

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2019/20 – Budget Monitoring Month 10 and High Needs Block budgets for 2020/21

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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 January 2020.
- 1.2 This report projects an in year overspend of £5,420k. 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 generally in line with budget monitoring report taken to Schools Forum in October 2019, though there are changes within the overall total. 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.
- 1.5 Overall, the variation on general DSG is analysed as follows:

	Estimated Funding £000	Projection £000	Variance £000
Schools Block	300,347	299,370	(977)
Early Years Block	56,436	55,553	(883)
High Needs Block	66,294	73,632	7,338
Central Schools Services Block	4,725	4,667	(58)
Total In Year Overspend	427,802	433,222	5,420
Surplus b/fwd from 2018/19			(1,097)
Projected deficit at 31/3/20			4,323

- 1.6 The funding available for high needs in 2020/21 is expected to be £79.831m. A budget has been set within that amount, though there are risks around these budgets.

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)	(299,347)	2,530	(250,872)
Funding from DSG reserves	(400)	0	400	0
Funding from LCC reserves	(1,000)	(1,000)	0	0
Individual Schools Budget	295,939	293,193	(2,746)	292,180
Growth Fund	2,900	1,739	(1,161)	1,736
	(4,438)	(5,415)	(977)	43,044
De-delegated budgets	4,438	4,160	(278)	3,151

(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 £278k overall, largely as a result of a projected underspend of £200k on schools

contingency fund although there could be additional commitments during the last two months of the year. This is partly offset by projected overspends of £160k 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. Minor variances on other services are expected to result in an underspend of £13k.

- 2.4 The 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 £1,739k which will result in an underspend of £1,161k. This underspend has increased slightly since month 5 as a small amount of projected expenditure in relation to new pupils in January 2020 has not been required.

3 Early Years Block

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

	Latest Estimate £000	Projection £000	Variance £000	To Date £000
DSG Income Due	(55,877)	(56,436)	(559)	(48,966)
FEEE 3 & 4 Year Olds	45,708	45,169	(539)	32,701
FEEE 2 Year Olds	7,312	7,442	130	6,200
SEN Inclusion Fund	398	618	220	581
Early Years Pupil Premium	478	456	(22)	223
Disability Access Fund	188	108	(80)	66
Early Years Centrally Retained	1,793	1,760	(33)	1,770
	0	(883)	(883)	(7,425)

(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 Final information from the summer 2019 term and initial projections for the autumn 2019 term show that there is projected to be an underspend again in 2019/20.
- 3.4 Following recent work to ensure greater access to the SEND Inclusion Fund, this is now expected to be £220k 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)	(66,294)	95	(53,328)
Funding Passported to Institutions				
- SILC and Resource Provision Places	12,897	12,562	(335)	12,489
- Outside and external residential placements	6,438	9,521	3,083	8,573
- Alternative Provision (including AIP's)	5,256	5,156	(100)	0
- SEN Top-ups to Institutions	34,124	38,793	4,669	33,870
- Mainstream additional places (£6k blocks)	528	800	272	0
- Mental Health beds for adolescents	100	70	(30)	51
Commissioned Services				
- Hospital & Home Tuition	1,605	1,605	0	822
- PD & Medical Service	97	97	0	0
Children & Families Services				
- Autism support (STARS)	437	432	(5)	343
- Children missing out on education	441	405	(36)	290
- Management of AP	114	114	0	88
- SEN adaptations	141	141	0	131
- SEN Inclusion Team	1,240	1,101	(139)	664
- Sensory Service	2,308	2,167	(141)	1,674
- Virtual school (Children Looked After)	105	110	5	91
Other items				
- Prudential borrowing for SEMH provision	558	558	0	0
	0	7,338	7,338	5,758

(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 £7,338k. This is following the increase in grant awarded in December 2018 and a 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 £4,669k 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 £2,332k 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 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 £765k 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.
 - There has been a significant increase in early years FFI top-ups which is expected to result in an overspend of £603k.
 - Due to the increase in number of placements and the complexity of some of those placements top-ups to special free schools and academies is projected to be £325k overspent.
- 4.6 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 £272k overspent due to an increased number of SEN pupils within schools meeting the criteria for additional £6k blocks. Coupled with the increase in top ups, high

needs funding received by mainstream schools is expected to exceed the transfer from the schools block by over £1m.

- 4.7 The Outside Placements budget is currently expected to be £3.08m 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.
- 4.8 There is expected to be a combined underspend in the services provided by Children and Families of £316k. This is a combination of vacant posts, delays in recruitment and additional income.
- 4.9 There has been a late change notified by the ESFA to the adjustment to reflect the number of pupils who are the responsibility of one local authority but are placed in another local authority. The final grant for 2019/20 is £95k less than budgeted.

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	(4,438)
Historic Commitments	646	644	(2)	78
Ongoing Responsibilities	3,879	3,823	(56)	2,876
Severance / Pension costs	200	200	0	167
	0	(58)	(58)	(1,317)

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

5.3 The majority of this underspend is due to savings in the Admissions Service as a result of vacancies and delayed recruitment.

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 £000	De-delegated £000	Total £000
Balance b/fwd from 2018/19	(1,097)	(587)	(1,684)
Use of reserves	0	462	462
2019/20 Variances / Contributions			
- Schools Block	(977)	(278)	(1,255)
- Early Years Block	(883)		(883)
- High Needs Block	7,338		7,338
- Central Schools Services Block	(58)		(58)
Balance c/fwd to 2020/21	4,323	(403)	3,920

6.2 The conditions of grant for the Dedicated Schools Grant have been changed slightly for 2020/21. The requirement to submit a deficit recovery plan if the overall DSG deficit is greater than 1% has been removed and replaced with the following requirement.

Any local authority that has an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in handling that situation. In particular, the local authority must:

- Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
- Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
- Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
- Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings.

The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

6.3 For Leeds, as the movement from 2018/19 to 2019/20 is a reduction in all DSG reserves of £5,604k, it is likely that there will be a requirement to take part in this process.

7 2020/21 High Needs Block Budget

7.1 For the 2020/21 high needs grant allocation, although some elements of funding are still to be confirmed, it is estimated that the allocation prior to deductions will increase by approximately £12.8m to £85.741m. However, the funding due to

Leeds is still subject to a cap. If this cap was not applied a further £4.68m would be due in 2020/21. In addition, Schools Forum have agreed to transfer £2.65m from the schools block and there is a further £350k from the Central School Services Block.

- 7.2 After taking into account these transfers and deductions for places directly funded by the ESFA, it is estimated that there will be £79.831m available to fund high needs expenditure in 2020/21.
- 7.3 One of the remaining areas to be confirmed is an adjustment to reflect pupils in places in other local authorities. Although not all information is available to confirm the final adjustment, from the information that is available there a risk that the final adjustment could reduce the grant allocated to Leeds by approximately £200k. This adjustment will not be confirmed until June or July 2020.
- 7.4 In order to set a budget within available funding, the following changes have been made since the last report presented to schools forum in November 2019:
- Delay starting to repay the deficit reserve until 2021/22.
 - Assume a reduced increase in the need for new special school places from September 2020 by managing demand.
 - Set the total FFI budget to balance to the funding available, with any potential actions available to achieve this being considered during 2020/21.
- 7.5 Therefore, the 2020/21 high needs budget is as follows:

	2020/21 Estimate £000
<u>DSG Funding On High Needs</u>	
High Needs Block baseline	85,741
Places funded directly by the ESFA	(8,910)
Funding transferred from Schools Block	2,650
Funding transferred from Central School Services Block	350
Total High Needs Block grant	79,831
<u>Funding Passported To Institutions</u>	
SILC and Resourced Provision Places	14,034
Outside placements and external residential placements	8,954
Alternative Provision and AIP's	5,056
SEN Top-ups to Institutions	41,428
Mainstream additional places (£6k blocks)	751
Increase in Special School places	2,106
Education provision for mental health beds	100
Total Passported To Institutions	72,429

Commissioned Services managed on behalf of LCC

Hospital & Home Tuition	1,724
PD & Medical Service	97
Total Commissioned Services	1,821

Directly Managed By Children & Families

Autism support	451
Children missing out on education	445
Management of high needs services	284
SEN adaptations	141
SEN Inclusion Team	1,287
Sensory Service	2,415
Total Directly Managed by Children & Families	5,023

Other Costs

SEMH prudential borrowing costs	558
Total Other Costs	558

Total High Needs Block Expenditure 79,831

- 7.6 However, there is still a significant risk within these budgets that the assumed reduction in demand does not materialise along with the risk of pupils needing to be placed in more expensive placements.
- 7.7 In order to try to mitigate these risks the Directorate will undertake a review of the High Needs Block to identify options to bring forecast spend in line with the anticipated funding and move to a sustainable budget over the next three years.

8 Recommendations

- 8.1 Schools Forum is requested to note the projected overspend on General DSG of £5,231k which will be added to the surplus on General DSG brought forward from 2018/19. This will make the current projected cumulative deficit £4,134k, with projected de-delegated surplus balances standing at £403k.
- 8.2 Schools Forum is requested to note the high needs budget for 2020/21.