

October 2019
Proposed Schools Block Transfer 2020/21

The purpose of this document is to set out the proposal to transfer 0.5% of the Schools block of the Dedicated Schools Grant to the High Needs Block in 2020/21 and to launch the consultation of the proposed transfer to seek the views of schools in Leicestershire.

BACKGROUND

Dedicated Schools Grant

1. Local authorities receive Dedicated Schools Grant (DSG) which funds schools and other pupil related services. The grant is provided in Blocks:
 - Schools Block – has two separate allocations and funds delegated budgets to mainstream schools and academies and also provides local authorities with funding to meet the revenue costs arising from the basic need to provide additional mainstream school places.
 - High Needs – funds provision for pupils with special educational needs and other services such as Oakfield, Specialist Teaching Services, provision for pupils unable to attend school because of medical needs and the Secondary Education Inclusion Partnerships.
 - Early Years – the entitlement to free early years education for disadvantaged 2 year olds and for 3 & 4 year olds and the service that supports that provision
 - Central Schools Services Block – introduced in 2018 this block funds local authority statutory duties on behalf of pupils in maintained schools and academies and certain costs incurred on behalf of schools such as copyright licences for maintained schools and academies.
2. Prior to 2018/19 local authorities had full flexibility to transfer funding between blocks, this has largely been from Schools to High Needs. Under 2018/19 school funding reform which saw the introduction of the National Funding Formula (NFF) for schools and High Needs, the Department for Education (DfE) limited the ability to transfer funding from the Schools Block to High Needs.
3. Since 2018/19 local authorities are able to:
 - Transfer up to 0.5% of the gross Schools Block to High Needs following consultation with schools and the approval of the Schools Forum. Should the Schools Forum not approve a transfer approval can be sought from the Secretary of State.

- Transfer more than 0.5% of the gross Schools Block with the approval of the Secretary of State
4. There are no restrictions on transfers between other blocks. Approval for a transfer is only for the year it is enacted, further approvals are required annually. The budget strategy adopted by Leicestershire County Council following the introduction of DSG in 2006 has made no provision for County Council funding in addition to grant.
 5. It is not possible for the local authority to fund any DSG deficit. As at 31 March 2019 the local authority held just £24.5m in usable revenue reserves, after taking account of balances on school delegated budgets this falls to £15.8m (4%) of the local authority budget. The forecast DSG deficit would take all of this reserve and leave no flexibility for the local authority to respond to unexpected issues.
 6. The current terms and conditions for the DSG state that local authorities can carry forward DSG deficits with the approval of the Schools Forum and are therefore able to carry forward a deficit on the DSG reserve.
 7. It is expected that proposals within a current consultation launched by the DfE on 11 October 2019 '*Clarifying the Specific Grant and Ring-Fenced Status of the Dedicated Schools Grant (DSG)*' will be adopted on 1 April 2020. This proposes to remove the need for Schools Forum to agree the carry forward a deficit. It also proposes to set out in the terms and conditions of grant that '*the local authority may not fund any part of the overspend from its general resources, unless it applies for and receives permission from the Secretary of State*'. In setting out the background to the consultation the government state it's intention is that DSG deficits should not be covered from local authority general funds but that over time they should be recovered from DSG income.
 8. A DSG deficit reserve however remains a significant financial risk for local authorities and an area where the solutions to the financial position are not fully in their gift. In the short term the high needs deficit will be partially offset by funding held for school growth that isn't required until later years.

School Funding

9. The Secretary of State announced on 9 September that funding for the core school budget (Schools, High Needs and Central School Services Blocks) will rise by £2.6bn in 2020/21, £4.8bn for 2021/22 and £7.1bn in 2022/23. A further increase of £700m of additional high needs funding has been made for 2020/21.
10. The announcement confirms the following points in relation to the National Funding Formula (NFF);
 - Increased minimum per pupil funding levels of £3,750 in 2020/21 rising to £4,000 in 2021/22 for primary schools and £5,000 for secondary

schools. For middle schools, all-through schools and other schools with a non-standard year group structure there will be individual calculations to produce a specific minimum per-pupil value that relates to the number of year groups in each phase. It will be mandatory for local authorities to use these amounts in their funding formula. How this will operate in practice is subject to the outcome of a Department for Education (DfE) consultation.

- The value of most formula factors has been increased by 4%
 - The funding floor has been raised from 0.5% per pupil to 1.84% per pupil
 - Funding gains will not be capped
11. As local authorities remain responsible for the funding formula, they are free to set local values to the formula factors. and are free, following consultation with schools to, implement the NFF, a variation to it or adopt its own unique funding formula providing that delivers the minimum per pupil funding levels and set a minimum funding guarantee within the range set by the DfE.
 12. High needs is increased for 2020/21 and authorities will receive a minimum increase of 8% per head of population with gains capped at 17%. As Leicestershire is funded at the current floor the increase is estimated to be c£5.526m and the minimum guaranteed increase.
 13. The DfE have also announced that 5 years since the implementation of SEND reform a major review will be undertaken into support for children with Special Educational Needs and Disabilities (SEND). The review aims to improve the services available to families who need support, equip staff in schools and colleges to respond effectively to their needs as well as ending the 'postcode lottery' they often face. It will conclude with actions to boost outcomes and improve value for money, so that vulnerable children have the same opportunities to succeed, as well as improving capacity and support for families across England. The timescale for this review is unconfirmed.
 14. Whilst the additional High Needs funding is welcomed in the medium term, the short term position remains one of significant concern and expenditure exceeds funding. Based upon current projections, including savings accruing from the actions set out within the High Needs Development Plan, the high needs deficit for 2019/20 is estimated to be £6.179m and rises to £11.443m in 2021/22 before recovery is achieved in 2024/25.
 15. Local authorities remain able to transfer 0.5% of funding from the Schools to High Needs Block with approval of the Schools Forum. Should Schools Forum not approve or a transfer in excess of 0.5% is requested approval is sought from the Secretary of State.
 16. The DfE provided local authorities with detailed information on the settlement in mid-October, this sets out the impact of the 2020/21 NFF for individual schools.

Leicestershire County Council is consulting on a transfer of 0.5% c £2m from the Schools to High Needs Block for 2020/21.

17. The High Needs Development Plan sets out an ambitious programme of investment in local provision which will reduce the cost of Independent provision and the number of pupils requiring it. This investment will result in a medium term position where reinvestment in provision, systems and processes will become possible. The consultation will seek the views of schools and other partners on sustaining a SEN system for Leicestershire in line with the SEND Strategy and the outcomes of the DfE review.
18. Consultation will commence on 23 October 2019 and close on 31 October 2019. A decision on the consultation will be considered by the Schools Forum on 6 November 2019 and the County Councils' Cabinet on 22 November 2019. Any request for a decision from the Secretary of State on a 2020/21 transfer is required to be submitted to the DfE by 28 November 2019.

Special Educational Needs and Disability Strategy 2017/20

- 19 The Leicestershire Special Educational Needs and Disabilities Strategy was approved by the County Council's Cabinet on 10 April 2018. This strategy set out the key priorities as:

- To improve multi-agency working and collaboration of services for children with SEND
- Improve the quality and sufficiency of SEND educational provision and services by supporting mainstream schools and other educational settings to develop their provision and developing local specialist services to ensure sufficiency of places in high quality specialist provision
- Improve the transition to adulthood

The strategy is subject to review and a revised strategy is due to be adopted in April 2021.

- 20 The County Council's Cabinet approved a High Needs Development Plan on 18 December 2018. This report set out the financial challenges being encountered in respect of special educational needs. The plan set out the approach to capital and revenue investment to increase capacity in local provision through additional special school and enhanced resource bases alongside developing the approach to inclusion across County Council services and schools.

Previous Transfers from the School Block to High Needs

21. Prior to 2013 school funding reform funding for high incidence, low cost SEN (i.e. for statements allocating 25 hours support or less) was included in schools' delegated budgets. To establish the current system of top-up funding £2.529m

was transferred into High Needs to enable the local authority to pay top-up funding.

22. Between 2014 and 2018 further transfers were made. This was not at a reduction to school budgets but by the movement of headroom in the Schools block DSG settlement. Headroom arose because:
- The Schools Block DSG was allocated at a single rate per pupil. This rate was in excess of average primary funding but less than the average secondary funding.
 - Pupil growth was experienced in primary pupil numbers

As a result Leicestershire was fully able to deliver delegated school budgets in accordance with DfE expectations over that period and transfer funding to High Needs. No request to transfer funding was made in the 2018/19 and 2019/20 financial years.

23. Between 2013 and 2018 the transfers made from the Schools to High Needs Block were;

Year	£m
2013/14	2.529
2014/15	2.018
2015/16	2.844
2016/17	7.151
2017/18	9.995
2018/19	-
2019/20	-

Transfers were needed to respond to an increasing spend on SEN places both within mainstream and specialist provision. Between 2013/14 and 2018/19 expenditure increased from £42.497m to £61.330m, a rise of 44.3%. It is forecast that expenditure will further rise to £84.922m in 2022/23, a total rise of 99.8%. Other expenditure within High needs remains relatively stable.

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EHCP Growth

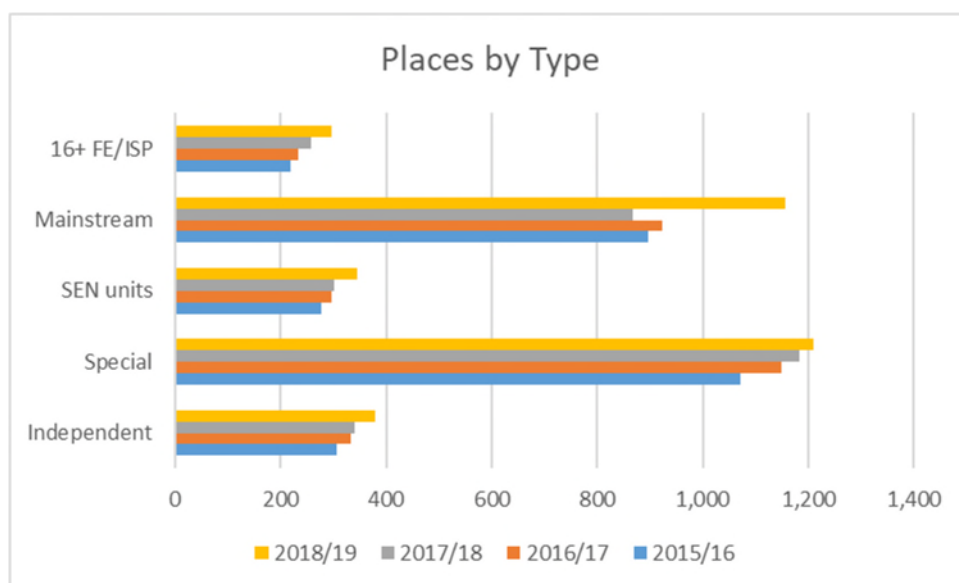
24. Whilst Leicestershire has performed particularly well in relation to the conversion of Statements to EHCPs, and timeliness in completing EHCPs, the area has experienced similar challenges as those experienced across the country. This has been particularly apparent in the increasing numbers of EHCPs and the use of independent provision that have put significant pressure on the High Needs Block. EHCPs have increased by 52% over the last six years. In contrast the increase in the population aged 0-25 has risen by less than 1% per annum:

	2014	2015	2016	2017	2018	2019
EHCPs	2772	2770	2995	3350	3703	4222
% Increase from previous Year	-0.8%	-0.1%	+8.1%	+11.9%	+10.5%	+14%

25. Whilst no single issue is identifiable for the disproportionate increase in EHCP's there is growing national evidence that suggests that both 2013/14 school funding reform and SEND reform delivered under the Children and Families Act 2014 are significant factors.
26. It can also be seen that the level of provision contained within EHCP's has increased. Prior to 2013 when funding for high incidence but low-cost plans was delegated, 166 plans contained provision for 25 hours support and above, the current number is 1,480 and accounts for 73% of all plans.

SEND Demand

27. To respond to the increase in EHCP's the number of specialist places has been increased by 618 (22%) as shown below:



Whilst there are increases across all provision types the cost of provision varies significantly from an average cost of £56,118 in an Independent Special Placement to £16,664 in a Leicestershire special school and £6,000 in a supported mainstream placement.

School Budgets and SEN

28. There is an integral link between school budgets and funding SEN, schools are responsible for funding the first £10,000 - £4,000 element 1 from the school budget and £6,000 element 2 from notional SEN - of a pupil's provision.
29. The Notional SEN budget is an identified amount of money within a school's overall budget that is to contribute to the special educational provision of children with SEN. It is allocated to schools from the School's Block so is unsighted SEN expenditure
30. School and LA funding responsibilities for SEN are set out in the following table;

<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 20px;"> <p>£10,000</p> <p>Funded by local authority</p> <p>↑</p> </div> <div> <p>↓</p> <p>£6,000</p> <p>Funded by school from delegated budget</p> </div> </div>	<p>Paid by Local Authority for each occupied place - may be more than one funding authority</p>	<p>Total cost of provision specified in Statement of Special Educational Needs less £6,000</p> <p>High Cost, Low Incidence</p>	<p>E l e m e n t 3</p>	<p>Element 3 funding is provided by the Local Authority as Top-Up Funding and additional to the school delegated budget</p>
		<p>First £6,000 of cost of provision specified in Statement of Special Educational Needs</p> <p>Low Cost, High Incidence</p>	<p>E l e m e n t 2</p>	<p>Element 2 funding is met through the Notional SEN Budget, this is an identified amount within the delegated budget with the amount set out as a note</p>
		<p>Universal provision for all Pupils</p> <p>Universal</p>	<p>E l e m e n t 1</p>	<p>Element 1 funding is within the school delegated budget through pupil related factors including the Age Weighted Pupil Unit</p>

31. The annual notional SEN budget allocated to schools since the introduction of the current funding system is:

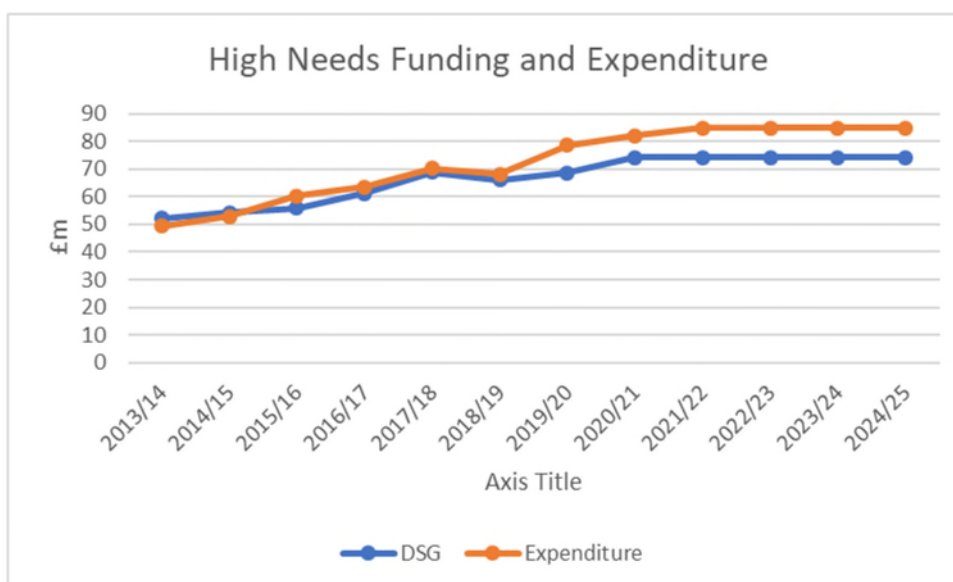
Year	£m
2013/14	29.002
2014/15	29.293
2015/16	30.162

2016/17	29.623
2017/18	30.087
2018/19	32.019
2019/20	32.572

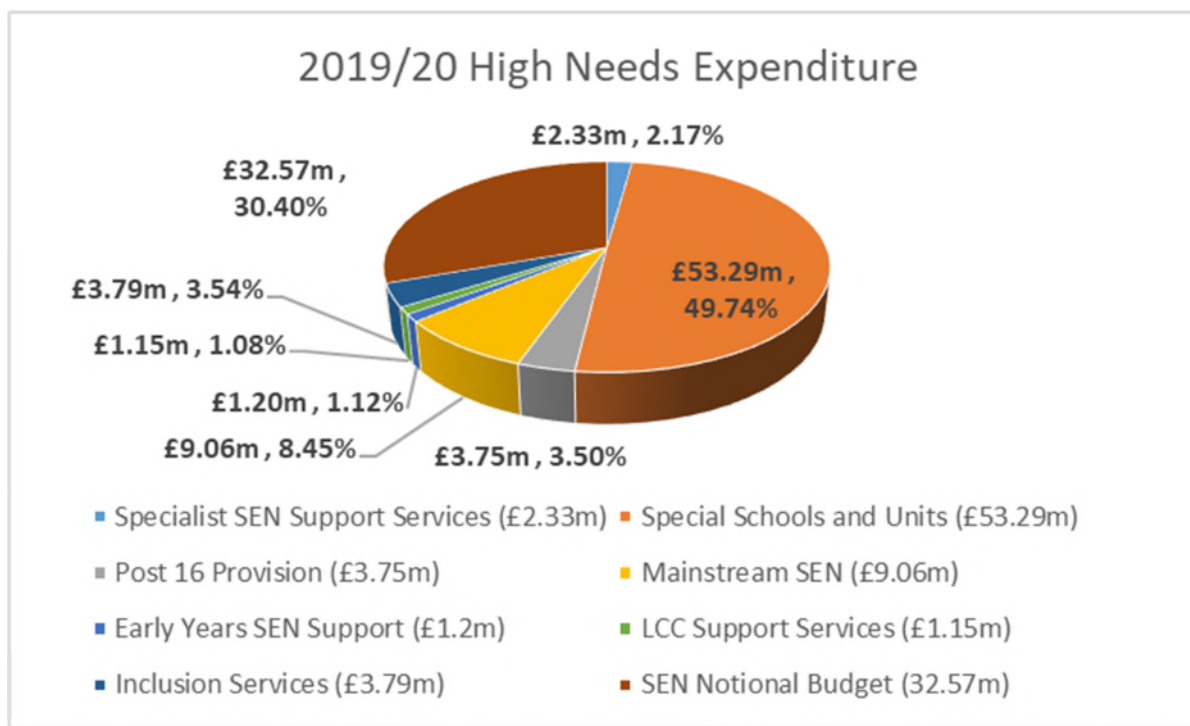
32. Including the Notional SEN Budget delegated to schools Leicestershire plans to spend £107.132m on pupils with SEN in 2019/20, this is £6.1m above the grant allocation it receives.

High Needs Spend and Funding

33. High needs expenditure is forecast to have increased by 71% between 2013/14 and 2024/25 and is forecast to plateau in 2021/22. However the High Needs DSG is forecast to rise over the same period by 42% as illustrated below and with the additional funding from 2020/21 remains below forecast expenditure:



34. For 2019/20 planned high needs expenditure, including the notional SEN budgets delegated to schools through the Schools Block is £107.132m, this exceeds the High Needs DSG by £6.1m. The following chart sets out how that funding is spent;



Cost Avoidance

35. Between 2013 and 2018 Leicestershire has expanded local provision through additional specialist places in both special schools and units which has reduced the need for more costly independent school places:

- Special Schools +139 places (13%)
- SEN Units + 69 places (25%)

An additional 260 (29%) of pupils were accommodated in mainstream. However, over the same period an additional 73 (25%) pupils were required to be accommodated in independent provision. Whilst local provision has been grown it has not been able to accommodate increasing demand.

36. Specific actions undertaken already to develop local provision and reduce cost are highlighted below which have reduced cost by £12.9m.

- Two units meeting the needs of pupils with Autism Spectrum Disorder (ASD) at Maplewell Hall and Birchwood opened in September 2017 with a further three units at Wigston All saints, Rawlins Academy and Hinckley Academy in September 2018 have reduced the need for independent schools and avoided costs of £1.4m.
- The planned expansion of provision under the High Needs Development Plan will deliver 125 Social Emotional and Mental Health Needs (SEMH) places, 65 Communication and Interaction (CI) places and 123 additional special school places opening in a phased approach up to 2021 are estimated to avoid costs of up to £10.9m.

- The Graduated Response offer through Oakfield has supported primary pupils to remain in mainstream and avoided cost on £0.6m

The High Needs Development Plan

37. The County Council's Cabinet agreed the High Needs Development Plan as the Council's approach to planning, commissioning and delivering SEND services focused on three key areas;
 - To develop and embed an inclusive approach to practice amongst schools, LA staff and other settings
 - The modernisation of SEN Services through improved commissioning, processes, decision making and quality assurance
 - The development of a range of cost effective, High quality provision.
38. The project is taking a holistic view of the whole SEN system, it is now fully staffed and mobilised with a focus on four key themes;
 - **Sufficiency** - sufficiency of physical provision through the delivery of the capital programme
 - **Inclusion** - service definition, strategy & function (Graduated Response in all educational settings)
 - **SEN Commissioning and Funding** - review and embed contract monitoring arrangements for existing provision
 - **SEN Systems and Partnerships** – understanding system capacity issues, development of specialist pathways and parental expectations
39. Leicestershire is investing heavily in developing additional specialist provision to reduce costs. The 2019/20 Medium Term Financial Strategy (MTFS) invests £22.27m in capital and recognises that a further £10m may be required for an additional special school.
40. Whilst the DfE provide local authorities with funding to meet basic need increases in mainstream schools, no funding is available to meet the opening costs and diseconomies of scale funding for expanding specialist provision. The estimated costs of bringing the new provision to capacity is £6.336m, this adds to the High Needs deficit.
41. The financial projection for the plan is set out below;

	2019/20 £,000	2020/21 £,000	2021/22 £,000	2022/23 £,000	2023/24 £,000	2024/25 £,000	2025/26 £,000
High Needs DSG	-68.659	-68.659	-68.659	-68.659	-68.659	-68.659	-68.659
Estimated Additional Funding - September 2019 Announcement		-5.526	-5.526	-5.526	-5.526	-5.526	-5.526
Proposed Schools Block Transfer		-2.000					
Estimated Operational Expenditure	72.242	78.654	82.156	84.922	84.922	84.922	84.922
Estimated Project Expenditure	1.440	1.092	0.299	0.000	0.000	0.000	0.000
Annual Funding Gap - Pre Development Plan Actions	5.023	3.561	8.270	10.737	10.737	10.737	10.737
Total Estimated savings	-0.275	-3.106	-8.190	-13.523	-17.283	-19.640	-19.728
Total cost of commissioning new units & special schools	1.352	3.669	1.061	0.254	0.000	0.000	0.000
Annual Funding Gap Funded From Reserve	6.100	4.123	1.140	-2.532	-6.546	-8.903	-8.991
DSG deficit	0.079						
Cumulative Funding Gap - High Needs Deficit	6.179	10.303	11.443	8.911	2.364	-6.539	-15.530

42. As demonstrated above specialist capacity has been increased and costs reduced but the rise in demand is outstripping those actions and the financial position is critical.

Partnership Working

43. Leicestershire's approach to partnership working is encompassed within the Special Educational Needs and Disabilities Strategy approved by Cabinet on 10 April 2018. This sets out how the Council and its partners (i.e. Clinical Commissioning groups, Leicestershire Partnership Trust, schools and colleges) across Leicestershire plan to support children and young people with SEND aged 0-25 years, to achieve their best possible outcomes in line with government reforms. It provides the overarching framework for future service developments aimed at supporting children and young people with SEND, as well as their families.
44. Implementation of the SEND Strategy is monitored by the SEND Strategic Board, comprising of representatives from the Council's Children and Family Services, Adults and Communities and Public Health Departments, the West and East Leicestershire and Rutland CCGs, the Leicestershire Partnership Trust, special, primary and secondary schools, further education bodies and the Parent and Carer Forum.
45. The Developing Specialist Pathways strand of the High Needs Development Plan will further build on this approach to consider the approach to mental health in schools and health contributions to SEND/ EHCP support where there is a medical need or no SEN.

Treatment of Schools Block Transfer in the Leicestershire School Funding Formula

46. Following consultation with schools Leicestershire adopted the NFF in 2018/19. The NFF contains a number of factors that reflect pupil characteristics, the only

universal factor however is the Age Weighted Pupil Unit (AWPU). Had the NFF contained no factors that moderate the formula a reduction here would have allowed for schools budgets to be reduced in a uniform manner.

47. The NFF includes factors that enact guarantees and restrict turbulence;
- **Minimum level of per pupil funding** – this is a formula factor that has allowed local authorities to deliver the minimum of per pupil funding guaranteed by the NFF.
 - **Funding Floor** – this is a formula factor that enacts the NFF guaranteed minimum per pupil increase of 0.5% and a maximum of 3% per annum in the previous two years. For 2020/21 this is set by the DfE at 1.84%. It should be noted that this protection applies to the pupil led factors within the formula, the lump sum is excluded from this guarantee.
 - **Minimum Funding Guarantee** - this protects schools from excessive year on year funding changes arising from changes in characteristics. For 2020/21 the funding guidance specifies a range of +0.5% - +1.84%.
 - **Capping** – this limits the gains a school can receive through the NFF, this was present for 2018/19 and 2019/20 and set at 3% but has been removed from the NFF for 2020/21. Local authorities are able to adopt local capping arrangements.
48. There is no mechanism within the school funding formula that enables an even spread of the funding reduction as a result of the guarantees, the impact of the transfer will vary between schools and for individual schools will be dependent upon the overall impact of the NFF guarantees.
49. The proposed transfer will reduce school budgets from the illustrative allocations published by the DfE. It should also be noted that the nationally published allocations are incomplete in that they exclude premises factors but also indicative given they are based upon the October 2018 census and final budgets will be based upon the 2019 census.
50. Modelling of the impact for individual schools and the value of the transfer have been completed on the October 2018 dataset provided by the DfE. The figures provided on the values and the impact on individual school budgets are therefore indicative.
51. The October 2019 census information will be provided to local authorities by the DfE in December, this will require the indicative budgets set out within this consultation to be revised. The change in pupil characteristics between census dates may result in a schools allocation under the NFF to increase or decrease, however the Schools Block allocation to the local authority will not reflect these changes. To ensure the allocations to schools remain deliverable within that funding envelope it will be necessary that this is managed through the funding cap. This may result in the final percentage for the cap differing from that set out within the consultation.

52. Whilst the High Needs Development Plan sets out an ambitious plan to ensure effective SEND support within the DSG allocations determined by the DfE. This however is not achieved for a number of years and all options for reducing the deficit must be explored.
53. It is therefore the intention to seek a transfer of 0.5% c£2m from the Schools Block to the High Needs Block for 2020/21 and consult schools accordingly. This is the maximum transfer that can be agreed locally. Approval for the 2020/21 transfer will be sought the Schools Forum on 6 November 2019. Approval may be sought from Secretary of State should the proposal not be approved by Schools Forum. Given the nature of the high needs deficit and the uncertainty of future funding allocations it is likely to be necessary to seek approval for further transfers in subsequent years.
54. The adjustments to the NFF to affect the transfer are;
- Reduction in the Age Weighted Pupil Unit (AWPU) values of 0.05%
 - Inclusion of a cap on gains of 3.5%
55. The proposed formula remains reflective of the structure of the NFF and the guarantees within it. It does however include a cap on allowable gains from the NFF at 3.5%, for 2018/19 and 2019/20 a cap was present in the NFF of 3.0%. The key features of the 2020/21 school funding formula following the proposed transfer of funding and the inclusion of the sparsity and mobility factors are;
- It fully retains the structure of the NFF. The value of factors has been retained with the exception of a reduction in the national AWPU values of 0.05%
 - It fully delivers the minimum per pupil funding levels of £3,750 for primary schools and £5,000 for secondary schools for 2020/21
 - Maintains the funding floor at 1.84% per pupil which is the Governments expectation
56. It should be noted that the 1.84% minimum increase is a pupil-based measure. Schools with falling rolls may see a decrease in the overall cash level of that budget. Additionally, it should be noted that the 1.84% is not measured against all factors in the funding formula and notably excludes the lump sum, for some schools this means that the per pupil percentage increase may be lower.

Proposed Changes to 2020/21 Formula Factors

57. It is also proposed that two further factors are included in the 2020/21 school funding formula;

- **Sparsity** – schools are eligible for sparsity funding if they meet two criteria i) they are located in areas where pupils would have to travel a significant difference to an alternative school should the school close, and ii) they are small schools

The omission of this factor led to issues with the measurement of the baseline budgets against which protections for 2019/20 funding guarantees were measured. It is proposed to include this factor for 2020/21.

- **Pupil Mobility** – the mobility factor allocated funding to schools with a high proportion of pupils who first join school on a non-standard date. To be eligible for mobility funding, the proportion of mobile pupils a school has must be above the threshold of 6%.

This factor was not included in the current Leicestershire formula as only authorities that had previously included this in their local formula prior to 2018/19 received funding, Leicestershire did not and therefore had no funding. However, for 2020/21 the DFE have moved the allocation of this to a formulaic basis to all authorities. It is proposed to include this factor for 2020/21.

58. The inclusion of these factors introduces £0.6m to the Leicestershire formula which for some schools will be offset against the protections and guarantees within it.

Impact on Individual School Budgets

59. The consultation seeks views on;

- The inclusion of the Sparsity and Mobility factors in the formula as reflected in the NFF.
- The proposed transfer of 0.5% c£2m from the Schools Block to the High Needs Block

60. The consultation response, including a model that shows the impact of both the proposed transfer and the inclusion of the sparsity and pupil mobility factors can be accessed on this link;

www.leicestershire.gov.uk/schoolfunding

This shows for each individual school;

- The 2019/20 formula budget
- The indicative 2020/21 budget had the NFF been implemented in full
- The indicative 2020/21 budget including the impact of the transfer.

61. Consultation could not be undertaken until data was received from the DfE and modelling completed. Due to the late release of the data, and to ensure that the DfE deadlines are met the consultation period is short, commencing on 23 October and closing on 31 October. The outcome of the consultation will be presented to the Schools Forum on 6 November. Further consideration will be undertaken by the County Councils' Cabinet in November which will include whether any request for approval will be submitted to the Secretary of State should Schools Forum not grant approval.