

London Borough of Enfield

Finance & Performance Scrutiny Panel
10 March 2021

Subject: Dedicated Schools Grant (DSG)

Cabinet Member: Cllr Maguire

Report Number:

Item:

Purpose of Report

1. This report provides an overview and details of how the DSG is spent and current challenges facing the Council and strategies and actions in place to address these. The DSG was recently covered by the Children's Scrutiny Panel on 18 January 2021 and the content in this report is very similar to that presented to the Children's Panel, the key changes being the addition of the strategies and actions to address the current challenges. The report will be supplemented by a more detailed presentation by officers.

Recommendations

2. Members are asked to note the report and provide comment.

Relevance to the Council's Corporate Plan

3. The Council has oversight of the Dedicated Schools Grant (DSG) and is responsible for ensuring it is used and allocated to support pupils in their local area. This responsibility also requires managing and identifying remedial actions to address any overspends in any part of the DSG.
4. Separately, the Council have oversight and responsibility for maintained schools' budgets and financial management of. Again, this responsibility requires the Council to ensure individual schools manage and remain in budget. Where a maintained school reports a deficit, then the Council has to ensure the maintained school has a process in place to manage this overspend.

Background

5. The DSG was created as a ring-fenced grant to fund education for all pupils in schools, academies and free schools with specific regulations specifying its use. In this report when referring to schools, it will mean all schools, i.e. including academies and schools managed by the Council will be referred to as maintained schools.
6. Following a number of changes, in 2013 the DSG was split into four discreet blocks based on the historical spend by each local authority. The four blocks are as follows:
 - Schools Block (SB): funds primary and secondary (mainstream) schools from 5 to 15 years old.

- High Needs Block (HNB): funds pupils with SEND from 0 up to 25 years of age, who have Education, Health and Care Plans (EHCP) and require additional support above what is normally provided by the school or institution from the funding the institutions receive from the Schools or Early Years blocks.
- Early Years Block (EYB) funds free nursery education in schools, private, voluntary and independent (PVI) settings for pupils from 2 to 4 years of age.
- Central Services Schools Block (CSSB) was introduced in 2018/19 to fund statutory services provided to schools by the LA.

7. The school funding regulations, as well as reducing local authorities flexibility to fulfil their duties in relation to the management of the DSG, do not allow the movement of funds between the blocks without the approval of the Schools Forum and, in some cases, the Secretary of State.

Overall Funding Allocated and Spend

8. Table 1 summarises the funding allocated over the last five years for each block within the DSG:

Table 1: DSG Allocation

Blocks	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Schools	258.458	254.467	255.797	259.009	267.872
High Needs	32.120	41.515	45.817	46.843	54.905
Early Years	17.726	24.662	26.955	25.410	25.803
Central School Services	0.000	0.000	2.972	2.925	2.678
Total	308.304	320.643	331.541	334.186	351.258

9. At first sight, the change in funding over the years could be seen as positive. However, it does not reflect is the changing needs of children and young people (CYP) in Enfield or the impact of the introduction of SEND Reforms. Both these changes have created acute financial pressure particularly for the High Needs Block. Table 2 summarises the spend during the same period as Table 1.

Table 2: DSG Spend

Blocks	2016/17	2017/18	2018/19	2019/20	2020/21*
	£m	£m	£m	£m	£m
Schools	249.565	250.687	254.127	257.544	266.533
High Needs	46.296	46.239	46.255	53.796	62.202
Early Years	16.909	24.210	26.645	24.948	25.438
Central School Services	0.000	0.000	2.656	2.792	2.634
Total	312.770	321.135	329.683	339.080	356.807

10. As can be seen when comparing the DSG allocation in Table 1 with the spend in Table 2, the gap between the funding provided and required is continuing to grow.

Position on Spend for the Individual Blocks

11. Schools Block

12. The Schools Block supports pupils in mainstream education between 5 to 15 years old in all schools.
13. The school funding regulations require all funding is passed onto schools using a prescribed funding formula. If any funding is used for any other purpose, then it is limited to 0.5% of the budget and requires the Schools Forum and the Secretary of State's approval.
14. This requirement results in very little local flexibility for local authorities to target any funding to address a particular need, i.e. address shortfalls in other parts of the DSG or supporting schools' experiencing falling pupil numbers.
15. Each year the total funding provided to local authorities is adjusted for changes in pupil numbers but that is all. This does mean that funding in this Block remains constant and on target. However, it has resulted in creating financial pressures and difficulties for individual schools because there is no recognition of additional costs such as inflation and pay awards incurred by schools.
16. At the end of 2019/20 16 schools were in overall deficit -£3.190m
17. In line with the process agreed with the Schools Forum and EMT, Finance and Education are working closely with these schools to agree and monitor a deficit recovery plan. The aim is for each school to firstly report an in-year balanced position and then surpluses to begin to reduce their deficits.

18. High Needs Block 3

19. Local Authorities have a responsibility to ensure there is adequate provision to support the education of pupils with SEND. Funding through the High Needs block is provided to meet this responsibility. The High Needs block is used to fund:
 - Pupils in special schools and the PRU;
 - Pupils with EHCPs in mainstream schools;
 - Pupils in out borough, independent and residential placements;
 - Preventative and early intervention support.
20. In 2015, the SEND Reforms came into force and brought some significant changes and these included:
 - Move from Statements for special education needs to EHCPs;
 - Requirement to support CYP with SEND from birth to 25 year olds;
 - An assessment process that sought to support outcomes;
 - Very limited flexibility not to assess an application for EHCPs.

21. The changes brought about by the Reforms have led to a rising demand to support pupils with SEND. Table 3 details the increase seen year on year since the introduction of the change.

Table 3: Number of Pupils with EHCPs

ENFIELD	2015/16	2016/17	2017/18	2018/19	2019/20
Total Pupils	58,929	59,648	59,750	59,621	59,260
Pupils with EHCP/Statements	1,350	1,444	1,659	1,800	2,230
% EHCP/Statements	2.3%	2.4%	2.8%	3.0%	3.8%

22. As outlined in the previous paragraphs, when the DSG funding arrangements changed, there was no consideration of the impact of the SEND Reforms. In fact, the funding provided between 2013 to 2018 was based on flat cash resulting in no funding to support additional pupils nor increasing needs.
23. The consequences of the introduction of the Reforms and the changes to the financial arrangements is a significant overspend of the High Needs block. The current forecast for this year (2020/21) is an overspend of £7.8m. It is envisaged that the final overspend is likely to be closer to £8m by the year end.
24. There have been a range of initiatives to address the significant financial pressures experienced by the High Needs Block. Going back to 2016 special units and nurture groups were put in place and work was undertaken to expand borough capacity to reduce more expensive out borough provision.
25. In 2020 the Council commissioned a review and some of the key outcomes are:
- Further expand in borough provision to reduce reliance on out borough;
 - Increase support for early intervention;
 - Review the methodology used for funding the top up rates for pupils with EHCPs; and
 - Develop a charter mark for schools for supporting pupils with SEN
26. The work is ongoing and has been supplemented by:
- Assess accurately the trends in number of pupils with SEN requiring support;
 - Implementation of each option as planned both in terms of costs and timeline;
 - National changes to the regulations governing school funding;
 - Other local requirements to change current funding arrangements.
 - Special school place funding
27. **Early Years Block**
28. The Early Years block funds the free entitlement nursery education for 2, 3 and 4 year olds. This enables parents to access a universal offer of 15 hours per week of nursery education and where the family meets the criteria up to 30 hours of nursery education.
29. The funding regulations state:

- 95% of the funding is passed to schools, PVI's and Childminders to fund nursery education;
- 5% can be retained by the Council to support management and administrative costs.

30. **Central Schools Services Block**

31. The CSSB was created to fund the statutory duties local authorities have to provide for all schools. These statutory duties are limited to supporting the cost of education management, work in relation to the DSG, admissions, education welfare and school place planning.
32. It was created by transferring all funds spent local authorities for these functions into a central fund and then reallocated out by the DfE to local authorities using a funding formula. What this change has meant is the funding for Enfield is reducing year on year through a protection arrangement because Enfield was spending far more on these duties than the amount being provided through the funding formula.

Breakdown on the Use of the DSG

33. The DSG is required to support all aspect of education. As stated above, the different blocks within the DSG have their own regulations as to how the money is spent. Table 4 provides a breakdown at a high level of how the DSG is split across all the different educational requirements.

Table 4: High Level Breakdown of DSG Allocation for 2020/21

	Areas of Spend	ORIGINAL BUDGET 2020/21	Explanation
		£	
1	Total Funding to Schools	325,892,878	Total funding allocated to schools
2	Funding Passported to Schools	168,763	Other grant funding allocated to special schools
3	Commissioned Services	18,736,740	Specialist provision commissioned for CYP
4	LA Statutory Duties for all schools	2,047,705	Statutory duties of the LA for all schools and academies
5	Central Services	6,326,601	LA services funded to provide preventative and support functions
6	Historical Central Services	934,592	Historic social care services funded to support pupils to remain in schools. This DfE's are keen to remove this element of funding and for the past few years the funding has reduced 20% each year.

	Total	354,107,279	
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34. To explain a little further the funding detailed in each of the rows in Table 4:
- Rows 1 and 2: is money given to schools to spend on the education of the pupils at their schools;
 - Row 3: is money used to place children in specialist provision such as residential or independent schools, as well as commissioning support such as speech and language;
 - Rows 4: Council services delivering statutory education services such as Executive Management, Admission, School Place Planning.
 - Rows 5: Council services delivering either statutory education or supporting services for high needs or early years.
 - Row 6: Historic Council social care services supporting pupils.
35. Appendix 1 provides a detailed breakdown of the allocation of the DSG. This information is reported to the DSG every year as part of a statutory return and also published for all stakeholders and members of the public to view.
36. **Conclusions**
37. As will be seen the requirements and allocation of the DSG is quite complex and in recent years local flexibility to manage needs of pupils has been eroded resulting in creating tensions in different parts of the DSG.
38. The local authority is progressing existing strategies and further developing its plans to manage and where possible develop further strategies to reduce the overspend
39. There are risks associated with the management plan, which include:
- Accuracy of trend data;
 - Implementation of recommendations from EY review
 - National regulatory changes governing school funding
 - Other local requirements to change current funding arrangements
40. Members may want future updates on two of the specific challenges outlined above, namely:
- Schools in deficits
 - High Needs

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Date of report 2 March 2021

Appendices:

Appendix 1 – Details of DSG Allocation (2020/21)

Background Papers

Schools Forum Reports

School Funding regulations and DfE guidance documents

Details of DSG Allocation (2020/21)**Key to colour coding used in Table:**

Funding provided to Schools
Funding Passported to Schools
Commissioned Services
LA Statutory Duties for all schools
Central Services
Historic spend on Central Services

AREAS FUNDED FROM DSG	SB ORIGINAL BUDGET 2020/21	CSSB ORIGINAL BUDGET 2020/21	HNB ORIGINAL BUDGET 2020/21	EYB ORIGINAL BUDGET 2020/21	TOTAL ORIGINAL BUDGET 2020/21
	£	£	£	£	£
Sch. Primary Budgets	140,710,126	-	7,837,150	7,219,558	155,766,834
Sch. Secondary Budgets	125,676,562	-	2,384,270	-	128,060,832
Sch. Special & PRU Budgets	-	-	22,204,210	-	22,204,210
Sch. Nursery Budgets	-	-	-	17,326,587	17,326,587
Sch. Contingency	146,105	-	2,388,310	-	2,534,415
Sch. Pupil Premium	-	-	-	68,763	168,763
Sch. Home & Hosp Tuition	-	-	309,000	-	309,000
Sch. Post 16 High Needs	-	-	2,350,000	-	2,350,000
Out borough - Mainstream	-	-	1,229,880	-	1,229,880
Out borough Day Special	-	-	2,621,640	-	2,621,640
Sch. Speech therapy	-	-	916,220	-	916,220
Independent day school	-	-	8,273,180	-	8,273,180
Res Special Schools	-	-	2,603,250	-	2,603,250
Sch. SEN Peripatetic	-	-	328,350	-	328,350
Ns. SEN Transport	-	-	55,640	-	55,640
Sch. SEN Equipment	-	-	49,580	-	49,580
Ns. SIS – SACRE	-	40,000	-	-	40,000
Sch. Central licenses	-	226,150	2,880	1,844	230,874
Sch. Resources & Appeals	-	233,760	-	-	233,760
Ns. Admissions	-	623,610	9,490	-	633,100
Ns. Education Welfare	-	385,000	76,260	-	461,260
Sch. Place Planning	-	90,000	-	-	90,000
Ns. Management	-	214,000	9,710	-	223,710
Ns. Management	-	135,000	-	-	135,000
Ns. Home Education Parents	-	-	9,300	-	9,300
Sch. Teacher recruitment	-	-	690	447	1,137
Sch. Staff Advertising Prim	-	-	-	790	790
Sch. Union duties	-	-	4,130	2,649	6,779
	£	£	£	£	£

AREAS FUNDED FROM DSG	SB ORIGINAL BUDGET 2020/21	CSSB ORIGINAL BUDGET 2020/21	HNB ORIGINAL BUDGET 2020/21	EYB ORIGINAL BUDGET 2020/21	TOTAL ORIGINAL BUDGET 2020/21
Educational Psychology	-	-	394,450	-	394,450
Sch. Unplaced pupils	-	-	390,020	-	390,020
Sch. Secondary Behaviour Heart	-	-	927,780	-	927,780
Sch. Primary Behaviour	-	-	140,740	-	140,740
Sch. Education of Travellers	-	-	995,220	-	995,220
Sch. Education of Travellers	-	-	17,810	-	17,810
Ns. SEN Consultants – SIS	-	-	122,470	-	122,470
Sch. Early Years	-	-	-	1,002,415	1,002,415
Sch. Pre-school Support	-	-	622,460	35,560	658,020
Sch. EY Social Inclusion	-	-	100,000	-	100,000
Ns. Progression & Pathway	-	-	111,000	-	111,000
Ns. Early Int & ac (AD)	-	-	61,700	16,980	78,680
Cheviots General	-	22,860	197,130	-	219,990
SEN team	-	-	1,110,000	-	1,110,000
Audit charges	-	-	1,220	-	-
Electronic channels	-	-	40,000	-	40,000
Sch. Outreach activities	-	36,860	2,820	1,816	41,496
Sch. Prudential costs	-	247,670	-	-	247,670
Sch. Parenting support	-	346,880	196,980	25,746	569,606
Adolescent support	-	75,820	-	-	75,820
Grand Total	266,532,793	2,677,610	59,094,940	25,803,156	354,107,279