

Report of the Director of Children and Families

Report to the Leeds Schools Forum

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Subject: Dedicated Schools Grant management plan

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Summary of main issues

1. A deficit of £5m is projected on the Dedicated Schools Grant at the end of 2021/22. As reported to Schools Forum in October 2021, further overspends are expected each year on DSG. The current forecast is for a projected deficit of £21.7m at the end of 2025/26.
2. The Education, Skills and Funding Agency (ESFA) requires local authorities with a DSG deficit to complete and regularly update a DSG management plan showing how they intend to address this. This report presents the current plan. This has been completed in the context of significant uncertainty over future national funding arrangements, including the national SEND review and whether the current high needs funding cap will continue. The cap has resulted in Leeds receiving £20.9m less funding than the full national funding formula between 2018/19 and 2021/22.
3. The DSG management plan identifies several workstreams where further work will be carried out. At this early stage it is not known whether these workstreams will identify savings. However they help narrow our focus on opportunities to explore, and should help identify where savings may or may not be possible. Schools Forum and other stakeholders are encouraged to have input into the plan.
4. The plan will continue to be developed and the principles within the council's draft 3As and SEND and Inclusion strategies will underpin this. Updates on progress with the plan will be brought to Schools Forum on a termly basis.

Recommendations

5. Schools Forum is asked to comment on the current plan and provide views on areas that could be considered within the workstreams.

1 Purpose of this report

- 1.1 This report provides a summary of the DSG deficit management plan and highlights areas being explored to identify where savings may or may not be possible.

2 Background information

2.1.1 A deficit of £5m is projected on DSG at the end of 2021/22. As reported to Schools Forum in [October 2021](#), further overspends are expected each year on DSG. The current forecast is for a projected deficit of £21.7m at the end of 2025/26. The key pressure on DSG relates to the high needs block which supports Special Educational Needs and Disabilities (SEND).

2.1.2 There are a number of assumptions and risks in the medium term financial forecast which were described in detail in the October 2021 report. In summary these are:

- The end date and outcome of the ongoing national SEND review is unknown. This has been delayed several times since it was announced in 2019.
- The minimum and maximum funding increases for high needs are unknown beyond 2022/23, including whether a cap on funding will still be in place.
- The trend for increases in high needs demand and complexity could be greater than anticipated, particularly in light of the long term impact of COVID.
- Inflationary increases could be higher than projected.
- We do not know if funding transfers between DSG blocks will be allowed beyond 2022/23 and if they are this would be a Schools Forum decision. No funding transfers have been assumed in the projections, although a separate report on this agenda does propose a transfer from the schools block to the high needs block for 2022/23.

2.1.3 The council's high needs funding is currently capped and the council continues to raise this issue with government, most recently with the new Secretary of State in September 2021. If the cap on gains had not been in place, Leeds would have been allocated an additional £30.4m of funding between 2018/19 and 2021/22 across the schools block (£9.5m) and high needs block (£20.9m). A further funding cap of £1.9m will apply in 2022/23 to the high needs block, based on provisional funding allocations released by the ESFA. It is unknown whether the cap will still be in effect beyond 2022/23 and if so the impact this could have on Leeds. In comparison to the £20.9m cap on funding, the projected DSG deficit at the end of 2021/22 is significantly less at £4.9m.

2.2 The Education, Skills and Funding Agency (ESFA) requires local authorities with a DSG deficit to complete a DSG management plan showing how they intend to address this.

2.3 The ESFA has produced a spreadsheet template that local authorities can use for their plan. This has been completed for Leeds and is provided as Appendix 1. This covering report provides a summary of key details from the plan.

2.4 The ESFA intend that this plan is a live document and local authorities are expected to update Schools Forums on the management plan on a termly basis.

3 Main issues

3.1 Managing DSG pressures

3.1.1 The ESFA template asks us to identify how the council is managing pressures on DSG. This version of our plan identifies areas for further work, and until this has been completed it is not possible to say whether this will identify any opportunities for savings. We will report back to Schools Forum termly on progress with the plan, in February, June and either October or November each year.

Existing work

3.1.2 Leeds has focused on preventative work to reduce costs and improve outcomes, including Area Inclusion Partnerships (AIPs), the Funding for Inclusion system (FFI) and developing new provision. Leeds has focused on preventative work to reduce costs and improve outcomes, including Area Inclusion Partnerships (AIPs), the Funding for Inclusion system (FFI) and developing new provision where appropriate. We will continue to take a preventative approach and the plan includes an action to identify areas we could invest in to reduce costs.

3.1.3 A review of high needs spending was undertaken in 2017 and there were a number of savings implemented to try to bring the expenditure on high needs back in line with the funding available. This has included transferring services to local authority budgets, reducing the FFI unit rate to all providers, apart from special school settings, and changing the funding calculation for AIPs.

3.1.4 Funding has also been transferred to high needs from other blocks of the DSG to offset some of the high needs pressures.

3.1.5 Compared to similar local authorities, Leeds benchmarks low on the number of Education, Health and Care Plans (EHCPs) and high needs cost per head, however we also receive less funding per head. We will look further at any specific areas where costs appear to be higher, to see if this identifies any good practice we can learn from. We will continue to work with other local authorities and the ESFA to share best practice and will seek input from stakeholders on suggestions for areas where savings may be possible.

Proposed work

3.1.6 Proposed workstreams are detailed in the 'Governance and workstream log' in Appendix 1 and are:

- Financial SEND benchmarking – detailed review of areas where Leeds has higher costs per head than comparable authorities (see 'Benchmarking summary' in Appendix 1)
- Joint working on SEND with Leeds Clinical Commissioning Group (CCG)
- Explore SEND invest-to-save opportunities
- Review Minimum Funding Guarantee protections to ensure these are being applied consistently across high needs

- Review arrangements for funding unfilled places from high needs
- Review the EHCP process to ensure it is as effective and efficient as possible, where it is within our ability to influence this.
- Review Early Years funding methodology – continue to consider the most appropriate way of allocating the funding received as part of the annual review.

3.1.7 Capacity to carry out work on this plan may limit the progress that can be made, and the workstream to explore invest-to-save opportunities will consider where additional up front investment is required to support this.

3.1.8 We will need input and support from stakeholders as their knowledge and experience will be key. We would welcome suggestions stakeholders have, with a focus on reducing costs while maintaining or improving outcomes, as well as areas where up-front investment could be used to improve financial sustainability.

3.2 Outcomes

3.2.1 The ESFA template asks us to explain how our management plan will ensure the best possible outcomes for children and young people with SEND.

Alignment with strategies

3.2.2 The management plan is being developed based on the principles identified in the draft refreshed 3As strategy (achievement, attainment and attendance) and draft SEND and Inclusion strategy which focuses on inclusion, integrated practices and individual needs. These were both reported to the council's [Children and Families Scrutiny Board](#) in November 2021.

3.2.3 The city has developed the 3A's strategy which gives a high level focus and priority across Children and Families directorate in improving attendance, attainment and achievement for all learners and promoting inclusion within mainstream schools including those who are in vulnerable contexts.

3.2.4 The draft SEND and Inclusion strategy is being finalised, with a focus on inclusion, integration of services and individualisation. Services across Education, Social Care and Health are committed to working together and providing a coordinated response to deliver the Early Help agenda. The Leeds FFI system and work on the graduated approach is central to this initiative.

Challenges

3.2.5 The needs within the city are growing. Savings on the high needs block against a history of underfunding may create risk in meeting statutory duties as well as improving the outcomes of the most vulnerable children within the city.

3.2.6 The House of Commons Education Committee into Special Educational Needs and Disability 2019, and the Local Government Association report to the House of Commons, identifies the significant financial difficulties placed on local authorities to implement SEND reforms and calls for increased funding within the DSG high needs block. In addition, the November 2020 SEND Future value for money feasibility study confirms a

cost effective analysis of SEND provision is feasible in the near term and we await the outcomes of the national SEND Review. Together, these indicate the need to address the funding pressures placed on local authorities against the ever increasing demands and statutory responsibilities.

- 3.2.7 On 29th October 2021 the DfE launched a [consultation](#) on reforming how local authority school improvement functions are funded. The consultation is open until 26th November 2021 and we would encourage Schools Forum members to respond to this. While the proposals do not directly affect DSG, they could have a significant impact on the local authority and schools which in turn makes it more difficult to develop and implement a DSG management plan. The DfE proposals involve ending the current School Improvement and Brokerage Grant paid to local authorities by 2023/24. For Leeds this would mean a loss of £87k in 2021/22, £435k in 2022/23 and £726k per year from 2023/24 onwards. This is in addition to another recent DfE consultation on reforming how councils are funded through DSG for central statutory services, which could also have a significant impact on local authorities and schools. We await the outcome of that consultation and will update Schools Forum when details are available.

4 Recommendations

- 4.1 Schools Forum is asked to comment on the current plan and provide views on areas that could be considered within the workstreams.

5 Appendices

Appendix 1 – DSG management plan