



Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2019/20 – 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 2019/20 budget monitoring position on the Dedicated Schools Grant (DSG) as at the end of August 2019.
- 1.2 This report projects an in year overspend of £5,261k. This is made up of an overspend on the High Needs Block (HNB) largely as a result of increased expenditure on SEN top-ups and outside placements. This is partly offset by a projected underspend on the early years block and an underspend on the schools block.
- 1.3 The projected deficit in this report is higher than the high level projections reported to Schools Forum in June 2019. However, there are increasing cost pressures in the high needs block which are a result of a significant increase in Education, Health and Care Plans (EHCP) requests. This has resulted in an increase in demand for specialist places (both within Leeds and in outside placements) and increased costs in mainstream schools over and above the estimates that were built into the 2019/20 budget.
- 1.4 Schools Forum agreed to a transfer of £1.50m from the schools block to the high needs block in 2019/20. The FFI unit rate was also increased from £600 to £650 per unit and as a result the budget for top-ups at mainstream schools was increased by £0.94m. Current projections are that FFI top-up to mainstream schools is expected to be £2.59m overspent compared to the increased budget.
- 1.5 Schools Forum members have previously asked whether an in year payment can be made to schools to repay some of the accumulated surplus on de-delegated budgets. Following further work on this, it is proposed to repay the 2018/19 underspend of £462k back to schools.

1.6 Overall, the variation on general DSG is analysed as follows:

	Estimated Funding £000	Projection £000	Variance £000
Schools Block	301,014	300,142	(872)
Early Years Block	57,057	55,985	(1,072)
High Needs Block	66,318	73,523	7,205
Central Schools Services Block	4,725	4,725	0
Total In Year Overspend	429,114	434,375	5,261
Surplus b/fwd from 2018/19			(1,097)
Projected deficit at 31/3/19			4,164

1.7 Recent Government announcements on schools funding has stated that nationally in 2020/21 there will be increased funding for the schools block (£2.6bn), the high needs block (£700m) and the early years block (£66m). Full details have not yet been announced, though at this stage there is a clear risk that the anticipated increase in funding to Leeds will not be sufficient to fund the projected increase in costs in the high needs block.

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:

	Latest Estimate £000	Projection £000	Variance £000	To Date £000
DSG Income Due	(301,877)	(300,014)	1,863	(125,714)
Funding from DSG reserves	(400)	0	400	0
Funding from LCC reserves	(1,000)	(1,000)	0	0
Individual Schools Budget	295,939	293,871	(2,068)	289,511
Growth Fund	2,900	1,833	(1,067)	191
	(4,438)	(5,310)	(872)	163,988
De-delegated budgets	4,438	4,314	(124)	1,769

(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, 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 2019/20.

- 2.3 De-delegated services budgets are currently projected to be underspent by £124k overall, though within that there is a projected overspend of £100k on maternity pay and £17k in SIMS licences. There is additional income of £242k 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.
- 2.4 Schools Forum members have previously asked whether an in year payment can be made to schools to repay some of the accumulated surplus on de-delegated budgets. The operational guide does not state that this is not possible and so it is proposed to repay the £462k that de-delegated services were underspent by in 2018/19 pro-rata to the amount of de-delegated income each school contributed. Attached at appendix 1 is a schedule showing how much would be received by each school on this basis.
- 2.5 As previously reported to Schools Forum, the growth fund allocation is calculated by the ESFA and no longer splits out the amount allocated in relation to the growth fund (explicit growth) compared to funding allocated for growth within the funding formula (implicit growth). Initial projections on implicit growth estimated that £2,713k would be required. However once the October 2018 census details were available, a number of the new and growing schools had pupils in each year group which meant they no longer attracted implicit growth. This meant that only £1,626k was actually required. The balance of £1,087k was retained within the schools block and used to increase funding to all schools.
- 2.6 The explicit Growth Fund was initially set at £2,900k, with £2,500k coming from the 2019/20 allocation and £400k from earmarked reserves brought forward from 2018/19. The current projections are that growth fund expenditure will be £1,833k which will result in an underspend of £1,067k. The majority of growth fund payments due have been agreed with a small number still to be confirmed.
- 2.7 In previous years, pressure on the growth fund has been in primary schools. However in Leeds, the pressure for additional places is now in secondary provision. For 2019/20, the majority of these places have been found by secondary schools without additional funding from the growth fund. Looking forward to September 2020, current projections are that an additional 780 places will be required in secondary provision in Leeds which means there is likely to be an increase in growth fund costs for 2020/21.
- 2.8 Schools Forum members have requested a schedule showing the details of expected Growth Fund payments for 2019/20. This schedule is shown at appendix 2.

3 Early Years Block

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

	Latest Estimate	Projection	Variance	To Date
	£000	£000	£000	£000
DSG Income Due	(55,877)	(57,057)	(1,180)	(24,483)
FEEE 3 & 4 Year Olds	45,708	45,927	219	18,322
FEEE 2 Year Olds	7,312	7,050	(262)	2,485
SEN Inclusion Fund	398	627	229	270
Early Years Pupil Premium	478	514	36	1,338
Disability Access Fund	188	107	(81)	36
Early Years Centrally Retained	1,793	1,760	(33)	733
	0	(1,072)	(1,072)	(1,299)

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

- 3.2 Due to the way Early Years is funded (with the final grant income based on the pupil numbers as at January 2019 and January 2020) there is a difference between the number of places funded and the number of places paid to providers. The hourly rate paid to providers in 2019/20 was increased partly in response to the underspends in 2017/18 and 2018/19 despite no increase in funding levels received.
- 3.3 Initial projections for summer 2019 term show that there is projected to be an underspend again in 2019/20. However, more work is needed to verify these figures and assess any potential impact on projections and future years.
- 3.4 Following recent work to ensure greater access to the SEND Inclusion Fund, this is now expected to be £229k overspent. This is partly as a result of late claims from previous years, but mainly due to an increase in claims to this fund. As a result of this, a small part of the expected increase in early years funding for 2020/21 can be used to increase this budget.
- 3.5 There are 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 small Early Years Contingency Fund. For the 2019/20 budget the contingency fund was further reduced to £32k from £170k in 2018/19.
- 3.6 As part of the 2018/19 outturn it was reported that the Early Years grant for 2018/19 was estimated as the statutory deadlines for finalising the accounts were earlier than the final grant notification. The final grant was for £139k more income than was included in the 2018/19 accounts which can now be utilised in 2019/20 and has been included in the above projections.

4 High Needs Block

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

	Latest Estimate £000	Projection £000	Variance £000	To Date £000
DSG Income Due	(66,389)	(66,318)	71	(26,674)
Funding Passported to Institutions				
- SILC and Resource Provision Places	12,897	12,533	(364)	11,853
- Deficit SILC balances	0	0	0	0
- Outside and external residential placements	6,618	8,921	2,303	3,585
- Alternative Provision (including AIP's)	5,256	5,256	0	0
- SEN Top-ups to Institutions	34,125	39,305	5,180	23,935
- Mainstream additional places (£6k blocks)	528	528	0	0
- Mental Health beds for adolescents	100	100	0	10
Commissioned Services				
- Hospital & Home Tuition	1,605	1,605	0	0
- PD & Medical Service	97	97	0	0
Children's Services				
- Autism support (STARS)	437	437	0	182
- Children missing out on education	261	261	0	161
- Management of AP	110	110	0	44
- SEN adaptations	141	141	0	58
- SEN Inclusion Team	1,240	1,240	0	455
- Sensory Service	2,308	2,308	0	812
- Virtual school (Children Looked After)	108	123	15	49
Other items				
- Prudential borrowing for SEMH provision	558	558	0	0
	0	7,205	7,205	14,470

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

4.2 As detailed in the table above, the projected overspend on the High Needs Block is £7,205k. This is following the increase in grant awarded in December 2018 and a further transfer of £1.5m from the Schools Block.

4.3 For 2019/20, following the allocation of an additional £1,759k announced in December 2018 the FFI unit rate was increased to £650. This was to support schools in meeting the needs of the most vulnerable learners in the city, without the need for an EHC plan. The FFI unit for SILCs in the city was also maintained at £684.

4.4 The number of new assessments has been steadily increasing which has led to a significant increase in EHC plans. There has been an 80% rise in new assessments in 2018/19 compared to 2014/15. We estimate that if the current high level of demand for support through EHCPs is sustained the number of children supported through these plans is likely to double by 2025 to over 7,000 children. National statistics tell us that around half of learners with a plan are then taught in specialist provision. This current trend has led to a much greater increase in the need for special school places. There is a great deal of work

underway to develop additional SILC placements which go some way to meet the additional demand. For some pupils there is the need to place on a residential basis at a high cost to the local authority. This is usually around complex ASC and also in some cases for complex SEMH. A further demand is for places for pupils with ASC who are able to access an academic curriculum but where they have a high level of anxiety and SEMH. There are not sufficient places in city, despite the Springwell Leeds, Carr Manor and Lighthouse provision to meet need. This has led to Leeds needing to source additional places within the independent settings to make provision.

4.5 SEN top-ups to institutions continues to be the largest area of overspend. The projected overspend for 2019/20 is now £5,180k and the largest areas within this are as follows:-

- The 2019/20 budget for top ups to mainstream schools and academies was increased by £940k compared to the previous year's budget to reflect an increase in numbers and the increase in the FFI unit rate. However this budget is still projected to overspend by £2,586k as a result of a significant increase in the number and value of FFI claims for schools. Had the number and value of FFI top ups remained at the same level as 2018/19, the increase in budget would have been sufficient to fund the increase in unit rate from £600 to £650. The projected overspend shows that the increase in top ups received by mainstream schools has exceeded the transfer from the schools block by over £1m.
- This projection also includes an estimated cost of £1,497k in respect of additional funding required to ensure that NW SILC is in a sustainable financial position prior to the school becoming an academy.
- The 2019/20 budget for SILC top ups was increased by £1,227k compared to the previous year's budget to reflect the projected increase in the number of pupils and complexity of provision. The current overspend on this area of £820k is partly due to a further increase in the number of pupils in the SILCs plus a general increase in the average funding for those pupils.

4.6 The Outside Placements budget is currently expected to be £2.3m overspent. As detailed above, the number of special school places required has outstripped the availability of places in Leeds. This has resulted in an increase in the number of high cost placements outside the city. There is still a risk that this overspend could increase further.

4.7 As previously reported, one element of the HNB DSG allocation for 2019/20 was still outstanding. This relates to an adjustment to reflect the number of pupils who are the responsibility of one local authority but are placed in another local authority. That final adjustment has now been calculated and it has resulted in a slight reduction in expected grant of £71k (0.12%).

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:

	Latest Estimate	Projection	Variance	To Date
	£000	£000	£000	£000
DSG Income Due	(4,725)	(4,725)	0	(2,219)
Historic Commitments	646	645	(1)	39
Ongoing Responsibilities	3,879	3,880	1	1,759
Severance / Pension costs	200	200	0	83
	0	0	0	(338)

5.3 At the moment there are not projected to be any significant variances on this block.

6 2019/20 Reserves

6.1 The table below shows the expected position as at 31st March 2020 as a result of all the variances detailed above.

	General	De-delegated	Total
	£000	£000	£000
Balance b/fwd from 2018/19	(1,097)	(587)	(1,684)
Use of reserves	0	462	462
2019/20 Variances / Contributions			
- Schools Block	(872)	(124)	(996)
- Early Years Block	(1,072)		(1,072)
- High Needs Block	7,205		7,205
- Central Schools Services Block	0		0
Balance c/fwd to 2020/21	4,164	(249)	3,915

7 2020/21 High Needs Block Funding

7.1 Schools Forum members may be aware of recent announcements on the one year increase in high needs funding which allocates £700 million extra nationally for children with Special Educational Needs and Disabilities (SEND) in 2020/21. In the high needs national funding formula, a significant proportion of the allocation is based on the 2 to 18 population. The announcement stated that each local authority will receive an increase of at least 8% per head of 2 to 18 population. The increase will be based on the 2019/20 high needs allocations including the additional funding announced in December 2018.

7.2 For Leeds we estimate the minimum increase will be £5.16m. The announcement also stated that some local authorities could see increases up to a maximum of 17%, calculated per head of population. For Leeds we estimate

the maximum increase will be £10.965m. Details of provisional allocations have not yet been issued and will be provided by the ESFA in early October.

- 7.3 Although high needs funding will increase, there continues to be increasing pressures on this block in Leeds. Based on the current increase in EHCP requests, it is estimated that there will be an increase of over 200 special school places required each September for the next 3 years. At the moment, those places do not exist in Leeds which is one of the reasons for the increase in outside placement costs.
- 7.4 Work is ongoing within Leeds City Council to find solutions to create the special school places needed in the city. However, this will take time and will result in significant additional costs.
- 7.5 Early indications are that even if Leeds receives the maximum increase of 17%, this will not be sufficient to meet the estimated increase in demand and so further work would be needed to review costs and spending assumptions, it is also anticipated that there will need to be a request for a transfer of up to 0.5% from the schools block equivalent to around £2.5m.

8 Recommendations

- 8.1 Schools Forum is requested to note the projected overspend on General DSG of £5,261k which will be added to the surplus on General DSG brought forward from 2018/19. This will make the current projected cumulative deficit £4,164k, with projected de-delegated surplus balances standing at £249k.
- 8.2 Schools Forum is requested to note the proposed de-delegated reserves repayment to schools.