

**Report of the Director of Children and Families Services**

**Report to the Leeds Schools Forum**

**Subject: Dedicated Schools Grant 2023/24 – Budget Monitoring Month 5**

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**1 Summary of main issues**

- 1.1 This report is to inform members of Schools Forum of the latest 2023/24 budget monitoring position on the Dedicated Schools Grant (DSG) as at the end of August 2023.
- 1.2 This report projects an in year overspend of £924k, which represents 0.18% of the estimated funding. This is largely made up of overspends in the high needs block with minor variations in the other blocks.
- 1.3 Schools Forum agreed to a transfer of £3.338m from the schools block to the high needs block in 2022/23.
- 1.4 Overall, the variation on general DSG is analysed as follows:

	Estimated Funding £000	Projected Expenditure £000	Variance £000
Schools Block	(339,322)	338,975	(347)
Early Years Block	(61,989)	61,989	0
High Needs Block	(117,171)	118,475	1,304
Central Schools Services Block	(5,106)	5,073	(33)
<b>Total In Year Overspend</b>	<b>(523,588)</b>	<b>524,512</b>	<b>924</b>
Surplus b/fwd from 2022/23			(7,060)
<b>Projected surplus at 31/3/24</b>			<b>(6,136)</b>

## 2 Schools Block

- 2.1 The majority of the Schools Block is allocated to primary and secondary schools (ISB), with smaller amounts for de-delegated services and the growth fund. These budgets are subject to fluctuations in expenditure throughout the year. The projected costs and variances are summarised below:

	Budget £000	Projection £000	Variance £000
DSG Income Due	(340,471)	(338,072)	2,399
Funding From Reserves	(1,250)	(1,250)	0
Individual Schools Budget	335,047	332,640	(2,407)
Growth Fund	980	641	(339)
	<u>(5,694)</u>	<u>(6,041)</u>	<u>(347)</u>
De-delegated budgets	5,694	5,461	(233)

(note: a bracketed figure is an underspend and a positive figure an overspend)

- 2.2 When a school becomes an academy, funding payments are made directly by the Education and Skills Funding Agency (ESFA). For Leeds City Council this means that there is a reduction in grant income which is largely matched by reduced expenditure.
- 2.3 Overall, de-delegated services budgets are currently projected to be underspent by £233k. There is a projected underspend of £100k on contingency and additional de-delegated income due to the technical adjustments made when a school converts to an academy.
- 2.4 Current projections on growth fund show an underspend of £339k compared to the budget set in January.

## 3 Early Years Block

- 3.1 At this early stage in the year, there is a high degree of uncertainty on the Early Years block for 2023/24, with projected costs and variances within the block summarised below:

	Budget £000	Projection £000	Variance £000
DSG Income Due	(57,538)	(59,970)	(2,432)
Early Years Supplementary Grant		(2,019)	(2,019)
FEEE 3 & 4 Year Olds	47,038	50,390	3,352
FEEE 2 Year Olds	7,303	8,235	932
SEN Inclusion Fund	467	746	279
Early Years Pupil Premium	606	630	24

Disability Access Fund	292	156	(136)
Early Years Centrally Retained	1,832	1,832	0
	0	0	0

(note: a bracketed figure is an underspend and a positive figure an overspend)

- 3.2 The final funding adjustment in relation to 2022/23 has now been confirmed and has resulted in an additional £189k in 2023/24.
- 3.3 The hourly rate initially allocated in 2023/24 increased by 30p per hour for 2 year olds and 16p per hour for 3 and 4 year olds. The full increase for 2 year olds was passed onto providers. However for 3 and 4 year olds, the base rate has been increased to £4.92 per hour from £4.78 per hour in 2022/23. This means that £5.36 per hour is being utilised even though the funding received is only £5.28 per hour.
- 3.4 In July 2023, the government announced an increase in early years funding rates from September 2023. The increases for Leeds are as follows:

	Original Rate	Revised Rate	Increase
2 Year Olds	£5.87	£7.78	£1.91 per hour
3 and 4 Year Olds	£5.28	£5.40	£0.12 per hour
Early Years Pupil Premium	£0.62	£0.66	£0.04 per hour
Disability Access Fund	£828.00	£881.00	£53.00 per year

- 3.5 Local authorities will receive a supplementary grant to fund the increased rates. Indicative allocations have recently been received, though the final amount due to each local authority will be calculated on the same basis as the standard early years funding methodology, which is that it will be based on January 2024 early years census numbers. The total shown in paragraph 3.1 reflects the estimated pupil numbers in the January 2024 early years census.
- 3.6 This approach is likely to cause a financial pressure in 2023/24 as additional funding will be for 7/12ths of the year (58.33%). However, payments made to providers are based on the number of school weeks in each term. For 2023/24, the autumn and spring term count for 25 out of 38 weeks (65.79%). This means that higher payments will be made to providers for a greater percentage of the year than higher income is received for.
- 3.7 Based on activity in recent years, it is apparent that the way early years is funded creates a baseline underspend, part of this has been resolved by increasing the base rate for 3 and 4 year olds by 8p. Current projections on the impact of the supplementary funding suggest that the shortfall in 2023/24 will be similar to the remaining underspend. As a result, the early years block is currently projected to be on budget overall.

#### 4 High Needs Block

4.1 The projected costs and variances within the High Needs Block are summarised in the table below:

	Budget £000	Projection £000	Variance £000
DSG Income Due	(117,035)	(117,171)	(136)
Funding Passported to Institutions			
- SILC and Resource Provision Places	14,610	14,893	283
- Out of Area and residential placements	14,821	12,442	(2,379)
- Alternative Provision (including AIP's)	5,228	5,228	0
- SEN Top-ups to Institutions	67,631	70,978	3,347
- Mainstream additional places (£6k blocks)	3,962	6,205	2,243
- Additional high needs places	1,263	0	(1,263)
- Education provision for mental health beds	100	100	0
Commissioned Services			
- Hospital & Home Tuition	2,604	2,574	(30)
- PD & Medical Service	97	97	0
Children's Services			
- Autism support (STARS)	482	523	41
- Children missing out on education	482	388	(94)
- Management of high needs services	234	234	0
- SEN adaptations	229	229	0
- SEN Inclusion Team	1,470	1,477	7
- Sensory Service	2,264	2,250	(14)
- Invest to Save budget	1,000	299	(701)
Other items			
- Prudential borrowing for SEMH provision	558	558	0
	0	1,304	1,304

(note: a bracketed figure is an underspend and a positive figure an overspend)

4.2 As detailed in the table above, there is a projected overspend of £1,304k on the High Needs Block. These projections are also following the transfer of £3,338k from the schools block to the high needs block. If this had not been agreed, the high needs block would have been £4,642k overspent. As detailed in paragraph 4.8, funding due to mainstream settings is projected to be £6,200k more than the block transfer.

4.3 DSG income due is £136k more than budgeted following a minor change in the import / export element of the funding calculation and changes to deductions for payments to academies. £121k of this increased income offsets part of the increase in resource provision places.

4.4 Previous reporting identified a significant rise in the requests for new assessments. The Leeds SEN2 return to the DFE reported a 60%+ increase in the number of requests for EHC Assessments. This is due to both the longer-term trend of growing need in the community, as well as a significant number of referrals which were thought to have been delayed until schools returned after the pandemic and identified unmet need. The number of EHC Plans in total

continues to increase, by over 15% in the last two years. This is a consistent long-term trend since 2013, mirrored by national comparators.

- 4.5 National statistics indicate that around 50% of learners with an EHCP then move into specialist provision. At the present time we are working to develop specialist resourced bases in mainstream schools for specific areas of identified need alongside the creation of a new generic special school. In addition, we have also increased the capacity in our existing SILCs across the city to meet this demand. It must also be noted that even though we have a planned programme of developing additional provision across the city there will still remain the need to commission out of authority places for those learners with highly complex and individual needs that require a bespoke package.
- 4.6 Out of area and residential placements is currently projected to be £2,379k underspent. Much of this is a result of the significant underspend on outside placements in 2022/23 continuing into 2023/24. This is partly offset by an increase in the number of high needs pupils in external residential placements. The education element of these placements is charged to the high needs block. However this may change significantly as the impact of the placements required for the new academic year becomes clearer.
- 4.7 SEN top-ups to institutions is projected to be overspent by £3,347k. Within this, the largest increase is in top-ups paid to mainstream schools (£3,255k). This is largely due to more high needs pupils in mainstream schools.
- 4.8 Another impact of the increase in SEN top-ups to mainstream schools is that the budget for the additional £6k blocks paid to schools who have a higher number of SEN pupils than their notional SEN budget covers, is expected to be £2,243k overspent due to an increased number of SEN pupils within schools meeting the criteria for additional £6k blocks. Overall, this means that mainstream schools are projected to receive £9,538k more than in 2022/23 which is £6,200k more than the block transfer.
- 4.9 There is expected to be a combined underspend in the services provided by Children and Families of £761k. The majority of this is due to the Invest to Save budget.
- 4.10 At the start of the year, it was expected that there would be a need for extra specialist placements from September 2023. These costs are now shown within the overspends above (particularly mainstream) and as a result there are no costs projected on this budget. It is therefore proposed to remove this budget in 2023/24 and reallocate it to the budgets where the expenditure is taking place.
- 4.11 The movement on the high needs block projections since reported to Schools Forum in June is an adverse change of £1,539k. The main reasons for this movement are:
  - An increase in high needs pupils and costs in external residential placements (£371k).
  - Increased number of pupils with personal budgets and an increase in the cost of some personal budgets (£600k).
  - Increase FFI top ups to mainstream schools (£539k).

- Increase in FFI top ups in relation to pupils in resources provision settings (£385k).
- Reduced cost of services provided by Children and Families (£-261k).

## 5 Central School Services Block

5.1 This block provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England. CSSB is split into funding for historic commitments and funding for ongoing responsibilities.

5.2 The projected costs on this block are:

	Budget £000	Projection £000	Variance £000
DSG Income Due	(5,106)	(5,106)	0
Historic Commitments	515	515	0
Ongoing Responsibilities	4,591	4,558	(33)
	0	(33)	(33)

(note: a bracketed figure is an underspend and a positive figure an overspend)

5.3 The minor underspend is due to savings in the Admissions Service.

## 6 2023/24 Reserves

6.1 The table below shows the expected position as at 31<sup>st</sup> March 2024 as a result of all the variances detailed above.

	General £000	De-delegated £000	Total £000
Balance b/fwd from 2022/23	(7,060)	(1,950)	(9,010)
Use of reserves to fund contingency fund		500	500
Refund of de-delegated reserves		1,250	1,250
2023/24 Variances			
- Schools Block	(347)	(233)	(580)
- Early Years Block	0		0
- High Needs Block	1,304		1,304
- Central Schools Services Block	(33)		(33)
<b>Balance c/fwd to 2023/24</b>	<b>(6,136)</b>	<b>(433)</b>	<b>(6,569)</b>

- 6.2 As previously reported to Schools Forum, a refund totalling £1,250k has been made to all schools that contributed to the de-delegated surplus at the end of 2022/23.
- 6.3 The conditions of grant for the Dedicated Schools Grant requires that any local authority with an overall deficit on its DSG account at the end of 2023/24 financial year must be able to present a plan to the DfE for managing their future DSG spend. However as the DSG is currently projected to be in surplus, this is not currently required.

## **7 Recommendations**

- 7.1 Schools Forum is requested to note the projected overspend on General DSG of £924k which will be taken off the surplus on General DSG brought forward from 2022/23. This will make the current projected cumulative surplus of £6,136k with projected de-delegated surplus balances standing at £433k.