



**Agenda Item
12**

Report Status

For information/note x
For consultation & views x
For decision x

Discussion Paper for Haringey Schools Forum – 13th July 2017

Report Title: Developing a Strategy for Haringey’s Dedicated Schools Grant

Authors:

Ngozi Anuforo, Head of Early Help Commissioning & Culture

Contact: 0208 489 4681 Email: Ngozi.anuforo@haringey.gov.uk

Vikki Monk-Meyer, Head of Special Educational Needs & Disabilities

Contact: 0208 489 3205 Email: Vikki.monk-meyer@haringey.gov.uk

Purpose: To provide Schools’ Forum with an overview of some of the emerging issues and challenges facing Haringey’s Dedicated Schools Grant

Recommendations:

1. For Schools’ Forum to note the content of this discussion paper
2. For Schools’ Forum to note the use of £1.34m of early years reserves, previously ring-fenced by Forum, to address the 2016/17 High Needs Block overspend on a loan basis
3. For Schools’ Forum to agree the in-year proposals to bring the DSG to balance by the end of 2017/2018, as set out at Appendix 1
4. For Schools’ Forum to agree to establishing a cross-block and officer working group to agree a future strategy for the DSG

1. Introduction

- 1.1 Haringey's Dedicated Schools Grant (DSG) is comprised of three blocks: Schools Block, Early Years Block and High Needs Block. In 2016/17, the overall allocation for Haringey was £242m gross.

DSG outturn position at the end of 2016/17 financial year

- 1.2 In 2016/2017, without the application of DSG reserves, there would have been a stated outturn position of approximately £1.34m overspend at end of year. This outturn position represents pressures on the High Needs Block (HNB) in particular which are projected as rising to £1.41m in 2017/2018 without any mitigating actions being taken. As there is insufficient funding in reserves to cover the projected overspend in year, and in addition the demand and cost pressures facing the sector continue to rise, other actions are required in both the short and longer term to address these pressures.
- 1.3 An extraordinary joint meeting of the Working Groups for the HNB and for Early Years was held at the end of June to agree an approach to addressing these issues. Building on the discussions which took place then, the purpose of this paper is to outline for Schools' Forum some of the key challenges facing the DSG, to recommend how the reserves held in the Early Years Block could be treated in the medium term and to propose a set of actions to be taken both now and over the next five years to manage increasing demands on DSG funding and ensure that we are able to meet both statutory responsibilities and address local priorities.
- 1.4 It is acknowledged that the financial and demand pressures on the Dedicated Schools' Grant are challenging and pressing. Haringey is not alone in facing these pressures. Given that all three blocks are funding statutory activity and that all three blocks are subject to central government direction on passporting funding, there is limited room for local discretion which further compounds the issues being faced.

2. Background

2.1 High Needs Block Funding

- 2.1.1 "High needs funding is intended to provide the most appropriate support package for an individual with special educational needs (SEN) in a range of settings, taking account of parental and student choice, whilst avoiding perverse incentives to over identify high needs pupils and students. It is also intended to support good quality alternative provision for pupils who cannot receive their education in schools." EFA guidance high needs 17/18

2.1.2 The SEND reforms 2014 have changed the legislation over local authority's duties to provide educational support to children and young people with special educational needs and disabilities. This includes:

- The ceasing of statements and learning difficulty assessments, and replacement with educational health and care plans
- The extension of the duties from 0- 25 years for Young People in Education
- The extension of the duty to include children and young people in Youth Offending Services
- A focus on the support for children at school action pre EHC
- Joint Commissioning of services between Health, Education and Social Care
- Collaboration and Co-production of services with families and children
- A new Ofsted/CQC inspection framework around a local areas progress towards the reforms^{2.3}

2.1.3 The above reforms were introduced with some fixed term funding for local authorities to assist in the implementation of their duties in providing educational support to children and young people both with and without an EHC plan e.g. the SEND reforms grant funding of 228K, and more recently the strategic grant funding of 111K, however there was no recurrent funding provided to support with the implementation of the new duties.

2.1.4 The high needs block is intended to provide educational support for children with SEND. The educational support can be in the form of funding, direct services and school places for children and young people both with and without an education health and care plan. There is an expectation that the funding will be used directly to support children with SEND. The SEND reforms both increased the age range of children who might be eligible for an EHCP, and also widened the remit of the services to include intervention, support and advice to children who may be receiving services in specific circumstances e.g. youth offending and or those with mental health difficulties.

2.1.5 Most boroughs have a range of provision, SEND services and additional funding to schools in their high needs block. These services are provided in the main to children with an EHCP, and are named and outlined in a child's EHC plan. There are few budgets and services provided directly from the high needs block for children without an EHCP. Currently this is only the Early Years Inclusion top up, which is now a statutory duty.

2.1.6 Locally the high needs block also includes funding for family support, transport, and a contribution to the looked after children's budget, all of which are also funded jointly through the council's general fund.

2.2 Early Years Block Funding

2.2.1 The Early Years Block is provided for the Council to meet its statutory duties under the Childcare Act 2006 and is expected to fund:

- The Free Early Education Entitlement for all three and four year olds through an Early Years Single Funding Formula (EYSFF)
- The free entitlement for eligible two year olds
- The Early Years Pupil Premium
- Access for disabled children
- Support for maintained Nursery Schools

2.2.2 In December 2016, the Government introduced a new Early Years National Funding Formula for 3 and 4 year olds, which meant that, from April 2017, Local Authorities will continue to be funded through the early years block in the Dedicated Schools Grant (DSG) but with a number of new requirements on how local authorities are able to allocate funding to providers from 2017-18. These requirements are intended to ensure that funding is fairly distributed to providers.

2.2.3 The main changes were:

- A minimum amount of funding to be passed through to providers.
- A local universal base rate for all types of provider, to be set by local authorities by 2019-20 at the latest.
- Supplementary funding for maintained nursery schools, for the duration of this Parliament.
- Reforms to mandatory and discretionary supplements local authorities are able to use.
- The introduction of a disability access fund.
- A requirement for authorities to establish a special educational needs inclusion fund.

2.3 Schools Block Funding

2.3.1 The conditions of grant set by the EFA provides that DSG Schools Block can only be used to support the Schools Budget. For DSG purposes, grant allocated to the Individual Schools Budget (ISB) is taken to have been spent as soon as it is deployed – ie passed to schools' budget shares.

2.3.2 Regulations allow local authorities to top slice the DSG Schools Block in order to create a growth fund to support schools which are required to provide extra places in order to meet basic need within the authority, including pre-opening, diseconomy and reorganisation costs. The growth fund may not be used to support schools in financial difficulty (any such support for maintained schools would be provided from a de-

delegated contingency) or general growth due to popularity. The growth fund can be used only for the purposes of supporting growth in pre-16 pupil numbers to meet basic need, to support additional classes needed to meet the infant class size regulation and to meet the costs of new schools.

2.3.3 Any unspent growth funding remaining at the year-end should be reported to Schools' Forum. Funding is carried forward to the following funding period as with any other centrally retained budget, and can be used specifically for growth if the authority wishes.

2.3.4 A number of other Schools Block services that are covered by funding that is held centrally for all schools or de-delegated by maintained schools from Schools Block where Schools Forum must approve funding for these services on a line by line basis belongs to the schools. All underspends in centrally retained funding for School Improvement and Governor Support and de-delegated funding from maintained schools for Contingency for Schools in Financial Difficulty belongs to schools and is carried forward to the following funding period earmarked to be used for the purposes it was given.

2.4 The Development of Early Years DSG Reserves

2.4.1 Since 2015-16, we have been able to accrue significant levels of DSG reserves due to funding allocated through the early years block. Funding from the Department for Education (DfE) for the free early education for eligible two year olds prior to the end of March 2015 was on a place-led basis and for 2014-15 was based on an anticipated 1790 eligible children in the borough. There was a move to participation-led funding from April 2015. Given the gap in educational attainment can be traced back to early childhood, free early education for eligible two year olds was introduced to target the most vulnerable young children in the population and designed to offer them the best start in life.

2YO Place Funding:

Year	Grant Income	Expenditure	Balance
2014-2015	4.464m	2.438m	2.026m
2015-2016	**2,041m	2.911m	(0.870m)

** This DfE funding allocation is based on the actual number of children participating in the programme at January 2015 headcount.

2.4.2 DfE's place funding allocation of £4.464m for 2014-15 was based on a projected population of 1790 eligible children in Haringey. Our total expenditure of £2.438m in that year reflected the actual number of children funded. The difference in these two amounts has contributed to an EY Block DSG carry forward of £2.026m into 2015-16.

2.4.3 In addition to the £2.026m place funding carry forward, we had a remaining balance of £1.774m development funding (also known as trajectory funding) held in reserve. This combination of the amounts totalled £3.8m by the end of 2015-16 financial year.

2.4.4 It had been agreed previously with Schools Forum that the £3.8m amounts be held and ring fenced in order to mitigate the annual anticipated funding gap created by the payment of an hourly funding rate for the programme of £6, which is above the £5.66 per hour rate at which Haringey is currently funded by DfE and the projected slow growth in take up. The net cost of increasing the hourly funding rate to £6.00 from April 2014 can be fully met for the financial years 2015/16 to 2018/19 by the ring-fenced funding allocation for the two-year-old programme within the EYB. We can anticipate some impact of this reduction on the sufficiency of places, therefore this may present challenges for how we are able to provide access to this statutory offer from 2019/20.

3. Key issues and Challenges

3.1 SEND

a) The increased age range has meant that there are more children and young people with EHCP's drawing funding from the high needs block budget.

	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
Pre-School/ Nursery	14	4	8	19
Reception	54	61	63	61
Year 1	72	64	90	80
Year 2	75	86	76	112
Year 3	82	88	101	86
Year 4	104	92	93	111
Year 5	122	116	99	105
Year 6	130	121	126	106
Year 7	118	139	122	133
Year 8	117	117	138	128
Year 9	137	118	128	140
Year 10	125	138	115	127
Year 11	130	124	134	117

Year 12	41	37	120	132
Year 13	22	32	82	120
Year 14	8	8	69	79
Year 15			29	70
Year 15 plus			7	64
	1351	1345	1600	1790

Significant increases are in the younger age range where families have initiated an EHCP earlier.

The greatest increases, however, have been in the older age ranges as young people have had their learning disability assessments converted to an EHCP, or young people have stayed on in school and been maintained in education for longer.

Ceasing an EHCP can occur when:

- A young person leaves school for university
- A young person leaves school for social care provision
- A young person leaves school to get a paid job or apprenticeship.

Whilst all of the above factors are occurring, which means that funding is released for new children, the initial year after the reforms (September 2015) very few young people left education.

The EHCP threshold document has been reviewed however the ceasing of an EHCP needs collaboration and co working across adult's/careers advice and other services not well established e.g. job coaching

- b) Local schools requesting increased top ups when an EHCP has been issued due to the top up rates no longer matching local hourly rates for special needs assistants. The banding for hours according to need has been reviewed however this still does not equate with services needing to be commissioned by schools to support a child. This is reducing the tolerance for children with SEND in the local schools at the more complex end.
- c) Lack of local special school provision, meaning that independent or out borough provision is increasingly used. This will be resolved in the future with the opening of the new schools, but is the most significant area of spend. The admissions to special schools document has been reviewed to ensure only those who require it attend a special school.
- d) Lack of maintained local college places for young people with complex needs. The majority of young people with SEND choose to attend college out of borough (see separate Schools' Forum paper). Colleges tend to request higher top ups than schools.

- e) An increase in the education funding required when young people attend private hospitals for their mental health needs. This is demand driven and was 12K in 2015/2016 but rose to 100K in 2016/2017.

3.2 Early Years

3.2.1 Free Entitlement Participation

Our target to increase participation rates for three year olds from 2014 levels of 84% to 94% by 2018 (as set by DfE in 2013) stalled in 2015 and has been reducing since 2015.

A marketing and outreach campaign during the 2015 summer term provided useful feedback and identified a need to focus on the 3-year-old take up, the flexibility of the offer and improving our understanding of the fluctuating patterns of take up across our school nursery classes and PVI providers. The introduction of the 30-hour free entitlement offer from September 2017 is likely to have an impact on take-up but the degree to which this increases participation is, as yet, unknown.

3.2.2 Impact of the introduction of the National Funding Formula for Early Years

Changes introduced by the new National Funding Formula for Early Years means that, by 2018/19 the Council will be unable to centrally retain more than 5% of the total allocation within the early years block. As the majority of the overall funding allocation is driven by participation in the borough, it continues to be a priority for the Council to maximise take-up of all the entitlements as achieving these targets will mean that we are maximising the benefits of early education for children by ensuring that the majority of our 3 & 4 year olds are participating in their free entitlement. Achieving high take up will also act to shore up the financial resources available within the Early Years Block within DSG and, in turn, as part of centrally retained resources, enabling greater support for the delivery of the free entitlement. This includes work to ensure a viable two year old offer which could be challenged by the proposed phasing out of a subsidised rate for this cohort.

3.2.3 Changes to the Early Years Funding Formula and Provider Sustainability

In light of the new national funding formula for Early Years, the Council introduced a revised early years funding formula in April 2017. This included a single hourly base funding rate for all providers and an updated hourly rate for the mandatory deprivation supplement. In summary, the new EYSFF, has resulted in increases to hourly funding rates for maintained schools and a mixture of increases and decreases across the private, voluntary and independent sector providers.

It is clear that the change to the funding arrangements has caused concerns about the sustainability of the sector overall based on several individual settings, and types of providers, in particular Childminders. The introduction of the 30-hour offer from September 2017, may increase the vulnerability of some providers as they manage the delivery of a much more variable offer, with uncertainty about levels of demand and also the impact of a more volatile and diverse childcare and early education market. Whilst it is too early to make any meaningful assessment of the impact of both the new EYSPF and the introduction of the 30-hour offer, the Council will need to work closely with the early years sector in Haringey to ensure that, where possible, any negative impact, such as a reduction in the availability of child care place, on the early education and childcare market is reduced.

3.3 Schools Block

3.3.1 A combined emerging national funding formula and increasing staffing overheads have put increasing pressure on schools budgets which has led to a number of issues including:

- Increased applications for licensed deficit applications to meet the needs of schools who have been unable to operate within their allocated budget;
- Cash loans to schools who have been unable to pay bills for goods and services to keep creditors and debtors from the school gate;
- A debt recovery total of close to £1 million for schools who have not been paying monies owed for Council services;
- Increased redundancy costs arising from an increase in the number and size of restructures to reduce overall salary bills.

3.3.2 As a response to some of these issues there is a paper being presented to Forum tonight which proposes the introduction of a monthly a panel, originally established to scrutinise restructuring proposals to ensure that due diligence had been followed and representing best value having regard to all material considerations, however but now proposed to be broadened out as a panel that will have oversight and scrutiny of:

- Restructuring proposals where there is a redundancy implication;
- Applications for licensed deficits including challenge to ensure robust and realistic plans are in place to pay back the loan within a specified and reasonable timeline;
- Proposals to support schools in financial difficulty, including dedicated and tailored high quality financial advice and support.

3.3.3 The panel will include a mixture of officers from Schools and Learning, Finance and Head teachers from all phases (Early Years, primaries, secondaries and special schools).

4. Recommended approach

- 4.1 The on-going nature of the issues relating to increasing demands on the High Needs Block, set out at 3.1 of this report, and the uncertainty facing the Early Years Sector due to the implementation of both the Early Years National Funding Formula and the 30 hours free entitlement for eligible 3 and 4 year olds, set out at 3.2, mean that we can anticipate pressures on DSG funding to continue for the foreseeable future. These issues are facing all school communities and local authorities and similar pressures are being reported to DfE from across the country. For Haringey, we need to acknowledge that following the implementation of the in-year proposals being put forward here, there will only be £100k in the Early Year reserves by the end 2017/2018.
- 4.2 In addition, the Council's General Fund – which funds its revenue expenditure – is equally under pressure and the Children and Young People's Services reported a £6.7m overspend at the end of 2016/2017.
- 4.3 The proposal is for a two pronged approach which addresses the immediate pressures on the High Needs Block and creates a sustainable approach to the DSG going forward which needs to be seen in a holistic way alongside the approach to building a more sustainable funding basis for services funded through the General Fund.
- 4.4 In summary, the short term approach, which cannot address the wider issues facing the DSG, is to reduce spend in the High Needs Block by £545k in 2017/2018 and to apply Early Years reserves to the outstanding projected pressure of £863k in the High Needs Block in 2017/2018.
- 4.5 The longer term approach is required in order to create a stable reserves position and to fund pressures without immediate recourse to those reserves in future years. This approach will mean further containment and reduction of spend in the High Needs Block for children with SEND. At this point in time, the projections show that there are no DSG reserves available from 2018/2019 which is not a tenable position for the DSG overall or for any individual blocks.
- 4.6 The view of the extraordinary joint meeting is that the ringfence on the Early Years reserves previously agreed by Schools' Forum will need to be retained at this point given the level of uncertainty in the sector and the fact that there has not been adequate time for discussion in any event about a different approach. It was noted that a loan had been made to cover the High Needs Block overspend for 2016/2017 and that the plans set out propose a further loan for 2017/2018. There was some support for starting to replenish Early Years reserves from 2018/2019 to the required level given the uncertainty in the Early Years sector over

the impact of the introduction of the national funding formula and the extended 30 hours free entitlement for 3 and 4 year olds. This impact will become more evident over the coming year or so. However, it was noted that more discussion on this is required.

4.7 It is recognised that drastic action will need to be taken to re-profile spend to create an expenditure profile that will lead to balanced budgets in the future, allow reserves to build up and enable the creation of sufficient capacity within the DSG for responding to fluctuations in demand in future years.

4.8 If there is a requirement to replenish Early Years reserves, or indeed to re-establish any level of reserve for the DSG, then there would be a need to deliver a reduction in core expenditure in the DSG, predominantly the High Needs Block, from current levels. This is on the basis that the Early Years National Funding Formula dictates that 97% of the Early Years Block has to be passported directly to early years providers and therefore there is limited scope for savings. Given the demand and cost profiles, achieving any reduction in core expenditure will be challenging and would require re-consideration of the current profile of DSG expenditure. We are anticipating that every line of spend in the current profile will need to be worked through and challenged as even where funding is to meet statutory requirements there are often different ways for those requirements to be met which should be explored.

4.9 2017-2018

4.9.1 The proposals set out below recognise the immediate pressures facing the High Needs Block in the current financial year and the potential for pressures on the Early Years block in this year also. They are acknowledged to be based on a short term approach which does not address the wider issues facing the DSG. In summary, as set out in the table, the proposal is to reduce spend in the High Needs Block by £545k in 2017/2018 and to apply Early Years reserves on a loan basis to the outstanding projected pressure of £863k in the High Needs Block in 2017/2018.

4.9.2 As noted above, the measures outlined in Appendix 1 are proposed in order to address the current projected deficit position for 2017-18, using cost reduction measures and the application of Early Years Block reserves.

4.10 2018-19 and beyond

4.10.1 Given the issues outlined above, it is proposed that a small group is established, comprising a small number of Schools Block, Early Years and High Needs Block Working Group members and council officers to work together to develop a longer term strategy for DSG a first draft of

which – setting out the key direction of travel and any headline findings – would be recommended to Schools’ Forum in October 2017 for wider discussion. It is acknowledged that this is likely to require more work and would be presented in a final form to Forum at the earliest in December 2017. This will allow for the full year effect of any proposed changes to be felt in 2018/2019.

- 4.10.2 We recognise this will be challenging and require a strategic approach to be adopted which may lead to difficult decisions needing to be taken within a short period of time. This Strategy will consider the use of funding across all three blocks in the medium term, will support the transition to a National Funding Formula for Schools and establish a sustainable HNB block by 2020/21. There are opportunities with this approach (which should be underpinned by an evidence base) to consider the key needs and outcomes in Haringey, weigh up the value and impact of different interventions and identify the constraints set by statute on the use of the DSG. There are financial drivers to this work but also the possibility for innovation and finding creative solutions if the process is right.
- 4.10.3 During the discussion at the extraordinary meeting, it was noted that some of the areas for consideration will include how quickly new local provision can be established, whether more can be done to educate children in borough, what support is required to schools to help them to work with children with more challenging and complex behaviour, whether there should be investment in more pre-EHCP work and whether Early Help offers value to the children and families who are the focus of the High Needs Block and should be funded to the current levels.
- 4.10.3 Haringey is not alone in facing pressures on its High Needs Block and in recognition of this the Department for Education has allocated a small sum of money to be deployed to support a strategic review of spend and demand within the Block. We are proposing to use this funding to support the joint group to develop this longer term strategy for the whole of the DSG.

APPENDIX 1

Financial Year	C/F from previous year	Projected in-year Pressure (£)	Total projected outturn (£)	Proposed Action(s) to address the project overspend position	Revised outturn projection (£)
2016/17		N/A	<ul style="list-style-type: none"> £1.340,151 overspend 		<ul style="list-style-type: none"> £0 (Covered by a loan from EY reserves)
2017/18	£0	<ul style="list-style-type: none"> £197, 000 (17/18 B/f) £1,300,000 	<ul style="list-style-type: none"> £1.408,307 overspend 	<ul style="list-style-type: none"> Early Help Team vacancies - £80k as a minimum with any further vacancies arising during the year also being held Restructure of Language and Autism teams - £100k Reduction in Portage Team by one post -£40k Review of pathway for children with complex behaviour requiring residential care Reduction in SEN transport costs allocated to HNB - £275k Simmonds House charge back - £50k <p>Total in-year savings projected: £545,000</p>	<ul style="list-style-type: none"> £ 863,000 (to be covered by a loan from EY reserves)