

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

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Subject: Dedicated Schools Grant Outturn 2018/19

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1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the 2018/19 outturn position on the Dedicated Schools Grant (DSG).
- 1.2 This report shows an underspend of £3.799m with a further contribution to reserves of £0.677m from the High Needs Block (HNB) as detailed later in this report.
- 1.3 Overall, the variance on general DSG is analysed as follows:

	Funding £000	Expenditure £000	Variance £000
Schools Block	305,401	304,462	(939)
Early Years Block	58,406	55,552	(2,854)
High Needs Block	62,332	62,332	0
Central Schools Services Block	5,171	5,165	(6)
Total In Year Overspend	431,310	427,511	(3,799)
Deficit reserve b/fwd from 2017/18			3,379
Actual contribution from HNB			(677)
Surplus as at 31/3/19			(1,097)

2 Background information

- 2.1 At 1st April 2018, the balance of the DSG brought forward from the 2017/18 financial year was a deficit of £2.954m. Of this, de-delegated services was a surplus of £425k, which means there was a deficit on general DSG of £3.379m.

- 2.2 The surplus balance of £1.097m reported in 1.3 above is largely as a result of the additional in year high needs funding announced in December 2018 and an improved position on the HNB. This is lower than the projected surplus of £1.562m at the end of 2018/19 as reported to Schools Forum in February 2019 due to further increases in high needs costs, some of which are expected to continue into 2019/20. Some £0.4m of the surplus balance has been earmarked to supplement the Growth Fund budget in 2019/20.

3 Schools Block

- 3.1 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 actual variances are summarised below:

	Latest Estimate £000	Outturn £000	Variance £000
DSG Income	(320,706)	(305,401)	15,305
Funding from reserves	(300)	0	300
Individual Schools Budget	313,309	297,580	(15,729)
Growth Fund	2,900	2,385	(515)
	<u>(4,797)</u>	<u>(5,436)</u>	<u>(639)</u>
De-delegated budgets	4,797	4,335	(462)

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

- 3.2 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, though overall there is an underspend as a result of recoupment adjustments on NNDR and growth funding in respect of schools which have converted to academies during 2018/19.
- 3.3 De-delegated services were underspent by £462k which meant that the budgeted contribution from reserves was not required. Overall, the de-delegated reserves increased by £162k. There is additional income due to the way de-delegated budgets are dealt with when a school becomes an academy. If this conversion happens after 1st September, the authority retains the de-delegated income for the rest of the financial year, though the academy can still access the de-delegated services. Although there were some overspends (mainly as a result of increased maternity pay costs) these have been more than offset by underspends on other areas, particularly schools contingency.
- 3.4 The Growth Fund was £400k underspent as the full allocation was not required. As detailed in the 2019/20 School Funding Arrangements report taken to Schools Forum in January, £400k of the underspend will be earmarked for use in 2019/20 specifically to supplement the Growth Fund budget in that year.

4 Early Years Block

4.1 The projected costs and variances within the Early Years block are summarised below:

	Latest Estimate	Outturn	Variance
	£000	£000	£000
DSG Income	(55,367)	(58,406)	(3,039)
FEEE 3 & 4 Year Olds	44,216	45,464	1,248
FEEE 2 Year Olds	7,903	7,315	(588)
SEN Inclusion Fund	485	507	22
Early Years Pupil Premium	640	420	(220)
Disability Access Fund	184	76	(108)
Early Years Centrally Retained	1,939	1,770	(169)
	0	(2,854)	(2,854)

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

4.2 Due to the way Early Years is funded (with the final grant income based on the pupil numbers as at January 2018 and January 2019) there is a difference between the number of places funded and the number of places paid to providers. Draft information from the spring term census suggest that this trend will continue which has resulted in the underspend shown above. The hourly rate paid to providers in 2019/20 has been increased again partly in response to the underspends in 2017/18 and 2018/19.

4.3 Information on the costs for the summer term showed that the take up of places was lower than usual. As the grant income due for this period will not change, an underspend is projected.

4.4 There were further underspends projected on the Disability Access Fund and Early Years Pupil Premium. In addition, it is expected there will be no call on the Early Years Contingency Fund. For the 2018/19 budget the contingency fund was reduced to £170k from £400k in 2017/18.

4.5 As part of the 2017/18 outturn it was reported that the Early Years grant for 2017/18 was estimated as the statutory deadlines for finalising the accounts were earlier than the final grant notification. The final grant was for £456k more income than was included in the 2017/18 accounts which has contributed to the underspend in 2018/19.

5 High Needs Block

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

	Latest Estimate	Outturn	Variance
	£000	£000	£000

DSG Income	(60,300)	(62,332)	(2,032)
Funding Passported to Institutions			
- SILC and Resource Provision Places	10,169	10,240	71
- Outside and external residential places	6,283	7,673	1,390
- Alternative Provision (including AIP's)	5,256	4,799	(457)
- SEN Top-ups to Institutions	30,666	32,486	1,820
- Mainstream additional places (£6k blocks)	425	459	34
- Mental Health beds for adolescents	200	25	(175)
- Further SEMH set up costs	395	395	0
Commissioned Services			
- Hospital & Home Tuition	1,483	1,482	(1)
- PD & Medical Service	65	97	32
Children's Services			
- Autism support (STARS)	413	397	(16)
- Children missing out on education	257	209	(48)
- Management of AP	110	110	0
- SEN adaptations	141	127	(14)
- SEN Inclusion Team	1,206	1,009	(197)
- Sensory Service	2,177	2,039	(138)
- Virtual school (Children Looked After)	108	108	0
Other items			
- Contribution to reserves	946	677	(269)
	0	0	0

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

- 5.2 In December 2018, the Government announced an additional £250m of revenue funding nationally for high needs over 2 years (2018/19 and 2019/20). For 2018/19, this meant additional funding of £1,759k for Leeds and is reflected in the income figure above.
- 5.3 At the end of 2017/18 an assessment was made on the Area Inclusion Partnerships (AIP) balances and projected use of reserves. As a result of this, £250k has been clawed back from AIP balances in 2018/19. In addition, there was a further underspend as there were fewer city wide exceptional places than budgeted for.
- 5.4 For 2018/19 the SEN top ups budget was increased by £3.377m compared to the previous year reflecting the growing demand for this funding. However, in order to set a budget within the available funding a number of savings on the HNB were agreed including a reduction in the FFI unit rate to £600, with the exception of special school settings. Despite this, SEN top-ups to institutions continues to be the largest area of overspend. The final overspend for 2018/19 was £1,820k and the largest areas within this are as follows:
- The 2018/19 budget for top ups to mainstream schools and academies was increased by £831k compared to the previous year's budget to reflect an increase in numbers partly offset by savings from reducing the unit value. However this budget was still overspent by £245k as a result of more children receiving a diagnosis of Complex Communication Difficulties.

- The 2018/19 budget for special school provision in SILCs and Lighthouse School top ups was increased by £1,379k compared to the previous year to reflect the projected increase in the number and complexity of provision. The current overspend on this area of £813k is partly due to a further increase in the number of pupils in the SILCs plus an increase in the number of pupils that now meet the criteria for additional funding in E band (communication and interaction) and G band (medical needs).
- An increase in top up funding of £276k for the SEMH special academy.
- Due to an increase in the take up of personal budgets, specifically around personal transport costs, there was an overspend of £214k.
- All other SEN top up overspends total £272k.

5.5 The Outside Placements was £1,090k overspent. There has also been an increase in the number and cost of high needs pupils in external residential placements which was overspent by £300k as a result.

5.5.1 Schools Forum in February 2019 were advised of the requirements and processes around outside placements.

5.5.2 Of the total overspend on outside placements, £269k was in respect of fees for 1 to 1 tuition. The costs of this have increased as a result on more pupils on reduced timetables in schools. In order to mitigate these costs in future years a new approach has been taken to appoint dedicated staff to provide this tuition rather than use external providers.

5.5.3 Although the number of day placements has reduced, there has been an increase in very high cost placements for which there is no available place in Leeds.

5.5.4 A summary of the settings where there was the greatest cost in 2018/19 shows the following:

	£000
Hall Cliffe School	934
Meadowcroft School	779
St Johns Catholic School for the Deaf	458
Ackworth School	406
Hall Cliffe Primary School	394

5.6 There was an underspend of £197k on the SENIT service and a further underspend of £138k on the Sensory Service, both of which are the result of in year staffing vacancies. This underspend is for 2018/19 only and is not expected to continue into 2019/20.

5.7 The budget was set with an assumption that there would be a contribution of £946k towards the deficit reserve brought forward from 2017/18. After taking into account the overspends detailed above, the final contribution to the reserves was £677k.

6 Central School Services Block

6.1 This was a new block for 2018/19 which provided 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.

6.2 The actual costs on this block were:

	Latest Estimate £000	Outturn £000	Variance £000
DSG Income	(5,171)	(5,171)	0
Historic Commitments	1,145	1,133	(12)
Ongoing Responsibilities	3,526	3,532	6
Severance / Pension costs	500	500	0
	0	(6)	(6)

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

6.3 There were some very minor variances on specific budgets which resulted in a small underspend of £6k.

7 2018/19 Reserves

7.1 The table below shows the final position as at 31st March 2019 as a result of all the variances detailed in this report:

	General £000	De-delegated £000	Total £000
Balance b/fwd from 2017/18	3,379	(425)	2,954
Use of reserves		0	0
2018/19 Variances / Contributions			
- Schools Block	(939)	(162)	(1,101)
- Early Years Block	(2,854)		(2,854)
- High Needs Block	(677)		(677)
- Central Schools Services Block	(6)		(6)
Balance c/fwd to 2019/20	(1,097)	(587)	(1,684)

7.2 Due to the underspends on de-delegated services, the surplus on this element of the reserve has increased to £587k. The general DSG surplus is £1,097k, though Schools Forum has previously agreed to utilise £400k of this for growth funding in 2019/20.

8 Forward view to 2019/20

8.1 When the budget for 2019/20 was set, it included a number of proposals to address the underlying budget pressures. Although it is still early in the new

financial year, a number of issues are emerging that are likely to have an impact on the 2019/20 budget.

- 8.2 Although the hourly rate paid to providers has increased again in 2019/20, the underlying underspend on the Early Years Block is expected to continue albeit at a reduced value. Information is not yet available on the summer 2019 term but based on previous years activity an underspend of up to £1.5m is expected.
- 8.3 The underlying pressure on the high needs block is expected to continue into 2019/20 with an overspend currently projected. These pressures are detailed in the high needs report elsewhere on the agenda.
- 8.4 Overall, it is expected that by the end of 2019/20 general DSG will not be in a significant deficit position.

9 Recommendations

- 9.1 Schools Forum is requested to note the underspend on General DSG of £3.799m which has been added to the deficit on General DSG brought forward from 2017/18. At the end of the year there was a surplus of £1.097m, £400k of this surplus will be earmarked for the Growth Fund in 2019/20. There is also a surplus on de-delegated services of £587k.
- 9.2 Schools Forum is also requested to note the initial forward view for 2019/20.