

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

**Report to the Leeds Schools Forum**

**Subject: Dedicated Schools Grant 2021/22 – Outturn position**

**Report authors: Lucie McAulay  
(Head of Finance –Children and  
Families)**

**Contact number: 0113 3788766**

**Shirley Maidens  
Senior Financial Manager**

**Contact number: 0113 3788532**

**1 Summary of main issues**

- 1.1 This report is to inform members of Schools Forum of the 2021/22 outturn position on the Dedicated Schools Grant (DSG).
- 1.2 This report shows an in year underspend of £2.383m. This is made up small underspends in the schools block and CSSB and a higher underspend in both the early years and high needs blocks. 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 As the early years block has been consistently underspent for a number of years, a decision has been made to increase the 2022/23 base hourly rate paid to providers for 3 and 4 year olds. This means £5.20 per hour is being utilised, even though the funding received is only £5.12 per hour.
- 1.5 Overall, the variation on general DSG is analysed as follows:

|                                | Total<br>Income<br>£000 | Total<br>Expenditure<br>£000 | Variance<br>£000 |
|--------------------------------|-------------------------|------------------------------|------------------|
| Schools Block                  | (317,648)               | 317,605                      | (43)             |
| Early Years Block              | (57,995)                | 56,601                       | (1,394)          |
| High Needs Block               | (89,925)                | 89,107                       | (818)            |
| Central Schools Services Block | (5,156)                 | 5,028                        | (128)            |
| <b>Total In Year Overspend</b> | <b>(470,724)</b>        | <b>468,341</b>               | <b>(2,383)</b>   |
| Deficit b/fwd from 2020/21     |                         |                              | 3,134            |
| Use of reserves                |                         |                              | 1,228            |

|                             |            |
|-----------------------------|------------|
| Use of de-delegated surplus | (1,000)    |
| <b>Deficit at 31/3/22</b>   | <b>979</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 costs and variances are summarised below:

|                           | Budget<br>£000 | Actual<br>£000 | Variance<br>£000 |
|---------------------------|----------------|----------------|------------------|
| DSG Income Due            | (329,412)      | (316,836)      | 12,576           |
| Recoupment adjustment     |                | (765)          | (765)            |
| Funding From Reserves     | (500)          | (47)           | 453              |
| Individual Schools Budget | 322,512        | 309,892        | (12,620)         |
| Growth Fund               | 2,659          | 2,972          | 313              |
|                           | <u>(4,741)</u> | <u>(4,784)</u> | <u>(43)</u>      |
| De-delegated budgets      | 4,741          | 3,775          | (966)            |

(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 was due to be processed in 2021/22 but instead was delayed until 2022/23, so is no longer in the above totals. This amount has been added to the funding allocated to schools in 2022/23.
- 2.3 Overall, de-delegated services budgets were underspent by £966k. The majority of this relates to schools contingency and intervention (£945k), free school meals eligibility (£65k) and union duty costs (£65k) which is partly offset by an overspend of £133k on maternity pay and an overspend of £85k on employees suspended from schools. Other smaller variances on de-delegated budgets total £17k. 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 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 with 2020/21, it is proposed that the underspend remains within DSG balances. Although there is now a slight surplus overall, there is still a deficit on general DSG budgets with continuing pressures on the high needs block. This surplus balance could be used to reduce the impact of the DSG Management action plan on schools or reduce a potential request to transfer funding from the schools block to the high needs block in 2023/24, 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 £3.565m during 2021/22.
- 2.5 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 the overall position on the Growth Fund was as follows:

|                          | £000  |
|--------------------------|-------|
| Funding available        |       |
| - from schools block     | 2,159 |
| - from DSG reserves      | 500   |
| - recoupment adjustment  | 765   |
| Total                    | 3,424 |
| Actual expenditure       | 2,972 |
| Reduced call on reserves | (453) |

### 3 Early Years Block

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

|                                | Budget<br>£000 | Actual<br>£000 | Variance<br>£000 |
|--------------------------------|----------------|----------------|------------------|
| DSG Income Due                 | (58,279)       | (57,995)       | 284              |
| FEEE 3 & 4 Year Olds           | 47,671         | 45,957         | (1,714)          |
| FEEE 2 Year Olds               | 7,541          | 7,543          | 2                |
| SEN Inclusion Fund             | 505            | 637            | 132              |
| Early Years Pupil Premium      | 534            | 519            | (15)             |
| Disability Access Fund         | 210            | 127            | (83)             |
| Early Years Centrally Retained | 1,818          | 1,818          | 0                |
|                                | 0              | (1,394)        | (1,394)          |

(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 was required to submit termly early years censuses and the funding received was 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 February, the early years DSG surplus from financial year 2020/21 has been retained within DSG.
- 3.4 The ESFA have also now finalised the previous year's funding. The impact of this is that there was an additional £88k of income in 2021/22.
- 3.5 Overall, the early years block was £1.394m 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.
- 3.6 As the early years block has been consistently underspent for a number of years, a decision has been made to increase the 2022/23 base hourly rate paid to providers for 3 and 4 year olds. This means £5.20 per hour is being utilised, even though the funding received is only £5.12 per hour. There is a risk that this approach could result in an overspend in 2022/23 and as a result, spend within this block will continue to be monitored closely during the year. This means that the base rate paid to providers for 3 and 4 year olds has increased to £4.78 per hour from £4.46 per hour in 2021/22.

#### 4 High Needs Block

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

|  | Budget<br>£000 | Actual<br>£000 | Variance<br>£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         | 13,097         | (2,403)          |
| - Out of Area and residential placements     | 11,541         | 12,999         | 1,458            |
| - Alternative Provision (including AIP's)    | 5,056          | 5,015          | (41)             |
| - SEN Top-ups to Institutions                | 50,782         | 49,112         | (1,670)          |
| - Mainstream additional places (£6k blocks)  | 1,117          | 1,793          | 676              |
| - Increase in Special School places          | 728            | 0              | (728)            |
| - Education provision for mental health beds | 100            | 88             | (12)             |
| Commissioned Services                        |                |                |                  |
| - Hospital & Home Tuition                    | 1,856          | 1,957          | 101              |
| - PD & Medical Service                       | 97             | 97             | 0                |
| Children's Services                          |                |                |                  |
| - Autism support (STARS)                     | 464            | 395            | (69)             |
| - Children missing out on education          | 462            | 429            | (33)             |
| - Management of high needs services          | 234            | 234            | 0                |
| - SEN adaptations                            | 141            | 185            | 44               |
| - SEN Inclusion Team                         | 1,311          | 1,121          | (190)            |
| - Sensory Service                            | 2,337          | 2,027          | (310)            |

|   |     |       |       |
|---|-----|-------|-------|
| Other items                               |     |       |       |
| - Prudential borrowing for SEMH provision | 558 | 558   | 0     |
|   | 0   | (818) | (818) |

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

- 4.2 As detailed in the table above, there was an underspend of £818k 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 was £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.
- 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 The Out of Area and Residential Placements budget was overspent by £1,458k. This was due to an insufficiency in places to meet specific needs in specific age groups alongside complexity of need that require bespoke provision often with residential accommodation alongside parental preferences and tribunal orders.
- 4.8 SEN top-ups to institutions was underspent by £1,670k. There are a number of underspends, particularly on post 16 where there is a lower number of students than expected and funding to mainstream school and academies was slightly less than budgeted. In addition, within this section is £954k for the final deficit of the North West SILC following the conversion to the Green Meadows and Penny Field special academies.
- 4.9 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 £676k overspent due to an increased number of SEN pupils within schools meeting the criteria for additional £6k blocks.
- 4.10 As a result of the successful bid for additional funding, the hospital service spent £101k more than originally budgeted for. This has reduced since previous reporting as there was a slight delay to the hospital expansion.
- 4.11 The combined underspend in the services provided by Children and Families of was £558k. This is a combination of vacant posts and delays in recruitment, partly offset by an increase in cost for SEN adaptations in schools.
- 4.12 At the start of the year, it was expected that there would be a need for extra specialist placements from September 2021 and a budget of £728k was set for those costs. All pupils are now either in mainstream schools, special schools or out of area placements and any costs for these pupils are reflected against those specific headings above. This underspend effectively partially offsets the overspend out of area placements.

## 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 final costs on this block are:

|   | Budget<br>£000 | Actual<br>£000 | Variance<br>£000 |
|---|----------------|----------------|------------------|
| DSG Income Due                              | (5,156)        | (5,156)        | 0                |
| Historic Commitments                        | 618            | 616            | (2)              |
| Ongoing Responsibilities                    | 4,322          | 4,196          | (126)            |
| Centrally Employed Teachers Pension funding | 216            | 216            | 0                |
|   | 0              | (128)          | (128)            |

(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 partly as a result of vacancies and delayed recruitment at the start of the year and underspends on running costs.

## 6 2021/22 Reserves

6.1 The table below shows the final position as at 31<sup>st</sup> March 2022 as a result of all the variances detailed above.

|  | General<br>£000 | De-delegated<br>£000 | Total<br>£000 |
|--|-----------------|----------------------|---------------|
| Balance b/fwd from 2020/21                     | 3,134           | (1,132)              | 2,002         |
| Use of reserves                                | 1,228           |                      | 1,228         |
| Transfer from de-delegated to general reserves | (1,000)         | 1,000                | 0             |
| 2021/22 Variances                              |                 |                      |               |
| - Schools Block                                | (43)            | (966)                | (1,009)       |
| - Early Years Block                            | (1,394)         |                      | (1,394)       |
| - High Needs Block                             | (818)           |                      | (818)         |
| - Central Schools Services Block               | (128)           |                      | (128)         |
| <b>Balance c/fwd to 2022/23</b>                | <b>979</b>      | <b>(1,098)</b>       | <b>(119)</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 2021/22 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 although there is now a slight surplus overall, the general DSG budgets are still in deficit and so this plan is still required to be maintained.

## 7 Recommendations

7.1 Schools Forum is requested to note the underspend on General DSG of £2.383m and the overall deficit on General DSG of £979k carried forward to 2022/23. The de-delegated surplus balance stands at £1,098k.