

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2018/19 – Budget Monitoring Month 5

Report authors: Simon Criddle
(Head of Finance –Children and Families)

Contact number: 07891 274578

Shirley Maidens
Senior Financial Manager

Contact number: 0113 3788532

1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the latest 2018/19 budget monitoring position on the Dedicated Schools Grant (DSG) as at the end of August 2018.
- 1.2 This report projects an overspend of £160k. This is made up of an overspend on the High Needs Block (HNB) largely as a result of increased expenditure on SEN top-ups. This is mostly offset by a projected underspend on the early years block and a small underspend on the schools block.
- 1.3 Overall, the variance on general DSG is analysed as follows:-

	Estimated Funding	Projection	Variance
	£000	£000	£000
Schools Block	305,096	304,996	(100)
Early Years Block	57,516	55,436	(2,080)
High Needs Block	60,533	62,873	2,340
Central Schools Services Block	5,171	5,171	0
Total In Year Overspend	428,316	428,476	160
Deficit reserve b/fwd from 2017/18			3,379
Projected deficit balance at 31/3/19			3,539

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 is a surplus of £425k, which means there is a deficit on general DSG of £3.379m.

- 2.2 The projected deficit reported in 1.3 above is overall broadly in line with the projected deficit at the end of 2018/19 as reported to Schools Forum in February 2018 as part of the long term financial plan on high needs. However, there are increasing cost pressures in the high need block which have been offset by higher grant income and by the continuing underspend on the Early Years Block.

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 projected costs and variances are summarised below:-

	Latest Budget £000	Projection £000	Variance £000	To Date £000
DSG Income Due	(321,006)	(305,096)	15,910	(132,719)
Individual Schools Budget	313,490	297,580	(15,910)	299,143
Growth Fund	2,900	2,800	(100)	2,200
	(4,616)	(4,716)	(100)	168,624
De-delegated budgets	4,616	4,562	(55)	1,592

(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 matched by reduced expenditure.
- 3.3 The projected underspend on de-delegated services is due to an underspend on the contingency budget partly offset by a small overspend on SIMS licences. At this stage, there are no indications that there will be an overspend on maternity pay, though this is a volatile budget and remains an area of risk. As part of the 2018/19 budget process it was agreed to utilise £300k of the de-delegated reserves to reduce the cost of de-delegated service to schools in 2018/19.
- 3.4 The Growth Fund is currently projected to be £100k underspent as the full allocation for secondary provision is unlikely to be required.

4 Early Years Block

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

	Latest Budget £000	Projection £000	Variance £000	To Date £000
DSG Income Due	(55,367)	(57,516)	(2,149)	(23,813)
FEEE 3 & 4 Year Olds	44,216	45,255	1,039	17,091
FEEE 2 Year Olds	7,903	7,355	(548)	1,676
SEN Inclusion Fund	485	485	0	222
Early Years Pupil Premium	640	499	(141)	138
Disability Access Fund	184	72	(112)	25
Early Years Centrally Retained Funding	1,939	1,770	(169)	1,601
	0	(2,080)	(2,080)	(3,060)

(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. The hourly rate paid to providers in 2018/19 was increased partly in response to the underspend in 2017/18.
- 4.3 Early information on the costs for the summer term indicate that the take up of places is lower than usual. As the grant income due for this period will not change an underspend is projected. However, more work is needed to verify these figures and assess any potential impact on projections for the rest of 2018/19 and future years.
- 4.4 There are further underspends projected on the Disability Access Fund and Early Years Pupil Premium, though at this stage it is expected that grant income will be reduced by the same amount. 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 £180k 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 can now be utilised in 2018/19. The main reasons for this additional income were an even greater increase in take up of the additional 15 hours for working parents and a decision not to adjust for any underspends on the Disability Access Fund (DAF). However, it should be noted that the grant conditions require that this underspend should be spent on services that are in line with the aims and principles of the DAF.

5 High Needs Block

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

	Latest Budget £000	Projection £000	Variance £000	To Date £000
DSG Income Due	(60,300)	(60,533)	(233)	(24,197)
Funding Passported to Institutions				
- SILC and Resource Provision Places	10,169	10,265	96	9,832
- Outside and external residential placements	6,283	6,833	550	3,533
- Alternative Provision (including AIP's)	5,256	5,006	(250)	0
- SEN Top-ups to Institutions	30,666	32,250	1,584	20,531
- Mainstream additional places (£6k blocks)	425	506	81	174
- Mental Health beds for adolescents	200	100	(100)	23
- Further SEMH set up costs	395	395	0	395
Commissioned Services				
- Hospital & Home Tuition	1,484	1,489	5	0
- PD & Medical Service	65	97	32	0
Children's Services				
- Autism support (STARS)	413	413	0	154
- Children missing out on education	257	257	0	95
- Management of AP	110	110	0	44
- SEN adaptations	141	141	0	68
- SEN Inclusion Team	1,206	1,106	(100)	317
- Sensory Service	2,177	2,036	(141)	474
- Virtual school (Children Looked After)	107	108	1	46
Other items				
- Contribution to reserves	946	0	(946)	0
	0	579	579	11,489
SILCs in financial difficulties	0	1,761	1,761	0
Total High Needs Block	0	2,340	2,340	11,489

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

- 5.2 As detailed in the table above, the underlying overspend on the High Needs Block is £579k, though there is an additional one off pressure in respect of NW SILC.
- 5.3 At the end of 2017/18 the North West SILC deficit stood at £1,355k. The current projections are for a further overspend in year of £406k making an overall deficit of £1,761k. It is currently projected that this will be an additional cost to the HNB during 2018/19.
- 5.4 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 will be clawed back from AIP balances in 2018/19.
- 5.5 For 2018/19 the reduction in the FFI unit rate to £600 has been applied, with the exception of specialist provisions. Despite this SEN top-ups to institutions continues to be the largest area of overspend. The projected overspend for 2018/19 is now £1,584k 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 is still projected to overspend by £386k as a result of more children receiving a diagnosis of Complex Communication Difficulties.

- The 2018/19 budget for SILC 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 £861k 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).
- A projected increase in top up funding of £276k for the new SEMH provision.

5.6 The Outside Placements budget is currently expected to be £250k overspent. Although the number of day placements has reduced, there have been some very high cost placements for which there is no available place in Leeds. There has also been an increase in the number and cost of high needs pupils in external residential placements and so an overspend of £300k for the education costs is projected on this.

5.7 There is projected to be a staffing underspend of £100k on the SENIT and Portage service and a further underspend of £141k on the Sensory Service due to staffing vacancies.

5.8 There is an overspend of £32k on the PD and Medical Needs service.

5.9 The budget was set with an assumption that there would be a contribution of £946k towards the deficit reserve brought forward from 2016/17. As a result of the overspends detailed above this specific contribution will not now be made although it should be noted that the DSG deficit in 2017/18 was lower than budgeted so overall the projected year end position on the DSG is still in line with original assumptions.

5.10 As previously reported, one element of the HNB DSG allocation for 2018/19 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 increase in expected grant.

6 Central School Services Block

6.1 This is a new block for 2018/19 which 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.

6.2 The projected costs on this block are:-

Latest Budget	Projection	Variance	To Date
£000	£000	£000	£000

DSG Income Due	(5,171)	(5,171)	0	(2,155)
Historic Commitments	1,145	1,145	0	461
Ongoing Responsibilities	3,526	3,526	0	1,538
Severance / Pension costs	500	500	0	208
	0	0	0	52

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

7 2018/19 Reserves

7.1 The table below shows the expected position as at 31st March 2019 as a result of all the variances detailed above.

	General £000	De- delegated £000	Total £000
Balance b/fwd from 2017/18	3,379	(425)	2,954
Budgeted use of reserves		300	300
2018/19 Variances			
- Schools Block	(100)	(55)	(155)
- Early Years Block	(2,080)		(2,080)
- High Needs Block	2,340		2,340
- Central Schools Services Block	0		0
Balance c/fwd to 2019/20	3,539	(180)	3,359

8 Recommendations

8.1 Schools Forum is requested to note the projected overspend on General DSG of £160k which will be added to the deficit on General DSG brought forward from 2017/18. This will make the current projected cumulative deficit £3,539k, with projected de-delegated surplus balances standing at £180k.