



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

### **Report to the Leeds Schools Forum**

#### **Subject: Dedicated Schools Grant 2020/21 – Budget Monitoring Month 10**

**Report authors: Louise Hornsey      Contact number: 0113 3788689**  
**(Senior Head of Finance – People)**

**Shirley Maidens      Contact number: 0113 3788532**  
**Senior Financial Manager**

### **1 Summary of main issues**

- 1.1 This report is to inform members of Schools Forum of the latest 2020/21 budget monitoring position on the Dedicated Schools Grant (DSG) as at the end of January 2021.
- 1.2 This report projects an in year overspend of £375k. This is made up of an overspend on the High Needs Block (HNB) which is overspent largely as a result of increased expenditure on SEN top-ups and outside placements. This is largely offset by an underspend on the Early Years Block with smaller underspends on the Schools Block and Central Schools Services Block.
- 1.3 As a result of the COVID 19 pandemic, it has been difficult to accurately calculate some of the projections, particularly on early years. This is because many of the settings have been fully or partially closed for a number of months. This has caused particular problems around the January early years census which will be the basis of the grant received for the spring term.
- 1.4 Schools Forum agreed to a transfer of £2.65m from the schools block to the high needs block in 2020/21 and a further £350k was transferred from the central school services block to the high needs block.
- 1.5 Overall, the variation on general DSG is analysed as follows:

	Projected Grant £000	Projected Expenditure £000	Variance £000
Schools Block	306,600	305,859	(741)
Early Years Block	59,830	59,263	(567)
High Needs Block	79,951	81,711	1,760
Central Schools Services Block	4,867	4,790	(77)
<b>Total In Year Underspend</b>	<b>451,248</b>	<b>451,577</b>	<b>375</b>
Deficit b/fwd from 2019/20			3,955
<b>Projected deficit at 31/3/21</b>			<b>4,330</b>

## 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
DSG Income Due	(314,877)	(306,600)	8,277
Individual Schools Budget	307,309	298,786	(8,523)
Growth Fund	3,000	2,505	(495)
	<b>(4,568)</b>	<b>(5,309)</b>	<b>(741)</b>
De-delegated budgets	4,568	4,095	(473)

(note: a bracketed figure in the variance column 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 2020/21.
- 2.3 Overall, de-delegated services budgets are currently projected to be underspent by £405k. There are projected overspends of £300k due to increased maternity pay and £37k on SIMS licences. However this is offset by a projected underspend on contingency of £499k as there have been fewer than usual schools in financial difficulty bids approved and an expected reduction in capitalised pension payments. In addition, there is additional income of £286k due to the way de-delegated budgets are dealt with when a school becomes an academy. If this conversion happens after 1<sup>st</sup> 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 As previously agreed by Schools Forum, the 2019/20 underspend of £596k on de-delegated services has now been paid out to schools pro-rata to the amount of de-delegated funding received from each school.
- 2.5 The Growth Fund was initially set at £3,000k. The current projections are that growth fund expenditure will be £2,505k which will result in an underspend of £495k. As detailed in the School Funding Arrangements 2021/22 report in January, this underspend has been earmarked to support growth fund costs in 2021/22.

### 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
DSG Income Due	(64,216)	(59,830)	4,386
FEEE 3 & 4 Year Olds	50,897	45,773	(5,124)
FEEE 3 & 4 Year Olds Exceptional Payments	0	3,200	3,200
FEEE 2 Year Olds	10,147	7,402	(2,745)
SEN Inclusion Fund	545	446	(99)
Early Years Pupil Premium	580	444	(136)
Disability Access Fund	194	148	(46)
Early Years Centrally Retained	1,853	1,850	(3)
	0	(567)	(567)

(note: a bracketed figure in the variance column is an underspend and a positive figure an overspend)

- 3.2 Early Years funding is paid to the local authority based on January 2020 and January 2021 census. The funding is paid out to providers based on termly headcounts of the children attending settings. As a result, there is a difference between the funding received by the LA and that paid out to providers. The hourly rate received was increased by 8p per hour and that full increase was passed onto providers.
- 3.3 For 2020/21, there is a great deal of uncertainty around the projections as a result of the COVID 19 pandemic. Of particular concern is the January 2021 early years census which took place during a national lockdown. The results of this census are not yet known, though it is likely there will be a significant reduction which will result in lower grant for the spring term and the summer term in the 2021/22 financial year.
- 3.4 In addition, in order to maintain childcare provision availability, DfE instructions were to continue to pay providers even though the childcare may not have been

provided. For the summer term 2020 this meant that all providers received income based on their estimates regardless of whether they had children attending. Following the updated DfE guidance, for the autumn term 2020, providers in Leeds were funded on either the actual children attending or 95% of the value of the autumn 2019 term, whichever was the greater.

- 3.5 For 2020/21 only, the grant for the period April to December 2020 will be based on the January 2020 census data. As the payments for these terms are largely complete, we have some certainty on the underspend for this period. Due to the uncertainty around the funding and expenditure for the spring term as detailed above, at this stage it is assumed that the grant will match the expenditure for this term. Although this is unlikely to be the case, it is felt that the rapidly changing situation means that a meaningful projection is not possible.
- 3.6 As reported to Schools Forum in February 2020, the implementation of the “golden ticket” approach to increase the uptake of 2 year old places has been significantly affected by the pandemic which is expected to result in reduced expenditure and income. The net effect on the 2 year olds budget is a projected underspend of £205k.
- 3.7 For 3 and 4 years olds, the gross underspend is £3,474k. This is partly due to the underlying difference between funded hours and claimed hours, but also as a result of the impact of the pandemic. However, in recognition of the funding difficulties faced by the early years sector, it is proposed to use £3,200k to make exceptional payments to settings. It is also proposed that should there be a further underspend as a result of the spring term activity, a further payment is made once the spring term funding is confirmed by the ESFA, which is usually in July.
- 3.8 The SEND Inclusion Fund is projected to be £99k underspent. However activity on this budget has also been significantly affected as a result of the pandemic. Although underspends on the SEND Inclusion Fund and the Disability Access Fund are part of the early years block, these should be viewed in conjunction with the Early Years Funding For Inclusion which sits in the high needs block. For 2020/21, this is projected to be £350k overspent.
- 3.9 There are further underspends projected on the Disability Access Fund and Early Years Pupil Premium. In addition, it is expected there will be a small underspend on the Early Years Contingency Fund, as the majority of this has been used to provide PPE to early years providers.
- 3.10 As part of the 2019/20 outturn it was reported that the Early Years grant for 2019/20 was estimated as the statutory deadlines for finalising the accounts were earlier than the final grant notification. The final grant received was only £2k different than was included in the 2019/20 accounts which is a negligible impact on 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 £000	Projection £000	Variance £000
DSG Income Due	(79,831)	(79,951)	(120)
Funding Passported to Institutions			
- SILC and Resource Provision Places	14,034	14,192	158
- Out of Area and residential placements	8,954	10,871	1,917
- Alternative Provision (including AIP's)	5,056	5,078	22
- SEN Top-ups to Institutions	41,428	43,665	2,237
- Mainstream additional places (£6k blocks)	751	840	89
- Increase in Special School places	2,106	0	(2,106)
- Education provision for mental health beds	100	100	0
Commissioned Services			
- Hospital & Home Tuition	1,724	1,724	0
- PD & Medical Service	97	97	0
Children's Services			
- Autism support (STARS)	450	454	4
- Children missing out on education	446	432	(14)
- Management of high needs services	284	234	(50)
- SEN adaptations	141	161	20
- SEN Inclusion Team	1,287	1,187	(100)
- Sensory Service	2,415	2,118	(297)
Other items			
- Prudential borrowing for SEMH provision	558	558	0
	0	1,760	1,760

(note: a bracketed figure in the variance column 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 £1,760k. This is following the transfers from the schools block and the central school services block totalling £3m.
- 4.3 Previous reporting identified a significant rise in the requests for new assessments (80% rise in new statutory assessments in 2018/19 compared to 2014/15). The LA is currently responsible for 4,672 EHC plans. During this pandemic period we are continuing to deliver our statutory roles with some adjustments to service. There have been fluctuations in the rate of requests related to the general closure of schools. Whilst requests have reduced slightly during lockdown periods they have then returned and increased on each re-opening. We are therefore now anticipating an even greater number of requests than previously projected.
- 4.4 DFE national data shows that at the present time the capacity of LA SEND teams across the country remains stretched, with case work high, and expected to rise, both in terms of requests for new assessments and re-assessment of need. This is due to the fact that many children are returning with even greater difficulties and gaps in learning or presenting with significant social, emotional and mental health needs requiring support. As restrictions continue and bubbles break down in schools, children and young people will lose even more education potentially

causing ongoing difficulties. It is too early to give clear projections of the impact of COVID on the rise in requests for new assessment; however, our previous estimates of requests being doubled by 2025 to over 7,000 children may now be an underestimation despite work being undertaken to support at an earlier intervention level.

- 4.5 National statistics indicate that around 50% of learners with an EHCP then move into specialist provision. At the present time we are working to develop specialist resourced bases in mainstream schools for specific areas of identified need alongside the creation of two new generic special schools. In addition we have also increased the capacity in our existing SILCs across the city to meet this demand. It must also be noted that even though we have a planned programme of developing additional provision across the city there will still remain the need to commission out of authority places for those learners with highly complex and individual needs that require a bespoke package.
- 4.6 SEN top-ups to institutions continues to be the largest area of overspend. The projected overspend for 2020/21 is now £2,237k and the largest variances within this are as follows:-
- A continued increase in high need pupils at mainstream schools and academies has resulted in a projected over spend of £1,747k. This is also an increase of £2,307k compared to 2019/20.
  - There is an increase in external post 18 placements which is expected to result in an overspend of £765k.
  - A projected underspend of approximately £205k on top up funding at SILCs and resourced provision units is expected. Although this is an underspend compared to the budget, it is an increase in expenditure of £400k since the last budget monitoring report and is a result of an increase in pupils placed since September.
- 4.7 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 £89k overspent due to an increased number of SEN pupils within schools meeting the criteria for additional £6k blocks.
- 4.8 The Out of Area Placements and External Residential Placements budget is currently expected to be £1,917k 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.
- 4.9 There is expected to be a combined underspend in the services provided by Children and Families of £437k. This is a combination of vacant posts and delays in recruitment.
- 4.10 At the start of the year, it was expected that there would be a need for an extra 212 specialist placements from September 2020, though at that time it was not known where those placements would be. At this stage in the year, it is assumed that all of these pupils are in mainstream schools, special schools or outside placements and so no expenditure is expected on this heading. This partly

offsets a number of the overspends above as the cost of these placements are now reflected in current projections.

- 4.11 When the budget is set, there are a number of issues that are not confirmed on the grant allocation until after the year has started. As estimate is made of the impact of these issues, but the actual allocation is slightly different. For 2020/21, the grant allocation is £120k more 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 £000	Projection £000	Variance £000
DSG Income Due	(4,867)	(4,867)	0
Historic Commitments	646	645	(1)
Ongoing Responsibilities	4,071	3,995	(76)
Severance / Pension costs	150	150	0
	<u>0</u>	<u>(77)</u>	<u>(77)</u>

(note: a bracketed figure in the variance column is an underspend and a positive figure an overspend)

- 5.3 This underspend is due to savings in the Admissions Service as a result of vacancies and delayed recruitment.

## 6 2020/21 Reserves

- 6.1 The table below shows the expected position as at 31<sup>st</sup> March 2021 as a result of all the variances detailed above.

	General £000	De- delegated £000	Total £000
Balance b/fwd from 2019/20	3,955	(722)	3,233
Use of reserves	0	596	596
2020/21 Variances			
- Schools Block	(741)	(473)	(1,214)
- Early Years Block	(567)		(567)
- High Needs Block	1,760		1,760
- Central Schools Services Block	(77)		(77)
<b>Balance c/fwd to 2021/22</b>	<b>4,330</b>	<b>(599)</b>	<b>3,731</b>

6.2 The conditions of grant for the Dedicated Schools Grant requires that any local authority with an overall deficit on its DSG account at the end of 2019/2020 financial year must be able to present a plan to the DfE for managing their future DSG spend. An initial report was brought to Schools Forum in November and an update will be brought to a future meeting.

## 7 Recommendations

7.1 Schools Forum is requested to note the projected overspend on General DSG of £375k which will be added to the deficit on General DSG brought forward from 2019/20. This will make the current projected cumulative deficit £4.3m, with projected de-delegated surplus balances standing at £599k.