

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Subject: Dedicated Schools Grant 2022/23 – Outturn position

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1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the outturn position on the Dedicated Schools Grant (DSG) for 2022/23.
- 1.2 This report shows an in year underspend of £8.039m. This is largely made up of underspends in the high needs block with smaller underspends in the other blocks.
- 1.3 Schools Forum agreed to a transfer of £3.127m from the schools block to the high needs block in 2022/23.
- 1.4 Overall, the variation on general DSG is analysed as follows:

	Funding £000	Expenditure £000	Variance £000
Schools Block	(323,687)	323,400	(287)
Early Years Block	(59,373)	58,511	(862)
High Needs Block	(104,032)	97,186	(6,846)
Central Schools Services Block	(5,138)	5,094	(44)
Total In Year Overspend	(492,230)	484,191	(8,039)
Deficit b/fwd from 2021/22			979
Surplus at 31/3/23			(7,060)

- 1.5 The variation on de-delegated budgets is analysed as follows:

	Budget £000	Actual £000	Variance £000
De-delegated budgets	5,152	4,766	(386)
Recovery of surplus balances		(466)	(466)
Total In Year Overspend	5,152	4,300	(852)
Surplus b/fwd from 2021/22			(1,098)
Surplus at 31/3/23			(1,950)
Earmarked to offset de-delegated services in 2023/24			500
Proposed refund of surplus			1,250
Remaining unallocated de-delegated reserve			(200)

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:

	Budget £000	Actual £000	Variance £000
DSG Income Due	(324,960)	(323,033)	1,927
Funding From Reserves	(229)	0	229
Individual Schools Budget	318,127	315,961	(2,166)
Growth Fund	1,910	1,633	(277)
	(5,152)	(5,439)	(287)
De-delegated budgets	5,152	4,766	(386)
Clawback of excess balances		(466)	(466)

(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. There is no longer a benefit to local authorities on NNDR in respect of schools which have converted to academies during 2022/23.
- 2.3 As reported previously, it was expected that there would be a technical funding adjustment during 2021/22 by the ESFA which was added to the funding available to schools in 2022/23. That adjustment was delayed and has now been received in 2022/23.

- 2.4 Overall, de-delegated services budgets were underspent by £386k with a further £466k excess balances clawed back from schools. Maternity pay was £55k overspent, though this was offset by underspends on Union Duty (£85k) and contingency (£322k). Suspended employees pay was largely on budget after earlier projecting to be overspent. This is as a result of the number of employees funded by this budget reducing from 12 earlier in the year to 4 in the final quarter. There are minor variances on other budgets which total £34k.
- 2.5 In total there is a cumulative surplus of £1,950k on de-delegated budgets. Of this, £500k has already been earmarked to offset the cost of de-delegated services in 2023/24. In line with previous commitments made to Schools Forum, it is proposed to refund £1,250k to schools. As the majority of the underspend occurred during 2021/22, this will be allocated pro-rata to the contribution made towards de-delegated budgets in 2021/22 while the remaining underspend will be based on contributions made towards de-delegated budgets in 2022/23.
- 2.6 The final position on growth fund was an underspend of £277k compared to the budget set in January 2022.

3 Early Years Block

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

	Budget £000	Actual £000	Variance £000
DSG Income Due	(58,187)	(59,373)	(1,186)
FEEE 3 & 4 Year Olds	47,608	48,373	765
FEEE 2 Year Olds	7,450	6,910	(540)
SEN Inclusion Fund	487	746	259
Early Years Pupil Premium	618	607	(11)
Disability Access Fund	254	105	(149)
Early Years Centrally Retained	1,770	1,770	0
	0	(862)	(862)

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

- 3.2 Early Years funding for 2021/22 was based on termly censuses. The final funding in relation to 2021/22 has now been confirmed and has resulted in an additional £60k in 2022/23.
- 3.3 For 2022/23, funding has reverted to being based on the January 2022 and January 2023 censuses. In the budget monitoring report brought to February's Schools Forum, it was estimated that the January 2023 census would reduce by 4.5% for 3 and 4 year olds and 5% for 2 year olds based on the falling birth rates in Leeds in recent years. However, the current estimate of the January census is that 3 and 4 year olds reduced by 1.1% and by 2 year olds by 12.4%. The impact of these estimated census details has been reflected in the table above. The results of the January 2023 census will not be issued by the ESFA until July.

- 3.4 The hourly rate received in 2022/23 increased by 8p per hour for 2 year olds and 6p per hour for 3 and 4 year olds. The full increase for 2 year olds was passed onto providers. However for 3 and 4 year olds, the base rate has been increased to £4.78 per hour from £4.46 per hour in 2021/22. This means that £5.20 per hour is being utilised even though the funding received by the council is only £5.12 per hour.
- 3.5 The unfunded hourly rate was increased as a result of the consistent underspend on the early years block in previous years. It was estimated that this approach would reduce the underspend on this block by approximately £800k. The above underspend is actually £532k less than the 2021/22 underspend. The continuing underspend will be reassessed to evaluate whether a further unfunded increase in the 3 & 4 year old hourly rate is affordable.
- 3.6 The Government's Budget in March 2023 announced that "hundreds of thousands more working parents will be supported through an extension of the free childcare on offer, more than doubling the current support in place." Whilst some details have been provided around timeframes, we continue to await further information around the conditions and implementation of the support.

4 High Needs Block

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

	Budget £000	Actual £000	Variance £000
DSG Income Due	(103,981)	(104,032)	(51)
Funding Passported to Institutions			
- SILC and Resource Provision Places	13,738	13,958	220
- Out of Area and residential placements	13,360	10,390	(2,970)
- Alternative Provision (including AIP's)	5,056	5,036	(20)
- SEN Top-ups to Institutions	56,127	56,972	845
- Mainstream additional places (£6k blocks)	3,231	3,241	10
- Growth for new places and costs	2,647	0	(2,647)
- Education provision for mental health beds	100	31	(69)
- Supplementary expenditure	947	0	(947)
Commissioned Services			
- Hospital & Home Tuition	2,441	2,443	2
- PD & Medical Service	97	97	0
Children's Services			
- Autism support (STARS)	507	359	(148)
- Children missing out on education	468	433	(35)
- Management of high needs services	234	234	0
- SEN adaptations	229	166	(63)
- SEN Inclusion Team	1,337	1,197	(140)
- Sensory Service	2,304	2,051	(253)
- Invest to Save budget	600	20	(580)

Other items

- Prudential borrowing for SEMH provision	558	558	0
	0	(6,846)	(6,846)

(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 £6,846k on the High Needs Block. The figures above are after the utilisation of the supplementary high needs funding reported to Schools Forum in July. They are also following the transfer of £3,127k from the schools block to the high needs block.
- 4.3 DSG income due is £51k more than budgeted following minor changes in the import / export element of the funding calculation.
- 4.4 Out of area and residential placements was underspent by £2,970k. There has been some difficulty in accessing accurate data during 2022/23 to project the outturn in previous budget monitoring reports. Data available in January suggested a similar expenditure pattern to previous years and as a result a higher expenditure amount was projected than actually occurred.
- 4.5 In addition, there have been several practice improvements and developments made in relation to Out of Area and External Residential independent placements, leading to a fundamental shift in the way the service process, consider and decide on independent placements. The key improvements which have contributed to the underspend include:
- Improved rigour in spending decisions
 - Greater scrutiny of independent schools
 - Lack of availability in independent schools
 - More robust conversations with independent schools
- 4.6 SEN top-ups to institutions overspent by £845k. Within this, the largest increase is in top-ups paid to mainstream schools which is in order to support mainstream schools to provide increased support to pupils with additional needs. There is also a significant increase in early years Funding for Inclusion. Funding for early years pupils in all settings has increased by 29% compared to 2021/22. This picture is consistent with the overspend reported on the SEN Inclusion Fund in the early years block.
- 4.7 The increase in SEND pupils remaining within mainstream schools meant that high needs funding paid to those settings was £5,320k more than in 2021/22.
- 4.8 There was a combined underspend in the services provided by Children and Families of £1,219k. This is a combination of vacant posts and delays in recruitment, particularly in the Sensory Service due to difficulties in recruitment to the highly specialised posts. The newly created Invest to Save budget was reliant on successful recruitment to a SEND Early help service in response to school's needs. Unfortunately, the first drive of recruitment was unsuccessful. This has now been reviewed and revised.
- 4.9 At the start of the year, it was expected that there would be a growth in places and costs as a result of a need for extra specialist placements for the new

academic year from September 2022. The actual costs incurred are shown within the relevant budgets above particularly mainstream, out of area recoupment and personal budgets which are included in the SEN top ups to institutions line above.

4.10 As reported to Schools Forum in July, £947k of the 2022/23 high need supplementary funding was not utilised.

4.11 Overall there is a significant underspend on the high needs block and as a result a number of proposals are being considered which will ensure that a proportion of the high needs surplus will be used to support institutions in 2023/24. These proposals are currently being worked through by Children and Families who will engage with stakeholders to ensure the best use of the resources available. With the agreement of Schools Forum, a report will be brought back during July with proposals on changes to be made.

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 actual costs on this block were:

	Budget £000	Actual £000	Variance £000
DSG Income Due	(5,138)	(5,138)	0
Historic Commitments	588	588	0
Ongoing Responsibilities	4,550	4,506	(44)
	0	(44)	(44)

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

5.3 The minor underspend is due to savings in the Admissions Service.

6 2022/23 Reserves

6.1 The table below shows the final position as at 31st March 2023 as a result of all the variances detailed above.

	General £000	De-delegated £000	Total £000
Balance b/fwd from 2021/22	979	(1,098)	(119)
2022/23 Variances			
- Schools Block	(287)	(852)	(1,139)

- Early Years Block	(862)	(862)
- High Needs Block	(6,846)	(6,846)
- Central Schools Services Block	(44)	(44)
Balance c/fwd to 2023/24	(7,060)	(1,950) (9,010)

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 the 2022/23 financial year must be able to present a plan to the DfE for managing their future DSG spend. However as the DSG is currently in surplus, this is not required. Although a management plan isn't required, we are developing a plan to deal with the surplus having reviewed individual budgets and taking account of the current round table discussions with schools and settings.

6.3 The DSG surplus at the end of 2022/23 will be carried forward to use on these budgets in future years.

7 Initial view on 2023/24 projections

7.1 Although a full budget monitoring exercise has not yet been completed and it is too early in the year to be accurate on many areas, it is expected that the 2022/23 underspends will have some knock-on effects in 2023/24. The initial high needs block projections are as follows:

	Budget £000	Projection £000	Variance £000
DSG Income Due	(117,035)	(117,035)	0
Funding From Reserves	0	0	0
Funding Passported to Institutions			
- SILC and Resource Provision Places	14,610	14,890	280
- Out of Area and external residential placements	14,821	12,071	(2,750)
- Alternative Provision (including AIP's)	5,228	5,228	0
- SEN Top-ups to Institutions	67,631	69,363	1,732
- Mainstream additional places (£6k blocks)	3,962	6,228	2,266
- Growth for new places and costs	1,263	0	(1,263)
- Education provision for mental health beds	100	100	0
Commissioned Services			
- Hospital & Home Tuition	2,603	2,603	0
- PD & Medical Service	98	98	0
Children's Services			
- Autism support (STARS)	482	482	0
- Children missing out on education	482	482	0
- Management of high needs services	234	234	0
- SEN adaptations	229	229	0
- SEN Inclusion Team	1,470	1,470	0
- Sensory Service	2,264	2,264	0
- Invest to Save budget	1,000	500	(500)

Other items

- Prudential borrowing for SEMH provision	558	558	0
	0	(235)	(235)

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

- 7.2 The impact of the 2022/23 underspend on out of area and residential placements is for a further underspend of £2,750k as a result of the actions identified in paragraph 4.5 above. However, this could change significantly as a result of the full impact of the new academic term.
- 7.3 The growth for the new places required for the new academic year is assumed to be reflected in the costs identified above resulting in an underspend of £1,263k.
- 7.4 Although recruitment plans are being developed on the Invest to Save budget, the timescales in appointing to new posts mean that it is expected that this budget will be £500k underspent in 2023/24. As the budget is expected to be fully staffed by the end of this year, it is unlikely that there will be a further underspend in 2024/25.
- 7.5 SEN top ups to institutions is projected to be overspent by £1,732k. within this, top ups to mainstream schools is overspent by £2,716k partly offset by smaller underspends on funding to other settings.
- 7.6 In addition to this, current details in FAS suggest that additional funding paid to schools with a higher number of high needs pupils is projected to overspend by £2,266k. This is as a result of an increase in high needs pupils remaining in mainstream settings.
- 7.7 In total, this means that funding to mainstream schools and academies is projected to overspend by £4,982k. This projected spend is £9,004k more than was received by these settings in 2022/23. The value of the transfer from the schools block to the high needs block agreed by Schools Forum in January was £3,338k.

8 Recommendations

- 8.1 Schools Forum is requested to note the underspend on General DSG of £8,039k which has been added to the deficit on General DSG brought forward from 2021/22. This made the cumulative surplus £7,060k on General DSG. In addition, the de-delegated surplus balances stand at £1,950k, though £500k of this is already committed in 2023/24 and the proposal is to reimburse maintained schools £1,250k pro-rata to their overall contribution to de-delegated budgets.
- 8.2 With the approval of Schools Forum, it is proposed to convene an additional Schools Forum meeting in July at which we can further outline our plans having had the opportunity to consider the results of ongoing round table conversations around SEND funding in general and FFI specifically.

