementation at the time of writing. 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.
- 2.4.2. 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.

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

2.5.1. 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 original budgets for this are:

	2017/18	2018/19
Local Authority	£7.000m	£7.736m
CCG	£1.092m	£1.092m
DSG	£1.708m	£2.058m

2.5.2. However, an exercise was completed in September 2018 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 approximately £3.057m in 2018/19. This is due to more complex placements with higher education elements built into the plans.

2.5.3. 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.

2.6. 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

2.6.1. 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 consulted 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.

2.6.2. 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.

2.7. 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

2.7.1. This detail is included as an appendix to this consultation. This proposal is to transfer £2.5m from the schools block to the high needs block. The proposal also includes transferring all available funding from the central school services block (currently estimated to be £800k).

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

2.8.1. Full detail on the engagement of local schools in the 2017 review of the HNB can be found in the full HNB review report (pages 47 – 50), and a synopsis in the executive summary of that report. In brief:

- 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. Transfer of funds from the school blocks was amongst the top 8 options which were consistently scored highly (or scored over 25; all other options were scored significantly lower). In ranking terms it 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 of the top 3 options, the first and highest scoring would only save approx. £200k and the third most popular option would save even less (around 90k). It is uncertain that one of the joint 4<sup>th</sup> most preferred options (involving claw-back of any underspend) will achieve any savings at all (arguably, the services in questions are less likely to underspend in 18/19 as their funding has reduced in 17/18.) 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 of 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.

2.8.2. This consultation is to assess the support of schools in Leeds for the proposal to transfer £2.5m (an increase of £500k from 2018/19) from the schools block to the high needs block in 2019/20.

2.8.3. For the 2018/19 budget, consultations with schools showed that 77% of those who responded were in favour of transferring £2m from the schools block to the high needs block and 23% were against.