

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2021/22 – Budget Monitoring Month 5

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1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the latest 2021/22 budget monitoring position on the Dedicated Schools Grant (DSG) as at the end of August 2021.
- 1.2 This report projects an in year overspend of £1.84m. This is made up of increased payments in early years as a result of the 2020/21 underspend on this block which is slightly offset by minor underspends on all other blocks.
- 1.3 Schools Forum agreed to a transfer of £2.887m from the schools block to the high needs block in 2021/22.
- 1.4 Overall, the variation on general DSG is analysed as follows:

	Estimated Funding £000	Projected Expenditure £000	Variance £000
Schools Block	(317,938)	317,894	(44)
Early Years Block	(58,279)	60,279	2,000
High Needs Block	(89,919)	89,875	(44)
Central Schools Services Block	(5,156)	5,083	(73)
Total In Year Overspend	(471,292)	473,131	1,839
Deficit b/fwd from 2020/21			3,134
Projected use of reserves			1,518
Use of de-delegated surplus			(1,000)
Projected deficit at 31/3/22			5,491

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	Projected Expenditure £000	Variance £000
DSG Income Due	(329,412)	(316,836)	12,576
Recoupment adjustment		(765)	(765)
Funding From Reserves	(500)	(337)	163
Individual Schools Budget	322,512	309,892	(12,620)
Growth Fund	2,659	3,261	602
	<u>(4,741)</u>	<u>(4,785)</u>	<u>(44)</u>
De-delegated budgets	4,741	4,305	(436)

(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 in respect of schools which have converted to academies during 2021/22.
- 2.3 Overall, de-delegated services budgets are currently projected to be underspent by £436k. There is a projected overspend of £155k on maternity pay and a projected underspend of £499k on the contingency fund – this is in line with reduced expenditure in recent years. There is also additional income of £92k 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 When the Growth Fund budget was initially set, it was known that there would be an adjustment to DSG income due (known as a recoupment adjustment) of £765k to fund growth fund payments to academies for the period April to August. Taking into account all the funding available and the projected growth fund costs, the overall projection on the Growth Fund is as follows:

	£000
Funding available	
- from schools block	2,159
- from DSG reserves	500
- recoupment adjustment	765
Total	3,424
Projected expenditure	3,261
Reduced call on reserves	(163)

3 Early Years Block

- 3.1 There is a high degree of uncertainty on the Early Years block for 2021/22, with projected costs and variances within the Early Years block are summarised below:

	Latest Estimate £000	Projected Expenditure £000	Variance £000
DSG Income Due	(58,279)	(58,279)	0
FEEE 3 & 4 Year Olds	47,671	49,671	2,000
FEEE 2 Year Olds	7,541	7,541	0
SEN Inclusion Fund	505	505	0
Early Years Pupil Premium	534	534	0
Disability Access Fund	210	210	0
Early Years Centrally Retained	1,818	1,818	0
	0	2,000	2,000

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

- 3.2 Early Years funding is usually paid to the local authority based on January 2021 and January 2022 census. However for 2021/22, the local authority is required to submit termly early years censuses and the funding received will be based on those returns. 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 for 2 year olds and 6p per hour for 3 and 4 year olds. The full increase was passed onto providers.
- 3.3 As reported to Schools Forum in June, there was a significant underspend in 2020/21, largely as a result of uncertainty on funding during the year as a result of the coronavirus pandemic. It was reported at this meeting 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.

- 3.4 Also reported in June was the change in the date where the ESFA will finalise the previous year's funding. This usually takes place in July, though it is not expected until November this year, so it is not yet known whether there will be a discrepancy between the funding assumed in respect of 2020/21 and the actual funding received.
- 3.5 As a result of the ongoing uncertainty over funding, it has been difficult to accurately project this block for 2021/22. Therefore at this stage, this block is expected to be on budget apart from the payment of £2m as to reflect the underspend 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 £000	Projected Expenditure £000	Variance £000
DSG Income Due	(91,103)	(88,738)	2,365
Funding From Reserves	(1,181)	(1,181)	0
Funding Passported to Institutions			
- SILC and Resource Provision Places	15,500	13,195	(2,305)
- Out of Area and residential placements	11,541	11,541	0
- Alternative Provision (including AIP's)	5,056	5,056	0
- SEN Top-ups to Institutions	50,782	51,208	426
- Mainstream additional places (£6k blocks)	1,117	1,520	403
- Increase in Special School places	728	0	(728)
- Education provision for mental health beds	100	100	0
Commissioned Services			
- Hospital & Home Tuition	1,856	2,026	170
- PD & Medical Service	97	97	0
Children's Services			
- Autism support (STARS)	464	419	(45)
- Children missing out on education	462	462	0
- Management of high needs services	234	234	0
- SEN adaptations	141	141	0
- SEN Inclusion Team	1,311	1,131	(180)
- Sensory Service	2,337	2,187	(150)
Other items			
- Prudential borrowing for SEMH provision	558	558	0
	0	(44)	(44)

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

- 4.2 As detailed in the table 4.1, there is a projected underspend of £44k on the High Needs Block, though this is after the assumption that £1,181k is required from reserves to fund the in-year expenditure. This is also following the transfer from the schools block totalling £2.887m. If both the contribution from reserves and the transfer from the schools block had not been assumed then the High Needs Block would have had a projected overspend of £4.024m.
- 4.3 DSG income due is £2,365k less than budgeted. However, the majority of this is due to the conversion of North West SILC into 2 special academies where DSG due to local authorities is reduced to allow place funding to be paid to academies directly by the ESFA. This is offset by a reduced cost in the expenditure incurred on SILC and Resourced Provision place funding. In addition, a successful bid was made for £170k of additional funding for the hospital service following an expansion in hospital provision in Leeds. It is possible there may still be some very minor changes to the income received.
- 4.4 There continues to be a pressure on the statutory assessment process (new requests for an EHC needs assessment) and increases in the number of EHC plans maintained by Leeds. (105% increase since 2016). The LA is currently responsible for approximately 5000 EHC plans. The impact of COVID on EHC plans has not yet been realised and it is anticipated that there will continue to be pressure in this area.
- 4.5 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. It is too early to give clear projections of the impact of COVID on the rise in requests for new assessments; however, it still looks likely that Leeds will maintain nearly 7000 EHC plans by 2025.
- 4.6 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
- 4.7 SEN top-ups to institutions continues to be the largest area of overspend, though at a much reduced level of £426k. There are a number of underspends, particularly on post 16 where there is a lower number of students than expected. However, within this section is £975k for the projected deficit of the North West SILC following the conversion to the Green Meadows and Penny Field special academies.

- 4.8 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 £403k overspent due to an increased number of SEN pupils within schools meeting the criteria for additional £6k blocks.
- 4.9 As a result of the successful bid for additional funding, the hospital service is expected to spend £170k more than originally budgeted for.
- 4.10 There is expected to be a combined underspend in the services provided by Children and Families of £375k. This is a combination of vacant posts and delays in recruitment.
- 4.11 At the start of the year, it was expected that there would be a need for extra specialist placements from September 2021. As additional places have been provided in SILCs and RPs, no expenditure is expected against this budget.

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	Projected Expenditure £000	Variance £000
DSG Income Due	(5,156)	(5,156)	0
Historic Commitments	618	618	0
Ongoing Responsibilities	4,322	4,249	(73)
Severance / Pension costs	216	216	0
	0	(73)	(73)

(note: a bracketed figure 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 2021/22 Reserves

6.1 The table below shows the expected position as at 31st March 2022 as a result of all the variances detailed above.

	General £000	De- delegated £000	Total £000
Balance b/fwd from 2020/21	3,134	(1,132)	2,002
Use of reserves	1,518		1,518
Transfer from de-delegated to general reserves	(1,000)	1,000	0
2021/22 Variances			
- Schools Block	(44)	(436)	(480)
- Early Years Block	2,000		2,000
- High Needs Block	(44)		(44)
- Central Schools Services Block	(73)		(73)
Balance c/fwd to 2022/23	5,491	(568)	4,923

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 2020/21 financial year must be able to present a plan to the DfE for managing their future DSG spend.

7 Recommendations

7.1 Schools Forum is requested to note the projected overspend on General DSG of £1.839m which will be added to the deficit on General DSG brought forward from 2020/21. This will make the current projected cumulative deficit £5.49m, with projected de-delegated surplus balances standing at £568k.