

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

**Report to the Leeds Schools Forum**

**Subject: Dedicated Schools Grant 2017-18 – Budget Monitoring Month 10**

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**1 Summary of main issues**

- 1.1 This report is to inform members of Schools Forum of the latest 2017-18 budget monitoring position on the Dedicated Schools Grant (DSG) as at the end of January 2018.
- 1.2 This report projects an underspend of £228k. This is made up of a significant overspend on the high needs block largely as a result of increased expenditure on SEN top-ups. This is partly offset by a projected underspend on the early years block and a small underspend on the schools block.
- 1.3 The projected underspend is an improvement of £1,113k compared to the November projections and is as a result of the expected delay in the special school academy conversion which means that the deficit will not be funded during 2017/18 but will be an additional cost in 2018/19.
- 1.4 Overall, the variance is analysed as follows:-

	January 2018 Projection			November 2017 Projection		
	Estimated Funding	Projection	Variance	Estimated Funding	Projection	Variance
	£000	£000	£000	£000	£000	£000
Schools Block	317,772	317,112	(660)	319,148	318,762	(386)
Early Years Block	52,275	49,972	(2,303)	51,053	49,088	(1,965)
High Needs Block	57,199	59,934	2,735	57,242	60,478	3,236
<b>Total in year overspend / (underspend)</b>	<b>427,246</b>	<b>427,018</b>	<b>(228)</b>	<b>427,443</b>	<b>428,328</b>	<b>885</b>
Deficit reserve b/fwd from 2016/17			4,161			4,161
<b>Projected Deficit Balance @ 31/3/18</b>			<b>3,933</b>			<b>5,046</b>

**2 Background information**

- 2.1 At 1st April 2017, the balance of the DSG brought forward from the 2016/17 financial year was a deficit of £3.633m. Of this de-delegated services is a surplus of £528k leaving a deficit on general DSG of £4.161m.

- 2.2 Schools Forum have asked that actual spend to date is included in the budget monitoring information and this is now included in the individual tables. Some expenditure is paid in advance (such as the individual schools budget), some is paid monthly while others are paid in arrears (either quarterly, termly or yearly).

### 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 a central provision. These budgets are subject to fluctuations in expenditure throughout the year. The projected costs and variances are summarised below:-

	Budget	Projection	Variance	Actual To Date
	£000	£000	£000	£000
DSG Grant Due	(324,708)	(317,772)	6,936	(266,476)
Individual Schools Budget	311,768	304,609	(7,159)	303,509
De-delegated services	5,039	5,081	42	3,462
Central Provision				
- Equal Pay costs	1,037	1,037	0	864
- Growth Fund	2,900	2,500	(400)	2,267
- Former ESG Retained Duties	1,724	1,724	0	1,437
- All other central provision costs	2,240	2,203	(37)	1,770
Transfer de-delegated overspend to reserve		(42)	(42)	0
<b>Total Schools Block (General)</b>	<b>0</b>	<b>(660)</b>	<b>(660)</b>	<b>46,833</b>

(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 Due to slippage in planned places there is expected to be an underspend of £400k on the Growth Fund. However, it is expected that the costs slipped from 2017/18 will be incurred during 2018/19 resulting in a potential pressure in that year. There are also a number of minor underspends on other central provision budgets.
- 3.4 The projected overspend on de-delegated services is largely due to increasing maternity pay costs above normal levels and a small increase in Capita charges for the SIMS licence which is largely offset by a reduction in claims to the contingency fund. This means that de-delegated budgets are now predicted to be overspent by £42k, though this will be met from reserves and the overall de-delegated reserve is now expected to be £486k at the end of 2017/18. At Schools Forum in January it was reported that £300k of this would be utilised during 2018/19 to reduce de-delegated costs in that year.
- 3.5 A query was previously raised at Schools Forum about the increase in de-delegated SIMS licence costs for primary schools in 2018/19. Schools Forum approved a 2018/19 de-delegated rate of £4.30 per pupil for primary schools, compared to a 2017/18 rate of £3.86 per pupil. This appeared to be a large change, however we can confirm it represents the first increase passed directly on to schools in two years, as 2017/18 rates did not increase compared to

2016/17. This has contributed to the difference in SIMS costs for 2017/18 noted in 3.3 above, although some variance would also be expected as ESFA deadlines require us to estimate the de-delegated SIMS costs based on the October pupil census, whereas the actual licences purchase from Capita are based on the January pupil census.

- 3.6 The council's ICT department agrees costs in advance with Capita around February each year, and as part of this they contact schools to find out whether they still wish to have licences. All schools are able to source an alternative system if they require, and it would be possible from 2019/20 to recharge primary schools individually for SIMS licence costs rather than requiring all primary schools to contribute through de-delegation. As de-delegation is unlikely to be possible from 2020/21 due to the national funding formula changes, it is expected that schools will need to move to this charging method by this date.

## 4 Early Years Block

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

	Budget	Projection	Variance	Actual To Date
	£000	£000	£000	£000
DSG Grant Due	(50,233)	(52,275)	(2,042)	(42,403)
FEEE 3-4YO school nurseries (EYB)	19,891	18,052	(1,839)	12,261
FEEE 3-4YO CCs & PVI (EYB)	18,780	21,686	2,906	15,712
FEEE 2YO (EYB) - school nurseries & PVI	5,465	5,316	(149)	4,688
FEEE 2YO (EYB) - children's centres	2,800	2,507	(293)	2,089
SEN Inclusion Fund	515	75	(440)	63
Early Years Pupil Premium	552	506	(46)	221
Disability Access Fund	172	172	0	0
Early Years Centrally Retained Funding	2,058	1,658	(400)	1,382
<b>Total Early Years Block</b>	<b>0</b>	<b>(2,303)</b>	<b>(2,303)</b>	<b>(5,987)</b>

(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 2017 and January 2018) there is a difference between the number of places funded and the number of places paid to providers. Some of these savings may be non-recurring depending on pupil numbers at the January census.
- 4.3 For 2 year olds the January census has usually been the lowest of the year and in order to not overspend this budget, the amount paid to providers is £5.05 an hour while the funding is £5.20 per hour to compensate for this. However, the actual pupil numbers in 2016/17 and the projected pupil numbers for 2017/18 suggest that this will not be the case this year. This means that it is now expected that there will £123k more income than expenditure resulting in a saving in 2017/18.
- 4.4 For 3 and 4 year olds the funding received is effectively for more places than the payments made to providers. The projection is that there will be £1,340k more funding than expenditure. Based on details received in October there has been a significant take up of the additional 15 hours offer for working parents in the

private, voluntary and independent sector, though this is partly offset by a lower than expected take up in schools. Projected expenditure and income has been increased as a result.

- 4.5 In addition, part of the funding was allocated to specific areas. Of these, the SEN Inclusion Fund has received fewer applications for funding than expected producing a projected underspend of £440k. To date, there has been no call on the early year's contingency fund and so this is expected to be £400k underspent.
- 4.6 Although there is a significant underspend in Early Years, within the High Needs Block there is a projected overspend of £315k on Early Years Funding for Inclusion.

## 5 High Needs Block

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

	Budget	Projection	Variance	Actual To Date
	£000	£000	£000	£000
DSG Grant Due	(56,776)	(57,199)	(423)	(45,998)
Funding Passported to Institutions				
- SILC and Resource Provision Places	9,761	10,389	628	9,885
- Deficit SILC balances	300	0	(300)	0
- Outside and external residential placements	6,628	7,178	550	4,908
- AIP Partnerships	4,327	4,956	629	4,741
- SEN Top-ups to Institutions	27,289	29,579	2,290	24,635
- Mainstream additional places (£6k blocks)	1,000	938	(62)	716
- Mental Health beds for adolescents	0	200	200	149
- SEMH set up costs	0	550	550	275
Commissioned Services				
- Hospital & Home Tuition	1,294	1,295	1	578
- PD & Medical Service	94	94	0	0
Children's Services				
- Autism support (STARS)	393	393	0	288
- Children missing out on education	257	257	0	157
- Management of AP	105	105	0	88
- SEN adaptations	141	141	0	110
- SEN Inclusion Team	1,773	1,214	(559)	491
- Sensory Service	2,328	2,328	0	1,610
- Teenage pregnancy	214	214	0	209
- Virtual school (Children Looked After)	103	103	0	83
Other items				
- Contribution to reserves	769	0	(769)	0
<b>Total High Needs Block</b>	<b>0</b>	<b>2,735</b>	<b>2,735</b>	<b>2,925</b>

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

- 5.2 Following receipt of updated DSG allocations the academy recoupment is lower than expected though there are some increases in deductions for provision paid directly by the ESFA. In addition, a further £18k has been added to the allocation to specifically fund increased hospital costs giving an increase in funding of £423k.

- 5.3 The SILC academy conversion is now not expected to take place before the end of this financial year. As a result the expected deficit on conversion to academy status will not need to be funded until 2018/19. At the moment that deficit stands at approximately £1.2m, though this could increase if there are further delays in the conversion process.
- 5.4 There have been ongoing discussions with the Area Inclusion Partnerships around sustainable budgets for 2017/18 to enable them to continue to make provision for children with exceptional social, emotional and mental health needs. The budgets that have been agreed, together with some claw-back of reserves, will result in a saving of £1.2m rather than the £1.8m that was proposed.
- 5.5 SEN top-ups to institutions continues to be the largest area of overspend, largely as a result of increased demand and complexity of cases. However, the projected overspend of £2.290m also includes increased funding for post 16 5 day provision (£194k) and Early Years FFI (£315k).
- 5.6 There are a number of charges from private hospitals for the education provision for mental health hospital beds for young people. Work has taken place to establish responsibilities and reduce the cost of these charges. As a result, the additional cost is projected to be £200k per year rather than the £350k initially estimated.
- 5.7 Additional costs of approximately £550k are anticipated for the new SEMH provision, largely for staffing set up costs for the new sites opening in 2017/18.
- 5.8 The outside placements and external residential placements budget is now expected to be £550k overspent. Although a number of outside placement pupils have been brought back into Leeds, it has not been possible to reduce the costs sufficiently to prevent this overspend. In addition, increased numbers of specialist education and residential placements have resulted in further costs on this budget.
- 5.9 As reported to Schools Forum in February, the Early Years Block is now funding some of the SENIT and Portage costs, freeing up £600k high needs funding.
- 5.10 The budget was set with an assumption that there would be a contribution of £769k 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.

## 6 2017-18 Reserves

- 6.1 The 2017-18 estimated DSG funding has been adjusted for expected changes in the various blocks, though the final amount will not be confirmed by the Education and Skills Funding Agency until later in the year. The table below shows the expected position as at 31<sup>st</sup> March 2018.

	General £000	De-delegated £000	Total £000
<b>Balance b/fwd from 2016/17</b>	<b>4,161</b>	<b>(528)</b>	<b>3,633</b>

### Projected 2017/18 Variances

- Schools Block	(660)	42	(618)
- Early Years Block	(2,303)		(2,303)
- High Needs Block	2,735		2,735
<b>Projected deficit (surplus) balance at 31/3/18</b>	<b>3,933</b>	<b>(486)</b>	<b>3,447</b>

## 7 Review of deficit balance arrangements

- 7.1 A review has been started of the arrangements relating to school deficit balances. This work is ongoing but at this stage we are intending to review the existing deficit action plan template, introduce further monitoring and reporting, and identify additional support and challenge we can provide to schools.
- 7.2 Annual reporting to Schools Forum already includes details of school balances, and these are reported in June each year following the closedown of accounts. In line with this the 2017/18 closing balances will be reported at the June 2018 Schools Forum meeting, where we will also provide a further update on the review of deficit balance arrangements.

## 8 Recommendations

- 8.1 Schools Forum is requested to note the projected underspend on DSG of £228k which will reduce the deficit on the DSG brought forward from 2016/17. This will make the current projected cumulative deficit £3,933k, with projected de-delegated surplus balances standing at £486k.