

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2020/21 Outturn

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1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the outturn position for 2020/21 on the Dedicated Schools Grant (DSG).
- 1.2 This report shows an in year underspend on general DSG of £821k. This is made up of an underspend on the early years, schools and central services to schools blocks, partly offset by an overspend on the high needs block (HNB).
- 1.3 It is proposed that up to £2m of the early years underspend be paid to providers as a one off payment in 2021/22 to reflect the difficulties caused to providers as a result of the coronavirus pandemic.
- 1.4 There was an underspend on de-delegated services of £1,006k, largely as a result of reduced calls on the contingency fund.
- 1.5 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.
- 1.6 Overall, the variation on general DSG is analysed as follows:

	Grant	Expenditure	Variance
	£000	£000	£000
Schools Block	306,600	305,823	(777)
Early Years Block	59,247	57,019	(2,228)
High Needs Block	79,951	82,278	2,327
Central Schools Services Block	4,867	4,724	(143)
Total In Year Underspend	450,665	449,844	(821)

Deficit b/fwd from 2019/20 3,955

Deficit at 31/3/21 3,134

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 actual costs and variances are summarised below:

	Latest Budget £000	Outturn £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	2,469	(531)
	<u>(4,568)</u>	<u>(5,345)</u>	<u>(777)</u>
De-delegated budgets	4,568	3,562	(1,006)

(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 De-delegated services budgets (contributed to by maintained mainstream schools) were underspent by £1,006k. The main area of underspend was the contingency fund as there was a reduced level of schools in financial difficulties funding payments approved and capitalised pension charges. This is partly offset by overspends of £259k due to increased maternity pay, £60k on employees suspended from schools and £29k on SIMS licences. 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 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.
- 2.4 In the previous 2 years, the in-year underspend on de-delegated services has been refunded to schools pro-rata to the amount of de-delegated funding received from each school. However for the 2020/21 underspend, it is proposed that the underspend remains within DSG balances. Given the level of the DSG deficit, an action plan is required by the Department for Education to reduce expenditure, particularly on the high needs block. This surplus balance could be used to reduce the impact of the action plan on schools or reduce a potential request to transfer funding from the schools block to the high needs block in

2022/23, though that would depend on the details in the funding settlement for that year. This proposal has also taken into account the increase in maintained schools balances of £15.3m during 2020/21.

- 2.5 The Growth Fund was initially set at £3,000k. The final outturn was £2,469k resulting in an underspend of £531k. As approved by School Funding in January, £500k of this underspend has been earmarked to support growth fund costs in 2021/22.

3 Early Years Block

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

	Latest Budget £000	Outturn £000	Variance £000
DSG Income Due	(64,216)	(59,247)	4,969
FEEE 3 & 4 Year Olds	50,897	46,363	(4,534)
FEEE 2 Year Olds	10,147	7,699	(2,448)
SEN Inclusion Fund	545	502	(43)
Early Years Pupil Premium	580	480	(100)
Disability Access Fund	194	125	(69)
Early Years Centrally Retained	1,853	1,850	(3)
	0	(2,228)	(2,228)

(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 was a great deal of uncertainty around 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 final results of this census are not yet known, though an adjustment has been made to reflect the expected values. It is now expected that the final allocation for 2020/21 will not be confirmed until November 2021.
- 3.4 For 2020/21 only, the grant for the period April to December 2020 will be based on the January 2020 census data and the period January to March 2021 will be based on the January 2021 census data.
- 3.5 As reported to Schools Forum in February 2020, the implementation of the "golden ticket" approach to increase the uptake of 2 year old places was significantly affected by the pandemic up to December 2020. However take up has increased during the spring term and as a result the net effect on the 2 year olds budget was an overspend of £221k.

- 3.6 For 3 and 4 years olds, the gross underspend is £2,327k. There was a significant underspend for the period April to December 2020 but an overspend for the period January to March 2021.
- 3.7 Previously published on the list of forthcoming key decisions is an intention to use up to £2m to make exceptional, one off payments to settings in recognition of the funding difficulties faced by the early years sector, particularly in light of the difficult year in 2020/21. As detailed in paragraph 3.3, the final confirmation of grant for 2020/21 is not expected until November.
- 3.8 The SEND Inclusion Fund was £43k underspent while the Disability Access Fund was £69k underspent. Although underspends on these areas 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 was £298k overspent.
- 3.9 There is a further underspend on Early Years Pupil Premium and 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 costs and variances within the High Needs Block are summarised in the table below:

	Latest Budget £000	Outturn £000	Variance £000
DSG Income Due	(79,831)	(79,951)	(120)
Funding Passported to Institutions			
- SILC and Resource Provision Places	14,034	14,296	262
- Out of Area and residential placements	8,954	11,360	2,406
- Alternative Provision (including AIP's)	5,056	5,034	(22)
- SEN Top-ups to Institutions	41,428	43,328	1,900
- Mainstream additional places (£6k blocks)	751	1,364	613
- Increase in high needs places	2,106	0	(2,106)
- Education provision for mental health beds	100	108	8
Commissioned Services			
- Hospital & Home Tuition	1,724	1,714	(10)
- PD & Medical Service	97	97	0
Children's Services			
- Autism support (STARS)	450	427	(23)
- Children missing out on education	446	320	(126)
- Management of high needs services	284	234	(50)
- SEN adaptations	141	160	19
- SEN Inclusion Team	1,287	1,237	(50)
- Sensory Service	2,415	2,041	(374)
Other items			
- Prudential borrowing for SEMH provision	558	558	0
	0	2,327	2,327

(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 overspend on the High Needs Block was £2,327k. This is following the transfers from the schools block and the central school services block totalling £3m.

4.3 Previous budget monitoring reports to Schools Forum have detailed the local and national position with regards to increasing demand for high needs funding, which is expected to continue in future years.

4.4 SEN top-ups to institutions continues to be one of the largest areas of growth with an overspend of £1,900k in 2020/21. The largest variances within this are as follows:

- A continued increase in high need pupils at mainstream schools and academies has resulted in an overspend of £1,693k. This is also an increase of £2,253k compared to 2019/20.

- There was an increase in external post 18 placements which resulted in an overspend of £604k.
 - There was an underspend of £314k on top up funding at SILCs and resourced provision units.
- 4.5 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 £613k overspent. In total, funding to mainstream schools was £2,396k overspent and represented an increase of £3,316k compared to 2019/20.
- 4.6 The Out of Area Placements and External Residential Placements budget was £2,406k overspent. As detailed in previous budget monitoring reports, 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.
- 4.7 There was a combined underspend in the services provided by Children and Families of £604k which was largely as a result of a combination of vacant posts and delays in recruitment.
- 4.8 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. There was no expenditure on this heading as the actual costs are reflected in the specific lines above.
- 4.9 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. An 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 costs and variances on this block were:

	Latest Budget £000	Outturn £000	Variance £000
DSG Income Due	(4,867)	(4,867)	0
Historic Commitments	646	638	(8)
Ongoing Responsibilities	4,071	3,936	(135)
Severance / Pension costs	150	150	0
	0	(143)	(143)

(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 reserves position as at 31st 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	(777)	(1,006)	(1,783)
- Early Years Block	(2,228)		(2,228)
- High Needs Block	2,327		2,327
- Central Schools Services Block	(143)		(143)
Balance c/fwd to 2021/22	3,134	(1,132)	2,002

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 Initial View of 2021/22

7.1 Although it is too early in the year for meaningful projections, there are a number of known issues which will affect DSG reserves in 2021/22. These are:

	General £000	De- delegated £000	Total £000
Balance b/fwd from 2020/21	3,134	(1,132)	2,002
Use of 2020/21 underspends			
- to fund 2021/22 growth fund	500		500
- exceptional early years payment	2,000		2,000
Budgeted overspend on high needs	1,181		1,181
Balance c/fwd to 2022/23	6,815	(1,132)	5,683

- 7.2 As a result of underspends in 2020/21, there is a commitment to use £500k to support the growth funding 2021/22 and a proposal to make an exceptional early years payment of up to £2,000k.
- 7.3 In addition, the way local authorities are funded for early years has changed for 2021/22. In previous years funding was based on a snapshot of numbers in January, but for 2021/22 a census will be taken for each term and funding will be based on those censuses, more closely matching the way funding will be paid to providers. This means that the underlying underspend in previous years is unlikely to continue in 2021/22.
- 7.4 As reported to Schools Forum in February 2021, the high needs block budget has been set to overspend the grant by £1,181k.
- 7.5 This means that the initial projection for 2021/22 is for a deficit reserve of £5.7m by the end of the year.

8 Recommendations

- 8.1 Schools Forum is requested to note the underspend on General DSG of £821k at the end of 2020/21 which has been deducted from the deficit brought forward from 2019/20. This makes a cumulative deficit carried forward to 2021/22 of £3,134k, with the de-delegated surplus balances standing at £1,032k.
- 8.2 Schools Forum is also requested to note the initial projected deficit reserves position for 2021/22.