

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2021/22 – Budget Monitoring Month 10

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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 January 2022.
- 1.2 This report projects an in year underspend of £2.274m. This is made up small underspends in the schools block, CSSB and high needs block with a higher underspend in the early years block. These are detailed in the report.
- 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	(317,904)	317,631	(273)
Early Years Block	(57,534)	55,975	(1,559)
High Needs Block	(89,925)	89,556	(369)
Central Schools Services Block	(5,156)	5,083	(73)
Total In Year Underspend	(470,519)	468,245	(2,274)
Deficit b/fwd from 2020/21			3,134
Projected use of reserves			1,255
Use of de-delegated surplus			(1,000)
Projected deficit at 31/3/22			1,115

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:

	Full Year Budget £000	Year End Projection £000	Variance £000
DSG Income Due	(329,412)	(317,065)	12,347
Recoupment adjustment		(765)	(765)
Funding From Reserves	(500)	(74)	426
Individual Schools Budget	322,512	309,892	(12,620)
Growth Fund	2,659	2,998	339
	<u>(4,741)</u>	<u>(5,014)</u>	<u>(273)</u>
De-delegated budgets	4,741	4,269	(472)

(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. In addition, the ESFA have recently made us aware of an adjustment that will be processed on the value recouped from the DSG to fund academies and free schools. This adjustment will result in additional income of £229k in 2021/22. This amount has been added to the funding allocated to schools in 2022/23.
- 2.3 Overall, de-delegated services budgets are currently projected to be underspent by £472k. There is a projected underspend of £624k on schools contingency and intervention which is partly offset by a projected overspend of £160k on maternity pay and a projected overspend of £120k on employees suspended from schools. Other smaller variances on de-delegated budgets total £36k. 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	2,998
Reduced call on reserves	(426)

3 Early Years Block

3.1 Details have now been received on the effect of the termly early years censuses completed during 2021/22. As a result, the projected costs and variances within the Early Years block are summarised below:

	Full Year Budget £000	Year End Projection £000	Variance £000
DSG Income Due	(58,279)	(57,534)	745
FEEE 3 & 4 Year Olds	47,671	45,410	(2,261)
FEEE 2 Year Olds	7,541	7,521	(20)
SEN Inclusion Fund	505	603	98
Early Years Pupil Premium	534	525	(9)
Disability Access Fund	210	98	(112)
Early Years Centrally Retained	1,818	1,818	0
	0	(1,559)	(1,559)

(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 In June a proposal to allocate EY block DSG surplus from financial year 2020/21 to Early Years providers that delivered entitlement throughout 2020/21 was published. The proposal was subject to consultation. Having considered the views of stakeholders we do not intend to pursue this proposal. Factors relevant to this conclusion are wide ranging and include:

- A desire not to have a means tested application process as this was seen as unnecessarily burdensome

- A universal scheme would not significantly impact on the sustainability of the sector as most payments would be for low values.
- School balances increased significantly at the end of 2020/21.
- The Leeds Childcare Sufficiency Assessment 21/22 concluded that despite ongoing challenges with staff recruitment in the sector, there are currently sufficient childcare places for 0–4-year-olds in the majority of childcare planning areas, including free early education entitlement (FEEE) places for two, three and four year olds and that:
 - childcare providers are expanding and new provision is being created despite the impact of the Covid -19 pandemic on the sector and;
 - childcare provision has also closed during the last year although this has not been solely attributed to the impact of Covid-19 pandemic.
- Ongoing pressure on the DSG and the requirement to produce a deficit reduction plan; distributing the EY surplus would increase the deficit and therefore require additional savings elsewhere in the DSG.

3.4 The ESFA have also now finalised the previous year's funding. The impact of this is that there is an additional £88k of income in 2021/22.

3.5 Overall, the Early Years block is now projected to be £1.559m underspent in 2021/22. This is as a result of the difference between the way the funding is calculated and actual payments made to providers as detailed in paragraph 3.2.

4 High Needs Block

4.1 The projected costs and variances within the High Needs Block are summarised in the table below:

	Full Year Budget £000	Year End Projection £000	Variance £000
DSG Income Due	(91,103)	(88,744)	2,359
Funding From Reserves	(1,181)	(1,181)	0
Funding Passported to Institutions			
- SILC and Resource Provision Places	15,500	13,291	(2,209)
- 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	50,597	(185)
- Mainstream additional places (£6k blocks)	1,117	1,750	633
- 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	409	(55)
- Children missing out on education	462	462	0
- Management of high needs services	234	234	0
- SEN adaptations	141	251	110
- SEN Inclusion Team	1,311	1,123	(188)

- Sensory Service	2,337	2,061	(276)
Other items			
- Prudential borrowing for SEMH provision	558	558	0
	0	(369)	(369)

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

- 4.2 As detailed in the table above, there is a projected underspend of £369k on the High Needs Block, though this is after the assumption that £1.181m is required from reserves to fund the in-year expenditure. This is also following the transfer from the schools block totalling £2.887m.
- 4.3 DSG income due is £2.359m 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 Previous reporting identified a significant rise in the requests for new assessments since 2014. The LA is currently responsible for 5,023 EHC plans. This is double the number of plans since 2016. During the pandemic period there have been fluctuations in the rate of requests related to the general closure of schools. Requests for new assessments have now returned to pre-pandemic levels and the rise in requests continue. From January to December 2021 1,012 new requests were received. This is 28% higher than the same period in 2020 and 7% higher than 2019. Current statistical projections are based on previous years so whilst these do not show increases above the 7,000 previously projected plans by 2026, caution must be given.
- 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. Leeds SEND teams re pre EHCP work and early intervention support are following the same pattern as national with reduction in capacity to meet needs.
- 4.6 National statistics indicate that around 50% of learners with an EHCP then move into specialist provision. In Leeds due to our FFI system we have lower levels of EHCPs (2.4% compared to 3.7% nationally) In Leeds 37% of our learners with EHCPs move into school age 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 is now projected to be underspent by £185k. There are a number of underspends, particularly on post 16 where there is a lower number of students than expected along with smaller underspends on funding to special schools and academies. These projections are based on the data currently available within various systems, but we are reviewing and updating as more information is available. In addition, 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 An 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 £633k 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 £409k. This is a combination of vacant posts and delays in recruitment, partly offset by an increase in cost for SEN adaptations in schools.
- 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 various settings, 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:

	Full Year Budget £000	Year End Projection £000	Variance £000
DSG Income Due	(5,156)	(5,156)	0
Historic Commitments	618	618	0
Ongoing Responsibilities	4,322	4,249	(73)
Centrally Employed Teachers Pension funding	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	1,255		1,255
Transfer from de-delegated to general reserves	(1,000)	1,000	0
2021/22 Variances			
- Schools Block	(273)	(472)	(745)
- Early Years Block	(1,559)		(1,559)
- High Needs Block	(369)		(369)
- Central Schools Services Block	(73)		(73)
Balance c/fwd to 2022/23	1,115	(604)	511

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. The initial plan was presented to Schools Forum in October 2021 and an update has been provided elsewhere on this agenda.

7 Recommendations

7.1 Schools Forum is requested to note the projected underspend on General DSG of £2.274m which will be added to the deficit on General DSG brought forward from 2020/21. This will make the current projected cumulative deficit £1,115k, with projected de-delegated surplus balances standing at £604k.