

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant Outturn 2019/20 and Forward View 2020/21

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1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the outturn position 2019/20 on the Dedicated Schools Grant (DSG).
- 1.2 This report details an in year overspend of £5,051k. 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 underspends on the remaining blocks.
- 1.3 This deficit is generally in line with the budget monitoring report taken to Schools Forum in February 2020, 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. As a result of increased SEN top ups and additional £6k block payments, there was an overspend of £2,455k on funding paid out to mainstream schools which is £955k greater than the transfer from the schools block to the high needs block.
- 1.5 There was an underspend on the de-delegated services, mainly on the contingency fund. Schools Forum's view is requested on a proposal to use this funding to support mainstream maintained schools that have incurred exceptional COVID-19 related costs not covered by government funding.

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

	Funding £000	Outturn £000	Variance £000
Schools Block	299,760	298,780	(980)
Early Years Block	59,162	58,146	(1,016)
High Needs Block	66,293	73,525	7,232
Central Schools Services Block	4,725	4,540	(185)
Total In Year Overspend	429,940	434,991	5,051
Surplus b/fwd from 2018/19			(1,097)
Deficit at 31/3/20			3,954

2 Schools Block

2.1 The majority of the Schools Block is allocated to primary and secondary schools (Individual Schools Budget, ISB), with smaller amounts for de-delegated services and the growth fund. These budgets are subject to fluctuations in expenditure throughout the year. The costs and variances are summarised below:

	Latest Estimate £000	Outturn £000	Variance £000
DSG Income Due	(301,877)	(298,760)	3,117
Funding from DSG reserves	(400)	0	400
Funding from LCC reserves	(1,000)	(1,000)	0
Individual Schools Budget	295,697	292,364	(3,333)
Growth Fund	2,900	1,736	(1,164)
	(4,680)	(5,660)	(980)
De-delegated budgets	4,680	4,084	(596)

(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 National Non Domestic Rates (NNDR) and growth funding in respect of schools which have converted to academies during 2019/20.

2.3 De-delegated services budgets (contributed to by maintained mainstream schools) were underspent by £596k overall, largely as a result of an underspend of £516k on schools contingency. This is partly offset by an overspend of £201k 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 produced an underspend of £56k.

- 2.4 It is proposed to use this underspend in a targeted way to support maintained mainstream schools that have incurred exceptional COVID-19 related costs not covered by government funding. Schools Forum's view is requested on this proposal. We will also review whether the same level of contingency funding is required in 2021/22 as part of the de-delegation consultation which will take place later in the year.
- 2.5 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. Growth Fund expenditure was £1,736k, an underspend of £1,164k. Partly as a result of this underspend and also partly as a result of issues raised at Schools Forum on the impact of increasing numbers on secondary schools, changes on the operation of the Growth Fund were agreed at Schools Forum in January 2020.

3 Early Years Block

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

	Latest Estimate £000	Outturn £000	Variance £000
DSG Income Due	(55,877)	(59,162)	(3,285)
FEEE 3 & 4 Year Olds	45,708	47,418	1,710
FEEE 2 Year Olds	7,312	7,645	333
SEN Inclusion Fund	398	648	250
Early Years Pupil Premium	478	558	80
Disability Access Fund	188	117	(71)
Early Years Centrally Retained	1,793	1,760	(33)
	0	(1,016)	(1,016)

(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 which are higher than the average across the year) the number of places funded in DSG is higher than 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 Following recent work to ensure greater access to the SEND Inclusion Fund, there was an overspend of £250k. This is partly as a result of late claims from previous years, but mainly due to an increase in claims to this fund.

- 3.4 There is a further underspend on the Disability Access Fund and a small overspend on Early Years Pupil Premium. In addition, there was 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.
- 3.5 The council has considered how some of this funding could be used to support the Early Years sector with the challenges they are facing due to COVID-19. A PPE project has been developed, which provides a one-off pack of PPE to providers who notify LCC that they have children attending. This introduces the provider to the LCC supply chain and is available to private nurseries, playgroups and childminders. Further consideration will be given to the needs of the sector in relation to COVID-19 later in the year once the final 2019/20 funding has been confirmed.
- 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 contributed to the above underspend. A similar estimate has been made of the final grant due for 2019/20 and any variance to this amount will be taken account of in 2020/21.

4 High Needs Block

- 4.1 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 Due	(66,389)	(66,293)	96
Funding Passported to Institutions			
- SILC and Resource Provision Places	12,897	12,626	(271)
- Outside and external residential placements	6,438	9,515	3,077
- Alternative Provision (including AIP's)	5,256	5,153	(103)
- SEN Top-ups to Institutions	34,124	38,750	4,626
- Mainstream additional places (£6k blocks)	528	752	224
- Mental Health beds for adolescents	100	71	(29)
Commissioned Services			
- Hospital & Home Tuition	1,605	1,606	1
- PD & Medical Service	97	97	0
Children and Families Services			
- Autism support (STARS)	437	412	(25)
- Children missing out on education	441	380	(61)
- Management of AP	114	110	(4)
- SEN adaptations	141	158	17
- SEN Inclusion Team	1,240	1,078	(162)
- Sensory Service	2,308	2,151	(157)
- Virtual school (Children Looked After)	105	108	3
Other items			
- Prudential borrowing for SEMH provision	558	558	0
	0	7,232	7,232

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

- 4.2 As detailed in the table above, the overspend on the High Needs Block was £7,232k. 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 special school places 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 Social, Emotional and Mental Health (SEMH) needs. A further demand is for places for pupils with Autistic Spectrum Conditions (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 to meet need, despite the Springwell Leeds, Carr Manor and Lighthouse provision. This has led to Leeds needing to source additional places within the independent settings to make provision. It is envisaged that the development of the Positive Behaviour Service; the identification of 8 places for such complex learners within the new special school specification, and the work with social care on in-house residential support will mean more learner's needs can be met within the city.
- 4.5 SEN top-ups to institutions continues to be the largest area of overspend. The overspend for 2019/20 was £4,626k 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 was still overspent by £2,231k 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 overspend on this area of £801k 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 has resulted in an overspend of £625k.
 - Due to the increase in the number of placements and the complexity of some of those placements, top-ups to special free schools and academies was £270k overspent.
 - There was an increase in personal budgets and personal transport budgets during 2019/20 which produced an overspend of £389k.
- 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 was £224k overspent. Coupled with the increase in top ups, high needs funding received by mainstream schools exceeded the transfer from the schools block by £955k.
- 4.7 The Outside Placements budget was £2,827k overspent. As detailed above, there has been an increase in the number of pupils for which there was no suitable place in Leeds. This has resulted in an increase in the number of high cost placements outside the city. It is hoped that the development of the Positive Behaviour Service and additional specialist provision will mean more places can be provided in Leeds and reduce the pressure on this budget.
- 4.8 In previous budget monitoring reports, it was reported that there was a risk that a disapplication request in respect of SEMH top-ups would not be approved which could have significant additional costs if it was not. Confirmation has now been received from the ESFA that the request has been approved which means no further costs are expected on this.
- 4.9 There was a combined underspend in the services provided by Children and Families of £389k. This is a combination of vacant posts, delays in recruitment and additional income.
- 4.10 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 £96k 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 costs on this block were:

	Latest Estimate £000	Outturn £000	Variance £000
DSG Income Due	(4,725)	(4,725)	0
Historic Commitments	646	636	(10)
Ongoing Responsibilities	3,879	3,704	(175)
Severance / Pension costs	200	200	0
	0	(185)	(185)

(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			
- Schools Block	(980)	(596)	(1,576)
- Early Years Block	(1,016)		(1,016)
- High Needs Block	7,232		7,232
- Central Schools Services Block	(185)		(185)
Balance c/fwd to 2020/21	3,954	(721)	3,233

- 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. Further information on this will be presented to Schools Forum later in the year.

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 £4,604k, it is likely that there will be a requirement to take part in this process.

7 Forward view to 2020/21

- 7.1 When the budget for 2020/21 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 2020/21 budget.
- 7.2 It is expected that there will be a number of academy conversions during 2020/21. Should this be the case, it is expected that there will be a small underspend on the schools block for the reasons detailed in paragraph 2.2, though this will not be confirmed until later in the year.
- 7.3 As detailed in paragraph 2.3, due to the way de-delegated budgets are dealt with when a school becomes an academy, it is anticipated that there will be additional de-delegated funding of £250k. At the moment, the de-delegated expenditure budgets are expected to be on budget.
- 7.4 The hourly rate for early years has increased for 2020/21 with the whole increase passed to providers. However based on previous years, it is still anticipated that there will be an underspend of approximately £500k.
- 7.5 The underlying pressure on the high needs block continues to be a concern in 2020/21 with an overspend of £3,678k currently projected, mainly in the following areas:
- Based on funding already allocated and an estimate of further activity, funding to mainstream schools for FFI top up and additional place funding is expected to be £2,864k overspent. This is an increase of £3,875k compared to the funding allocated in 2019/20 and £214k higher than the transfer from the schools block to the high needs block in 2020/21.
 - The continuing shortfall in specialist places available in Leeds means that the outside placements budget is projected to £1m overspent, though there is a risk this could increase further.
 - The net effect of all other variations is an underspend of £186k.
- 7.6 As reported to Schools Forum in February 2020, although high needs funding has increased by over £12m compared to 2019/20, the grant allocation is still subject to a cap on gains. For 2020/21, the reduction in the funding received as a result of this cap is £4.68m.
- 7.7 Overall, it is expected that there will be an overspend on general DSG of £3,178k and an underspend of £250k on de-delegated services in 2020/21 as detailed below:

	General	De- delegated	Total
	£000	£000	£000
Balance b/fwd from 2019/20	3,954	(721)	3,233
2020/21 Variances			
- Schools Block	0	(250)	(250)
- Early Years Block	(500)		(500)
- High Needs Block	3,678		3,678
- Central Schools Services Block	0		0
Balance c/fwd to 2021/22	7,132	(971)	6,161

8 2021/22 Funding

- 8.1 The ESFA has advised that they intend to release details of provisional 2021/22 funding for local authority Schools Block and High Needs Block allocations in mid to late July 2020. This information will be used to help assess the potential pressures on DSG beyond 2020/21.
- 8.2 Schools Block funding for 2021/22 would usually be based on the October 2020 census, which may be affected by the ongoing COVID-19 situation. The ESFA has advised they are aware of this potential issue and that the October census will still go ahead as planned. However they will review whether any additional funding protection is needed for 2021/22 if pupil numbers are significantly different.

9 Recommendations

- 9.1 Schools Forum is requested to note the overspend on General DSG of £5,051k at the end of 2019/20 which will be deducted from the surplus on General DSG brought forward from 2018/19. This makes the cumulative deficit £3,954k, with de-delegated surplus balances standing at £721k.
- 9.2 Schools Forum is requested to note the current projected overspend on DSG in 2020/21 and that it is likely the council will be required to cooperate with the DfE in relation to plans to manage the DSG deficit.
- 9.3 Schools Forum is asked to provide a view on the proposal to establish a COVID-19 support fund for maintained mainstream schools from the 2019/20 underspend on the contingency fund.