

Dedicated Schools Grant - Movement Between Blocks 2021/22

The schools revenue funding 2021 to 2022 operational guide issued in July 2020 gives details of the processes required to request a transfer from the schools block to the high needs block.

The Education and Skills Funding Agency (ESFA) have also recently published a Dedicated Schools Grant (DSG) Management Plan template to provide support to local authorities when completing plans for managing their DSG. An initial plan will be presented to Schools Forum in November 2020.

In order to request a transfer, local authorities must be able to provide evidence in support of the request as detailed below. A summary of the main issues is as follows:

- A significant increase in the number of Education, Health and Care Plans (EHCPs) assessments which has risen by over 80% since 2014/15.
- Leeds is currently responsible for 4,672 EHCPs which was expected to rise to over 7,000 by 2025, though it is possible that the impact of the coronavirus may mean that this rises even further.
- Over 21,000 children and young people identified as needing SEND support across the city and expected to rise.
- An increase in the demand for places at special school settings of over 200 each September for the next 5 years.
- Since the current FFI funding rates were set in 2018/19, it is projected that by the end of 2020/21, there will be an increase in funding of over £7m paid to mainstream schools and academies compared to 2018/19.
- In the School Revenue Funding 2021 to 2022 Operational Guide, the ESFA recognises that most proposals by local authorities to move funding from their schools block arise as a result of pressures on their high needs budgets. This can also be seen in that high needs block funding has seen increases of a minimum of 8% for both 2020/21 and 2021/22.
- Leeds is currently not receiving the full allocation of DSG due under the national funding formula, as there is a cap on some of the funding increases. Between 2018/19 and 2021/22, this cap has totalled £20.85m.
- This consultation is to assess the support of schools in Leeds for the proposal to transfer 0.5% of the schools block, estimated to be £2.835m from the schools block to the high needs block in 2021/22.

Details of any previous movements between blocks and what pressures those movements were designed to address.

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.

Transfers to the high needs block in previous years were as follows:

	Schools Block £000	CSSB £000	Total £000
2017/18	2,000	0	2,000
2018/19	2,000	500	2,500
2019/20 *	1,500	800	2,300
2020/21	2,650	350	3,000

* Note - £2.5m originally agreed by Schools Forum, but reduced to £1.5m following an increase in the grant allocated.

In addition to the block transfers, there have been a number of savings implemented to try to bring the expenditure on the HNB back in line with the funding available. This included transferring services to local authority budgets, reducing the FFI unit rate to all providers apart from special schools settings and changing the funding calculation for AIPs.

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 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.

The table below shows the funding paid to mainstream maintained schools and academies for top up funding and additional block funding:

	Top-up £000	Additional Blocks £000	Total £000	Change from previous year £000
2017/18	9,612	930	10,542	
2018/19	9,216	459	9,675	-867
2019/20	12,141	752	12,893	3,218

2020/21

15,664

1,068

16,732

3,839

In 2018/19, the unit rate was reduced from £684 to £600 and the criteria for access additional block funding was tightened which explains the reduction in spend compared to 2017/18. The unit rate for 2019/20 was then increased to £650. If the level of activity in 2019/20 had remained the same as 2018/19, the additional cost of this would have been £940k, however the total increase in costs was £3,218k. The 2020/21 amounts are from the budget monitoring report taken to Schools Forum on 8th October 2020.

The Schools Revenue Funding Operational Guide for 2021/22 details the calculation required to arrive at the maximum 0.5% that Schools Forums can approve. This is to ensure that the amount cannot include the additional funding local authorities have been allocated for the teachers' pay and pension grants, thereby guaranteeing that all of this funding remains with schools. Although only indicative allocations based on the October 2019 pupil numbers have been received so far, using those allocations, the 0.5% value is expected to be approximately £2,835k.

A request is now made to transfer 0.5% from the schools block to the HNB in 2021/22 which is expected to be approximately £2,835k. This amount is from the 2017/18 baseline.

A full breakdown of the specific budget pressures justifying a transfer, including changes in demand for special provision over the past 3 years and how the local authority has met that demand by commissioning places in all sectors.

Historically, Leeds has been underfunded in comparison to other LAs; at 17/18, HNB funding for Leeds was 25% lower than the national average (mean) of £327 per pupil, at just £240 per pupil. 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.

Indicative allocations for 2021/22 have recently been announced. Nationally, the HNB funding has been increased by £844m with each authority guaranteed an increase of 8% with a maximum increase of 12%. For Leeds, these allocations show an increase of £11.499m compared to 2020/21. However, there is still a cap on gains which means that the increase should have been £15.438m and so there has been a loss of funding of £3.939m.

The high needs national funding formula was introduced in 2018/19 and used a number of proxy factors to assess the need in each local authority. Since the introduction of this formula, Leeds has had a cap on the gains in grant each year which now total £20.85m and are shown for each year in the table below:

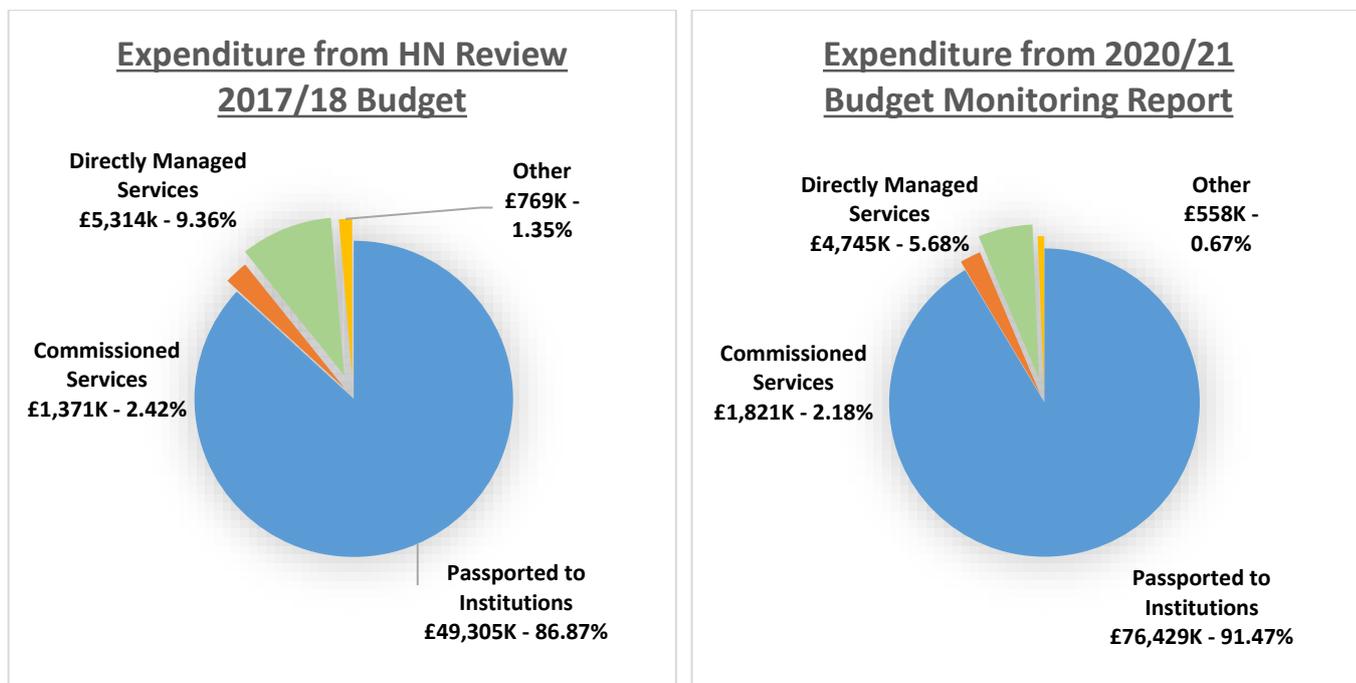
£m

2018/19	7.09
2019/20	5.14
2020/21	4.68
2021/22	3.94
	<hr/>
	20.85

At Schools Forum on 8th October 2020, the Medium Term Financial Strategy (MTFS) for DSG covering the years 2021/22 to 2025/26 was presented and is attached to this consultation. The main issues from this report are:

- There is expected to be an overall deficit on general DSG of £6.3m at the end of 2020/21 which will need to be repaid.
- It is estimated that there will be a requirement for an additional of more than 200 places in specialist settings each September for the next 5 years and due to a lack of suitable places in Leeds, a proportion of these will need to be placed in expensive outside placements.
- A similar increase of over 200 places each September due to increasing demand for places for young learners aged 17 – 25.
- For services provides 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.

As part of the high needs review in 2017, it was identified that 86.87% of the high needs funding was passported to education institutions. The 2020/21 projected costs in the budget monitoring report taken to Schools Forum in October 2020 showed that this had increased to 91.47%. The following charts show this change:



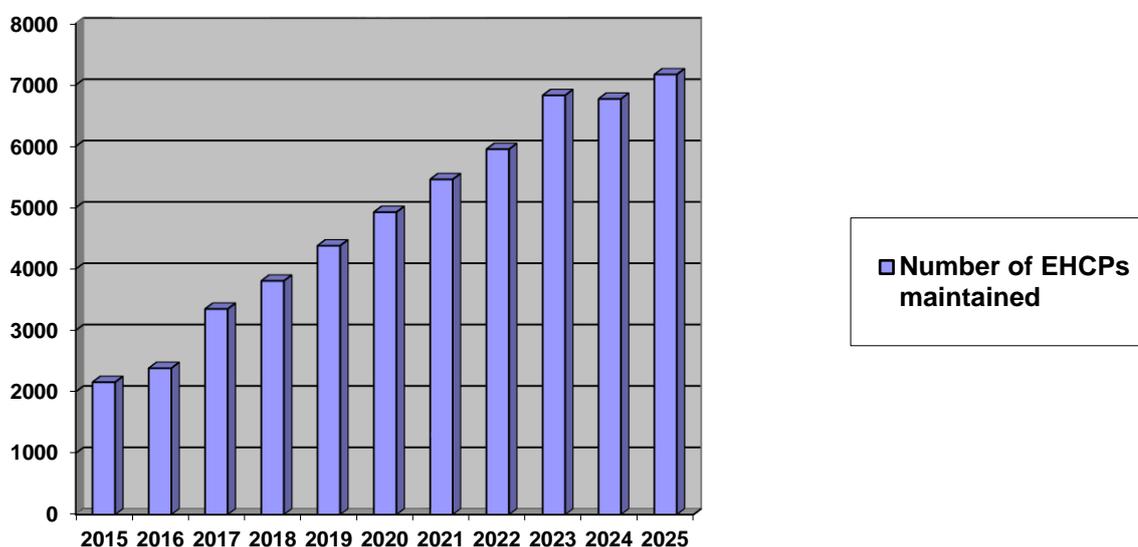
The alternative to transferring funding from the schools block would be to reduce expenditure in the HNB. As can be seen in the charts above, as the vast majority of

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.

An assessment of why the high needs costs are exceeding funding levels, and plans to change the pattern of provision where necessary.

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.

Since that review, demand for services has continued to increase. The chart below shows the number of EHCPs in recent years and predictions of future years:



It should be noted that while this request is for a one-off transfer from the schools block for 2021/22, projections included in the MTFs indicate a funding shortfall in future years as we await the impact of the new increased funding to be fully realised. 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.

An assessment of the need to seek schools forum approval for further transfers in future, and consideration of plans to avoid this if possible.

As detailed in the Medium Term Financial Strategy, the increase in demand for services in the high needs block is anticipated to be higher than the funding available in each of the next 5 years as shown in the following table:

2021/22 2022/23 2023/24 2024/25 2025/26

	£m	£m	£m	£m	£m
DSG Income	(87.9)	(94.8)	(102.1)	(110.2)	(119.1)
Funding passported to institutions	87.3	93.7	101.7	109.1	116.6
Commissioned services	2.0	2.1	2.3	2.4	2.6
Directly Managed by Children & Families	5.6	5.8	5.9	6.0	6.1
Projected overspend on high needs block	7.0	6.8	7.8	7.3	6.2

There are a number of actions being undertaken to try to provide additional high needs places in Leeds to try to avoid expensive out of area placements. These include:

- Increasing the capacity of the existing Specialist Inclusive Learning Centres,
- Creating a number of new Resourced Provision units within mainstream schools,
- Opening 2 new special free schools.

The DSG Management Plan which will be presented to the next Schools Forum will have a more detailed breakdown of this expenditure and further benchmarking information. This plan is intended to be a live document which will be regularly updated and presented to schools forum on progress made to date and any changes to future projections as a result of those updates.

Details of partnership working between the local authority, those institutions offering special and alternative provision (including mainstream schools), and parents; and between the local authority and neighbouring authorities.

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 £m	2019/20 £m	2020/21 £m
Local Authority	9.116	10.270	11.200
CCG	0.873	1.092	1.092
DSG	2.358	2.708	2.458

These costs are kept under review to reassess the costs allocated to DSG to ensure that an appropriate charge is made. To do this, an exercise will continue to be carried out annually to review these costs.

In addition, as part of the budget proposals for 2021/22 identifies a higher element of these costs relating to health needs and a requirement to seek a further £1.7m from CCGs.

Consideration of how additional high needs funding would be targeted to good and outstanding mainstream 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 SEND 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.

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 effect that any transfer would have on individual schools' budgets funded from the schools block.

This detail has been sent to schools as part of the National Funding Formula consultation. This proposal is to transfer 0.5% (estimated to be £2.835m) from the schools block to the high needs block.

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

The information presented to the schools forum, and to all schools through consultation, and details of responses to the transfer proposal.

The high needs block review carried out in 2017 consulted with various stakeholders including schools, post 16 settings and Area Inclusion Partnerships. The feedback from this consultation was that participants recognised the need to reduce the overspend, though it was difficult to identify how best to do that without adversely affecting children and young people. Savings identified in that review have been implemented.

This consultation is to assess the support of schools in Leeds for the proposal to transfer 0.5% of the schools block, estimated to be £2.835m from the schools block to the high needs block in 2021/22.

There will be consultation in respect of the DSG Management Plan which is required to show how local authorities intend to bring their DSG budgets back into balance over a number of years. A requirement of this plan is to consult a variety of stakeholders on any proposed changes. It is also expected that this plan is a live document which will be regularly updated with any changes to the data and progress against actions.