

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

Date 18th July 2023

Subject: Dedicated Schools Grant 2022/23 – Reserves

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1 Summary of main issues

1.1 At the meeting of the Schools Forum on 22nd June 2023 a report was presented on the 2022/23 outturn position. The focus of discussion was the level of DSG balances. The main issue in this report is the proposals for addressing the balances and Schools Forum are invited to comment on the options available.

1.2 For ease of reference, the summary position as reported to Schools Forum on 22nd June 2023 is repeated below. It is also of significance that the initial projections for 2023/24 reported to Schools Forum at the same June meeting indicated that, broadly speaking, the High Needs Block would be back in balance in 2023/24 and that the underspends in 2022/23 would not be repeated. This adds another level of complexity to the challenge of developing proposals to deal with the accumulated surplus. In short, we do not anticipate that the underspend will repeat in 2023/24 and there is a high degree of uncertainty about future years DSG settlements. Therefore, proposals to reduce the surplus cannot be recurrent expenditure because the source of funding cannot be guaranteed.

1.3 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 Underspend	(492,230)	484,191	(8,039)
Deficit brought forward from 2021/22			979
Surplus at 31/3/23			(7,060)

1.4 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 Underspend	5,152	4,300	(852)
Surplus brought forward 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 De-delegated Surplus

- 2.1 Following consultation with all maintained schools, Schools Forum on 18th January 2022 approved the de-delegation of budgets for schools contingency, maternity and other cover, suspended staff cover, Trades Unions facilities, school library service, free school meals eligibility, behaviour support, support for underperforming ethnic minority groups and bilingual learners and school improvement.
- 2.2 As set out in 1.4 above, the surplus was £1.95m because of the in-year underspend, the clawback of surplus balances and the surplus brought forward from 2021/22. As previously referenced at Schools Forum, £0.5m has been earmarked to part fund delegated services in 23/24 (and therefore reduce in year contributions from schools).
- 2.3 It is also proposed the £1.25m is refunded to schools in 2023/24. The refund will be pro rata to their contribution to the de-delegated funds. For the avoidance of doubt, this refund will only apply to maintained mainstream schools as it is only maintained mainstream schools that contributed to the de-delegated budgets. A small number of maintained mainstream schools have academised since the de-delegation was affected; these settings will similarly receive a refund.
- 2.4 In accordance with Council's constitutional decision-making arrangements, a notification of an intention to make such a decision was published on 15th June 2023. It is a requirement that the notification be published 28 prior to the decision being made and that a report upon which the decision maker relies is also published 5 days before the decision is made. On the assumption that the decision is made, a further period of 5 days must lapse before the decision is implemented so that the decision may be 'called in' for reconsideration if enough

Members are minded to call in the decision. Accordingly, the decision cannot be made before 14th July 2023.

- 2.5 Appendix 1 (column H) attached shows the amounts that individual schools will receive during 2023/24 if the decision is made to refund de-delegated balances.

3 Schools Block to High Needs Block Transfer

- 3.1 At the meeting of Schools Forum on 18th November 2021, Schools Forum approved the transfer of £3.127m from the Schools Block to the High Needs Block for the financial year 2022/23. This was done following a consultation with all schools that saw 97% of those schools that responded, supporting the transfer. Block transfers of this nature are a decision reserved for School Forum.
- 3.2 It is now apparent that the High Needs Block did not require the transfer of funding.
- 3.3 Council officers have raised with issue of reversing the block transfer with the ESFA due to the technical nature of inter block transfers and the implications for the Authority Proforma Toolkit return to the DfE. The ESFA do not have any issue with the principle but think that to do this in 23/24 would require a disapplication request and/or resubmission of APT and the reissue of all funding statements. This could be a complicated and lengthy process. The DfE have stated that, with the summer recess, it is unlikely that any disapplication request will be considered until Autumn. They have also said that there appears to be 'no exceptional circumstances' which could 'weaken any disapplication request'.
- 3.4 As an alternative, we could inject the £3.127m into the 24/25 formula i.e., next financial year. Although this could potentially delay the implementation of the refund it does provide certainty that the refund can be implemented compared to the position in respect of a disapplication request as outlined by the ESFA.
- 3.5 Schools Forum should be aware that because of the Minimum Funding Guarantee and the cap on gains that was applied to the schools funding formula, not all schools saw a reduction in their budget due to the block transfer. We would wish to ensure that the refund of the transfer was made on the same basis i.e., only those schools that saw a reduction would benefit from the refund. As a result of the cap on gains and MFG, approximately 40% of settings did not contribute to the transfer.
- 3.6 The transfer to the High Needs Block affected schools funded from the Schools Block. To be clear, special schools are not funded from the Schools Block and therefore did not see a funding reduction to affect the transfer.
- 3.7 As detailed in the medium-term financial plan brought to Schools Forum in October 2022, the indications are that High Needs Block funding will increase by 3% in future years. However, the increase in pupils requiring high needs support is projected to increase by a greater amount. The MTFs will be updated through the summer and reported to the Council's Executive Board. This will take into account the DfE announcement of indicative funding levels for 24/25 that are due to be published by the end of July. Until funding settlements are known it is proposed to retain £3.5m in the DSG reserve. Retaining this figure in the

reserves reduces but does not eliminate the potential for future requests for inter-block transfers give the uncertainty about funding levels and demand pressures on the DSG more widely and the HNB specifically.

4 Funding for Inclusion

- 4.1 We are aware that there are concerns about the application process. Settings will be aware that following the FFI Round Table meetings, the FFI process has been quite significantly streamlined. Feedback on these changes at the recent FFI briefings has been very positive. The FFI Round Table Working Group is meeting in July to explore other recommendations from the Round Table and briefings feedback, such as further simplification of the EHCP funding processes and identifying capacity to move to an annual FFI cycle from next academic year.
- 4.2 Schools are also keen to be able to apply for FFI funding for any age group, the requirement for an annual application for funding for children with an EHCP to be dropped and a trial of an EY ongoing application system from next year.
- 4.3 Given the ongoing role of the Round Table meetings, it is anticipated that further announcement can follow in July and/or early in the new academic year.
- 4.4 Given the nature of the proposed changes to the FFI application process that will significantly simplify the process regarding the 'application window,' it is anticipated that there will be a bulge of applications i.e., for those young people for whom the window would not ordinarily be open. It would therefore be prudent to retain a proportion of the surplus to smooth the inevitable budget spike between the old system and the new system. Details will be available in September.

5 Services Provided by the Council

- 5.1 Notwithstanding previous discussions with Schools Forum about the underspend in 2022/23 on those services provided by the Council and the projected underspend on 'Invest to Save' in 2023/24, feedback from settings is that services such as STARS and SENIT, are welcomed. Now that projected spend (linked to the Council's ability to attract and retain professionals) have increased, it would be sensible to evaluate their contribution and, if appropriate and supported by settings, to seek to do more of the same. The Council will therefore explore these options and report back to Schools Forum to support the increasing number of children with complex needs.
- 5.2 It is anticipated, given the comments in 1.2 above about the non-recurrent nature of the surplus that proposals will consider options for a digital platform around the SEND offer, aligned to the Leeds Local Offer.

6 Early Years Block

- 6.1 The Early Years Block underspent by £862k. In recent years, the Early Year Block has consistently underspent although the level of underspend has been reducing.
- 6.2 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. 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, exceeding the 6p uplift funded by the DfE. This means that £5.20 per hour is being utilised even though the funding received by the council is only £5.12 per hour, proactively managing the historic surplus on the Early Years block.
- 6.3 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 2022/23 underspend was £532k less than the 2021/22 underspend.
- 6.4 For 2024/25, the underspend will be reassessed to evaluate whether a further unfunded increase in the 3 & 4 year-old hourly rate is affordable. In addition, regulations state that a local authority may consider in its funding formula the number of places it wishes to fund in the school, class or provider (instead of the predicted total number of hours of attendance), where the authority has reserved those places for children with SEND or children in need. We will explore options to provide some place funding and present options to Schools Forum as either consultation or for decision; depending on the specific block of DSG used to fund the places.
- 6.5 We will also explore further options for inclusion to be funded from the High Needs Block as this would allow greater headroom to increase the base rate for providers. Providers consistently report that the base rate is the most important aspect of the funding model as this influences their business models, budgeting, planning, and charging policies through providing them with greater certainty.
- 6.6 On 7th July 2023 the DfE announced an Early Years Supplementary Grant (EYSG) for September 2023 to March 2024. The supplement will see an increase in funding for 2 year-olds of £1.91 per child per hour and 12p per child per hour for 3 and 4 year-olds. In addition, EYPP will increase by 4p per child per hour and the Disability Access Funding will see an annual increase of £53.
- 6.7 The local authority will be passing on the supplements in full and will be engaging with providers in the coming weeks to ensure they are aware of the increased rates they will benefit from beginning in September 2023.
- 6.8 The DfE has informed us that they expect to publish local authorities' EYSG allocations and the conditions of grant in September 2023.

7 Conclusions

- 7.1 Options exist to deal with the surplus by way of refunds of de-delegated contributions and reversing the block transfer in 23/24 or injecting the inter-block transfer into the formula for 2024/25. This will reduce the surplus by £4.377m.
- 7.2 The above proposals would have the following in year impact on DSG reserves. Some proposals cannot be implemented in year but are shown in the table with a zero in year impact as the financial impact will be in the following year.

	General £000	De-delegated £000	Total £000
Reserves brought forward from 2022/23	(7,060)	(1,950)	(9,010)
Projected underspend in 2023/24	(235)		(235)
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	(7,295)	(1,950)	(9,245)
Proposed use of reserves			
Refund de-delegated reserves to schools		1,250	1,250
Earmarked to offset 23/24 de-delegation		500	500
Earmarked for block transfer injection	3,127		3,127
FFI application and processes			
EY Block places/SEND			
STARS and SENIT			
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Balance of available/general reserves	(4,168)	(200)	(4,368)

- 7.3 This will result in restated and unearmarked reserves of £4,368k. This represents 0.5% of the 2022/23 DSG. This restated surplus would effectively allow some leeway to smooth the transition to revised FFI application procedures, some reserves to mitigate funding pressures and therefore reduce the likelihood of future years inter-block transfers.

8 Recommendations

- 8.1 Schools Forum are requested to note and provide comments on the proposals for using the 2022/23 underspend.