**London Borough of Tower Hamlets**

**School Forum**

**Executive Summary**

**AGENDA ITEM 4**

**Title of report:**

**Dedicated Schools Grant (DSG) - 2018-19 Budget Monitoring and 2019-20 Overview.**

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**Details on who has been consulted with on this paper to date:**

**Exec Summary:**

The report sets out the original and revised DSG for 2018-19 and the monitoring position for the centrally managed elements of it.

The report also sets out the indicative DSG for 2019-20 and the initial proposals for its use.

**Action Required:**

Schools Forum is invited to:

Note the current projections for 2018-19 centrally retained budgets.

Comment on the initial proposals for the 2019-20 centrally retained elements.

1. **INTRODUCTION.**
	1. The Dedicated Schools Grant (DSG) is a ring-fenced grant used to fund pupil-led education spending. The initial notification of the value of the grant is received in the December preceding the financial year in question and updated at various stages as new data becomes available. As a ring-fenced grant any under or overspends are carried forward into future years.
	2. The grant is split into four blocks:
* The Schools Block (SB). The SB is fully allocated to schools through the Schools Funding Formula, except for the Growth Fund of £2.471m which is distributed to schools during the course of the year. The SB includes funding for local academies and free schools; the formula allocations for these are removed (recouped) from the DSG and paid directly to the institutions by the Education and Skills Funding Agency (ESFA). Schools Forum can agree to de-delegate funding from maintained schools for use centrally for the benefit of maintained schools. In 2018-19 de-delegation totalled £1.728m, leaving £254.977m in school budget shares.
* Central Schools Services Block (CSSB). This is to fund ongoing central services such as Admissions and a reducing level of historical commitments. The CSSB is reducing annually as the Block is moved to a formulaic distribution. It can be supplemented if Forum agrees to de-delegate funding from maintained schools for specific purposes. The CSSB requires Forum approval annually.
* High Needs Block (HNB). This funds the additional cost of pupils with high needs. It includes the funding of places in special schools, alternative provision and Private, Voluntary and Independent (PVI) provision. It also provides top-up funding for pupils with special needs in mainstream provision. The HNB covers students in further education to the age of 25. The ESFA recoups funding in respect of academies and other direct payments. The Local Authority decides how this block is used but it is recommended practice to discuss with the Forum.
* Early Years Block (EYB). The majority of this is delegated to maintained schools, nursery schools and providers in the PVI sector. It covers the statutory universal provision of part-time education to all three and four year olds, the provision of full-time education for three and four year olds with working parents and the provision of part-time education to eligible two-year olds. The Local Authority (LA) can retain 5 per cent of three and four year old funding to provide central services, the use of which requires Forum permission. The amount centrally retained can be increased if dispensation is given by the Secretary of State for Education. The EYB also contains specific funds such as the Disability Access Fund.
1. **DSG 2018-19.**
	1. The latest position for the 2018-19 DSG is set out in Table 1.

**Table 1 Dedicated Schools Grant Settlement 2018-19.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Block** | **Original Allocation** | **Adjustment** | **Revised Allocation** |
|  | **£m** | **£m** | **£m** |
| **Schools Block** | 259.176 | 0 | 259.176 |
| **Central Schools Services Block** | 4.851 | 0 | 4.851 |
| **High Needs Block** | 48.524 | 0.534 | 49.058 |
| **Early Years Block** | 28.280 | 1.248 | 29.528 |
| **Total** | 340.830 | 1.782 | 342.612 |

* 1. The DSG allocation, net of recoupment, underpins the centrally retained budgets. The latest monitoring position is set out in Table 2. This includes balances brought forward, expenditure to the end of August, the projected outturn and balances carried forward. The Table excludes individual school budget shares and balances.

**Table 2. Monitoring of 2018-19 DSG Budgets - Summary.**

Note: SB column is for centrally retained budgets only.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **SB** | **HNB** | **EYB** | **CSSB** | **Total** |
|   | £m | £m | £m | £m | £m |
| DSG Allocation | 2.471 | 49.058 | 29.528 | 4.851 | 85.908 |
| Recoupment |   | -4.851 |   |   | -4.851 |
| De-Delegation | 1.728 |   |   |   | 1.727 |
| **Central Budgets** | **4.199** | **44.207** | **29.528** | **4.851** | **82.783** |
| Spend to End August | 0.635 | 26.749 | 12.31 | 2.021 | 41.715 |
| Projected Outturn | **3.604** | **46.813** | **29.865** | **4.851** | **85.133** |
| 18-19 Balance | -0.595 | **2.606** | 0.337 | 0.000 | 2.350 |
|   |   |   |   |   |   |
| Prior Year Bal | 1.160 | -1.424 | -0.156 | 0.605 | -0.185 |
| Bal Carried Forward 19-20 |   |   |   |   | **2.165** |

* 1. **High Needs Block.** This budget is under significant pressure; last year the overall block had an in-year overspend of £1.424m which was supported by the DSG carry forward reserves, the current year forecast has now increased to nearly £2.606m. The position is summarised in Table 3 and explained in the following sections.

**Table 3: Monitoring Summary for High Needs Block.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Budget** | **Spend to 31/8/18** | **Projected Outturn** | **Variance** |
|   | £m | £m | £m | £m |
| Delegated Budgets | 7.488 | 3.267 | 7.840 | 0.352 |
| Central Support Services | 3.373 | 1.265 | 3.037 | -0.336 |
| PFI  | 0.042 |   | 0.042 | 0.000 |
| ***Top-up Funding*** |   |   |   |   |
| LBTH Special schools  | 10.046 | 4.750 | 11.400 | 1.354 |
| LBTH Mainstream schs | 11.819 | 5.620 | 13.489 | 1.670 |
| Academies & free schs | 1.486 | 1.047 | 1.047 | -0.439 |
| FE colleges | 0.943 | 0.443 | 1.063 | 0.120 |
| Special Resource Provision | 0.576 | 0.240 | 0.576 | 0.000 |
| Other Boroughs | 1.133 | 0.472 | 1.133 | 0.000 |
| Alternative Provision | 2.399 | 0.994 | 2.385 | -0.014 |
| Private and Independent | 4.902 | 2.000 | 4.801 | -0.101 |
|   |   |  |  |   |
| **TOTAL** | **44.207** | **20.098** | **46.813** | **2.606** |

### There has been a significant growth in demand for Education Health and Care Plans (EHCPs) and in the complexity and cost of SEN provision across the whole age range. This growth mirrors the national position and pressure is expected to increase further with a projected 28 per cent increase in Plans over the next 10 years.

### The pressure on the Block has intensified since national changes increased the responsibilities of the HNB in early years and in further education for the 19-25 age-group. The increase in top-up funding for the latter group is projected to rise year on year.

### There has also been increased pressure for schools to be more inclusive as parental choice has led to more pupils entering mainstream settings. This has fuelled costs related to Provision/Placement During Assessment (PDA) and requests for backdated support. This is compounded by a lack of capacity within mainstream settings to provide a graduated response to additional needs before turning to a statutory process and a banding system that is inflexible and not nuanced enough to provide interim support at the point of need.

### There is an increasing budgetary pressure in respect of pupils with Social, Emotional and Mental Health (SEMH). Included within this are those with complex needs that often result in challenging and extreme behaviours involving services such as Social Care and Health. Intervention may require expensive specialist provision.

### Action taken to address the pressures includes increasing in-borough provision and developing the Special Educational Need and Disability Strategy. The latter has the following four strategic priorities:

Strategic Priority 1:

 Review in-borough specialist provision in the context of a changing demographic profile, pre-school, school and college organisational changes and other developments.

Strategic Priority 2:

 Review current provision and need for children, young people and young adults with social, behaviour and mental health needs to ensure continuum of provision and support. (Previously SEBD)

Strategic Priority 3:

 Improve local education and social care opportunities for post-16 and post 18 provision working in partnership with other agencies including colleges and voluntary sector.

Strategic Priority 4:

 Improve outcomes for children and young people (0-25) with SEND and ensure appropriate staff skilled and qualified in all provision.

* 1. **Early Years Block.** The current monitoring position is set out in Table 4 and significant variances are explained in the following sections.

**Table 4: Monitoring Summary for Early Years Block.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Budget** | **Spend to 31/8/18** | **Projected Outturn** | **Variance** |
|   | £m | £m | £m | £m |
| 3&4 YO Universal | 20.872 | 9.031 | 21.673 | 0.801 |
| 3&4 YO Targeted | 3.252 | 1.111 | 2.664 | -0.588 |
| 2 YO | 3.212 | 1.322 | 3.173 | -0.039 |
| DAF | 0.095 | 0.017 | 0.095 | 0.000 |
| M. Nursery Supplement | 0.559 | 0.301 | 0.722 | 0.163 |
| Pupil Premium | 0.298 | 0.124 | 0.298 | 0.000 |
| LADN | 0.271 | 0 | 0.271 | 0.000 |
| Other Centrally Retained | 0.969 | 0.404 | 0.969 | 0.000 |
| **Total** | **29.528** | **12.31** | **29.865** | **0.337** |

### Overall a net overspend of £0.337m is projected. This represents a significant overspend of £0.801m on universal provision for three and four year olds plus a small overspend on maintained nurseries. These are offset by underspends on targeted provision for three and four year olds and two year olds.

### The overspend in three and four year old universal provision is demand driven, primarily in the PVI and academy sector. It should be noted that the EYB will be updated following the January 2019 census and increased numbers of children in provisions should increase DSG funding. A caveat is that numbers will fluctuate during the year but only the number at the census date will generate funding.

### There has been a significant increase in the number of extended hours being provided, predominantly in schools, and a project worker is working on extending this further. The increase still results in a projected underspend as the EYB funding is partly based on estimates rather than fully on actual take-up. As with the universal provision there will be a revision to funding following the January 2019 census.

### The take-up of two year old places has increased and in September stood at 831 children, an increase of 8 per cent over this time last year. The number of eligible children has also increased. A number of schools have expressed interest in taking two year olds and the Integrated Early Years Service (IEYS) is offering them guidance and support. The IEYS is also working with families to increase take-up generally.

### The overspend on the Maintained Nursery Grant reflects the higher historic funding received by nursery schools that the original EYB allocation significantly underfunded. The revised DSG allocation in July 2018 reduced the difference significantly but a gap still remains.

### Local Authority Day Nurseries (LADN) are the subject of a separate report on this agenda. The budget of £271k is the six months funding agreed by Forum. A further contingency of £271k is contained in the Other Centrally Retained line.

###  The EYB includes various funds such as the Early Years Pupil Premium Grant and the Disability Access Fund. Both are projected to be within budget and more information on the latter is given in the Section 3.

## Schools Block and Central School Services Block.

**Table 5: Monitoring Summary for CSSB, De-delegated Budgets and Growth Fund.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Budget** | **Spend to 31/8/18** | **Projected Outturn** | **Variance** |
|   | £m | £m | £m | £m |
| Growth Fund | 2.471 | 0 | 1.876 | -0.595 |
| ***De-delegated*** |   |   |   | 0.000 |
| Contingency | 0.457 | 0.105 | 0.457 | 0.000 |
| ESG | 0.842 | 0.351 | 0.842 | 0.000 |
| Other | 0.429 | 0.179 | 0.429 | 0.000 |
| ***CSSB*** |   |   |   | 0.000 |
| Ongoing Duties | 2.098 | 0.874 | 2.098 | 0.000 |
| Redundancies | 1.117 | 0.465 | 1.117 | 0.000 |
| Other Historic Commitments | 1.636 | 0.682 | 1.636 | 0.000 |
| **TOTAL** | **9.050** | **2.656** | **8.455** | **-0.595** |

### Table 5 brings together centrally retained funding supporting the Schools Block. All are currently projected to be within budget except the Growth Fund where an underspend of £0.595m is projected mainly as the expect growth in the free schools/ academies haven’t transpired.

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# **DSG 2019-20.**

## The indicative DSG allocation based on October 2017 pupil numbers and the guaranteed Primary and Secondary Units of funding (PUF and SUF) for 2019-20 was issued in July. This will be updated in mid-December when the October 2018 census data becomes available. Both the HNB and the PUF and SUF have been uplifted to include the 0.5 per cent per-pupil increase promised by the Government, in the case of the SUF the increase is 0.7 per cent. Table 6 sets out the indicative allocation.

 **Table 6: Indicative DSG Allocation 2019-20.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Block** | **2019-20** | **2018-19** | **Change** |
|  | £m | £m | £m |
| **Schools Block** | 260.193 | 259.176 | 1.017 |
| **CSSB** | 4.798 | 4.851 | (0.053) |
| **High Needs Block** | 49.574 | 49.058 | 0.516 |
| **Early Years Block** | 29.528 | 29.528 | 0.0 |
| **Total** | 344.093 | 342.613 | 1.480 |

 Note: The EYB will not be updated from 2018-19 until the January 2019 census is available.

## Schools Block. Consultation on the funding formula is the subject of a separate agenda item. That report proposes that one-off funding of £0.92m released by reductions in National Non-Domestic Rates in 2019-20 is transferred into the HND to help ease the pressures in the Block reported in 2.3. Other initial proposals for the Block are:

### The level and purposes of de-delegation remain at the 2018-19 level. The detail of this and specific recommendations will be brought back to the Forum in December.

### The Growth Fund remains at the 2018-19 level; this will also be considered in more detail in December.

## Central Schools Services Block. The reduction in funding of £0.053m will need to be contained within the Block. The December meeting will be asked to agree the LA’s proposals on the use of this Block.

## High Needs Block. The proposals for this block are included for discussion with the Forum but Forum approval is not needed. Following the recommendations of the High Needs Funding (HNF) Review in 2017, accepted by the Forum in January 2018, progress through 2018 has included the following.

* + 1. **Reduction in the budget retained by LBTH:** in 2017-18 about £4.8 million of the HNF block was retained to support direct delivery of services, together with some management costs and other commissioned support. The target is to reduce this by half by 2021. The largest proportion of this retained budget is allocated to the Support for Learning Service. LBTH is in the early stages of reviewing the Support for Learning Service, looking to shift many of its services onto the basis of service level agreements with schools and to review its cost-effectiveness.
		2. **Reviewing top-up bandings to increase inclusivity:** LBTH is looking at options to change the top-up bandings for children and young people placed in mainstream schools. Research is being undertaken with other inner London boroughs to benchmark the sums allocated in Tower Hamlets, alongside options that would give flexibility for smaller earlier intervention allocations and a different top-up payment scale for mainstream schools with disproportionately low levels of pupils with SEND.
		3. **Reviewing levels of resource base top-ups:** As part of the current primary place review, the disparity of top-up levels for similar resource bases is being looked at, together with making recommendations about processes for the local authority to be able to re-designate resource bases.
		4. **Reviewing SEMH Schooling:** A school-led Review Group has had its first meeting, led by an independent chairperson, to look at better meeting the needs of pupils in Tower Hamlets with high levels of social, emotional and mental health needs. The scope of the review includes:
		- assessing the outcomes currently being sought for these children and young people up to age 19, consider how these are reported / monitored and make recommendations;
		- To consider the financial sustainability of the current education provision and make recommendations;
		- To consider future demand pressures and options for addressing these;
		- As a result of the above, to recommend principles and actions to develop a renewed model / pathway approach and recommend ways this could be deployed.
		1. The recommendations of this Review will be reported to the Forum in January 2019.

## Early Years Block.

* + 1. As well as the work to develop provision set out in Section 2.4, work will continue next year in developing the use of the Disability Access Fund and SEN Inclusion Fund.
		2. The DfE has provided additional funding of £615 per child in receipt of Disability Living Allowance (DLA). This is a fund for providers to support children with disabilities or special educational needs. It aids access to Free Entitlement places for early years by supporting providers in making reasonable adjustments to their settings.
		3. As of September 2018, **27** **DAF application** forms have been received from schools (15) and MPVIs (12). The DWP estimates that there are 154 three and four year olds children in Tower Hamlets who may be eligible for DAF in 2018 – 19. Schools and childcare settings are not claiming for 127 children locally.
		4. We believe the slow take-up is due to the fund only being rolled out last year. Few parents and schools are yet aware of this. Schools and MPVI settings have been informed of this funding through head teacher’s bulletin and the termly forums. The forums are followed up by letters from Christine McInnes. The information and application form are available on the Tower Hamlets [website](https://www.towerhamlets.gov.uk/lgnl/education_and_learning/childcare_and_early_years_educ/Early_learning_and_childcare_funding.aspx). We will continue to work with schools and MPVIs in order to raise the awareness of this funding.
		5. **Distributing DAF funding to early years providers.** Local authorities must fund all early years settings providing a place for each child eligible for the DAF in their area at the fixed annual rate of £615 per eligible child. DAF should not be offset against any other funding which an authority may ordinarily be providing for children eligible for the DAF.
		6. DAF is payable as a lump sum once a year per eligible child. If a child eligible for the DAF is splitting their free entitlement across two or more providers, for example a school nursery class and a child minder, the local authority should ask parents to nominate the main setting to receive DAF. This setting will be where local authorities pay the DAF for the child.
		7. If a child receiving DAF moves from one setting to another within a financial year, the new setting is not eligible to receive DAF funding for this child within the same financial year. DAF funding received by the original setting will not be recouped. In cases where a child who lives in one authority area attends a provider in a different local authority, the provider’s local authority is responsible for funding the DAF for the child and eligibility checking.
		8. **SEN Inclusion Fund**. There is a requirement to establish an inclusion fund for three and for year olds with SEND taking up the government entitlements and, at the council’s discretion, two year olds who are accessing the free entitlement. This forms part of the High Needs Block (access to childcare).
		9. **Eligibility**. The SEND Inclusion Fund is for children taking up the government entitlements for early childhood education and care. Local authorities must target the fund to children with lower level or emerging SEND to facilitate their access to private, voluntary and independent childcare settings. Locally this is overseen by the IEYS Area Inclusion Coordinators (Area SENCos in the SEND code of practice). These qualified teachers work with the child, family and setting and assist with identification and planning for children with SEND and transition planning to school using a person centred approach. The enabling funding for access (equipment, additional support) comes from the high needs block. Children with more complex needs in receipt of an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG.