

Southend-on-Sea Borough Council

Executive Director of Finance and Resources
Executive Director of Children and Public Health
to
Education Board

On
22nd June 2021

Report prepared by:
Paul Grout, Senior Finance Business Partner

Agenda
Item No.

Final Outturn for Dedicated Schools Grant 2020/21

1 Purpose of Report

To update the Education Board on the Dedicated Schools Grant (DSG) final outturn for the 2020/21 schools budget, high needs, early years and centrally retained.

2 Recommendations

Education Board (EB) are asked to:

2.1 Note the final 2020/21 outturn.

2.2 And agree the subsequent DSG reserve balances shown for each funding block to be carried forward into 2021/22 (as referenced in 4.20).

3 Background

3.1 This report sets out the final outturn (spend position) compared to the 2020/21 DSG budget set for schools, high needs, early years, central and the subsequent resulting position for DSG reserve balances.

4 2020/21 Dedicated Schools Grant budgets and final outturn

4.1 Appendix 1 provides the detail of the allocated DSG Budget, final outturn and final variance for the schools block, high needs, early years, central and DSG income.

4.2 The budget and outturn are presented as gross figures which include allocations which are recouped from the Schools and the High Needs Block by the Department for Education (DfE) in order to pass funding directly onto academies, including high need place funding for free schools and further education colleges. This report summarizes the final spend variances to budget.

Schools Block total – (£206,788) underspend, of which:

Schools Block individual school block allocations – online to budget

- 4.3 Reflecting the DSG sum available and distributed to schools in accordance with the principles agreed in the January 2020 EB Budget paper.

Schools Block De-delegated – staff costs (Public duties) - (£6,492) underspend

- 4.4 As previously forecast and explained in the December 2020 EB DSG Budget paper an underspend was expected. No claims on this fund have been processed during 2020/21 which has been likely impacted by Covid-19. This underspend includes 1 further academy buy in addition to the 12 maintained schools de-delegated balance and will be carried forward into 2021/22 within DSG reserve balances (and isolated) to contribute towards the cost of future years public duties claims.

Schools Block Growth – (£200,296) underspend

- 4.5 As previously forecast and explained in detail in the March 2019 EB DSG growth fund paper alongside the 2020/21 rates updated in the January 2021 EB DSG budget paper, the distribution of available growth funding (funding for new intake classes) from 2019/20 is now modelled over the planned life of the growth. Therefore this underspend will be carried forward into 2021/22 within DSG reserve balances (and isolated) to contribute towards the cost of future years growth.

Early Years Block – (£499,443) underspend against the provisional Early Years DSG funding allocation, revised to (£239,443) underspend after accounting for an anticipated £210,000 DfE claw back of funds.

- 4.6 Early years block DSG funding for 2020/21 remains provisional until the DfE have revised the final funding allocation based on both the January 2021 and January 2020 early years census, although note this year there will be a change given the Covid-19 Pandemic and the DfE have announced funding allocations will only now be amended for the spring 2021 term only, as purpose the usual whole of the 2020/21 financial year. These changes will be announced by the DfE in July 2021 and the final DSG early years funding will be adjusted in accordance with that announcement.

- 4.7 Of the (£0.499M) underspend, An underspend of (£0.398M) is attributable to the direct funding allocations for early years providers as shown:

	2020/21 Provisional Budget allocation		2020/21 Spend position to Provisional Budget	
	PTE*	Budget £	PTE* (under) / over	Variance £ (under) / over
2 year old	436	£1.313m	(28)	(£0.039)m
3 & 4 year old Universal	2,748	£6.905m	(232)	(£0.205)m
3 & 4 year old Additional	836	£2.100m	(73)	(£0.153)m
Pupil premium	325	£0.098m	195	£0.040m
Disability Access Fund		£0.058m		(£0.041)m
Total		£10.474m		(£0.398)m

*PTE (Part Time Equivalent). DfE defined as the number of children taking up 15hours per week over 38 weeks. So 1 PTE = 15 hours per week child care over 38 weeks.

- 4.8 As previously explained, any underspend or overspend for early years providers will be due to either a lower or higher average distribution respectively of PTE paid out across the year for the 3 terms, compared to the provisional DSG funding currently based on the January 2020 and January 2019 census alone. However, this underspend for 2020/21 is no surprise given the Covid-19 pandemic (so i.e a reduced headcount paid out) with the exception of early years pupil premium which has increased, and also despite additional fair and further equitable DSG funding agreed by the Education Board to helpfully support sustainability of Early Years providers during 2020/21. It must also be recognised that although this head count is reduced due to the pandemic, it is still above 90% of anticipated provision so that in itself is of testament and praise to the Early Years providers of Southend supporting provision during 2020/21.
- 4.9 The remaining underspend of (£0.101M), of the total (£0.499M) underspend is against the centrally retained early years fund used to support early years children with SEND, additional supplied equipment and training for early years providers. Again, this underspend will also be carried forward into 2021/22 through the isolated DSG early years balance.
- 4.10 Now given we are aware of the reduced headcount payments in 2020/21 and the DfE have advised funding allocations will only be adjusted for the spring term 2021 only, an accounting accrual adjustment has been applied to DSG income funding for 2020/21 (as referenced in 4.19, and shown against DSG income funding) anticipating an estimated potential claw back of £210,000 which is expected to be processed by the DfE in July 2021.
- 4.11 After applying the underspend of (£0.499M) and anticipated claw back of £0.210M, the revised underspend is (£0.239M) which will be attributable to the DSG reserve balance for early years as at the 31st March 2021 increasing that reserve balance to now £1.105M. This is a welcome and sustainable DSG funding position for Early years. It is important to always hold an adequate level of early years DSG reserves balances to fund an in year overspend, should a subsequent funding year see a higher average PTE paid out to early years providers over the 3 terms/funding periods than funding received in, which, as

previously stated is usually based on the annual January early years census's alone. Therefore, it remains recommended that at a minimum a £0.5M reserve balance is maintained, but this does not positively mean given the reserve balance is above this level, further one off funding initiatives remain affordable to continue to support Early Years moving forward. Any proposals of such nature will of course continue to be bought back to the Education Board by the Head of Early Years for approval.

High Needs Block – (£2,109,871) underspend against allocated service line expenditure. Full underspend of (£2,593,807) including the agreed isolated balance to support future years of (£483,936) to DSG reserve balances.

- 4.12 Appendix 1 – displays the full 2020/21 final outturn for high needs on a line by line basis. As referenced in both the previous June 2020 and December 2020 EB DSG papers, an underspend on High Needs funding for 2020/21 was expected of which has increased by the end of the year financial year position.
- 4.13 To remind, 2020/21 saw our local DSG high need funding grow by circa additional £3M through the high needs funding formulae, and this was as first indicated in September 2019, as part of the government's three financial year funding settlement for Schools and High Needs funding covering the financial years 2020/21, 2021/22, 2022/23. This was of course a very welcome and much needed funding announcement as our own local High Needs Block had only just financially recovered in 2019/20 following 3 previous years of deficits.
- 4.14 The following table summarises the current final spend to budget position for 2020/21 alongside previous forecasts.

Summary Heading	2020/21 Opening Budget	2020/21 Revised Budget*	2020/21 Jun 2020 Forecast*	2020/21 Dec 2020 Forecast*	2020/21 Final Outturn	2019/20 Final Outturn
Place funding	£8.064m	£8.064m	£7.857m	£7.823m	£7.854m	£7.317m
Special and PRU/AP top up funding	£6.072m	£6.072m	£5.787m	£5.757m	£5.502m	£5.310m
Subtotal	£14.136m	£14.136m	£13.644M	£13.580m	£13.356m	£12.627m
Schools, early years, post-16 top up funding	£4.112m	£4.112m	£4.112m	£3.927m	£3.718m	£3.441m
Independent Providers	£1.950m	£1.950m	£1.950m	£1.650m	£1.400m	£1.358m
Other Provisions including SLA's	£1.830m	£1.830m	£1.664m	£1.572m	£1.444m	£1.352m
Total services	£22.028m	£22.028m	£21.370m	£20.729m	£19.918m	£18.788m
Targeted to High Need DSG reserve balances to support future years funding pressures	£0.532m	£0.484m				

Total	£22.560m	£22.512m	£21.370m	£20.729m	£19.918m	£18.788m
--------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

2020/21 Revised budget* following updated DfE defined import and export funding adjustment
Forecasts * - as shared at the June 2020 and December 2020 Education Board DSG papers

- 4.15 As shown in 4.14 (and in full in Appendix 1) comparing the 2020/21 revised budget col. to the 2020/21 Final Outturn col. there is no one particular area where the underspend is applied, but all areas' contributing to the underspend. Again, as referenced in the June 2020 EB DSG high need budget setting paper for 2020/21, the 2020/21 academic year saw a welcome 4% uplift on local EHCP top up rates approved and applied, as well as growth on place funding allocations, growth in alternative provision and elective home education, plus further budget allowances on more spend volatile high need demand led budget lines to meet further spend growth should that demand occur. The Covid-19 pandemic during 2020/21 has undoubtedly slowed any further growth in new provision of services, but it is reported that there has been minimal impact in relation to the number of new Educational Health and Care Plans (EHCP's) administered during 2020/21, and Southend remains in the upper tier of EHCP's issued compared to above other local authorities. It must also remain minded there is always spend volatility in high needs budget due to the demand led nature of these budgets and in particular the independent provider provision where 3 or 4 additional placements can add significant additional cost.
- 4.16 Whilst the 2020/21 spend is below the 2020/21 budget allocation, it is important to note the spend provision itself is also greater than that of 2019/20. The 2020/21 underspend will naturally now be ring fenced to the isolated high needs DSG funding reserve resulting in a now total reserve balance as at the 31st March 2021 of £3.003M (which is circa 11% of the now 2021/22 funding allocation). At a minimum it is recommend a reserve balance (A reserve balance which is one off funding available to meet either a future overspend and/or fund one initiatives) is held at all times at a minimum of £2M, which is an equivalent circa 8% of the 2021/22 funding level. A reserve balance is usually recommended to be maintained at around 5% of funded provision, but given the spend volatility associated with high need it is advisable this is increased to 8%. Therefore, very positively, there is in effect a £1M reserve surplus in addition to the 2021/22 budget allocation that can now be used to support one off funding initiatives for the benefit of current or future pupils supported through high needs funding. Its is for the Head of SEND and Head of Access and Inclusion to recommend how that one off funding is used in consultation with the wider education community and ofcourse in line with the conditions of high needs dedicated schools grant funding. And in accordance with all due practise and funding proposals relating to Dedicated School grant funds, these proposals will also be brought back through the Education Board for final approval.
- 4.17 It is therefore welcome to reconfirm that given the national and recognised pressures on high needs funding, that through the joint and positive work of Southend's Local Authority, Education Board, Applicable Special Schools and Schools. Southend's own DSG high needs funding position is restored to a healthy and sustainable financial position at this current time, with adequate reserves level to continue to support careful planning for current, future and further growth of provision within high needs.

Central block – (£103,294) underspend

- 4.18 A net underspend on the central block, mainly within the contributions to combined budgets with the Local Authority for Historic Commitments attributable to both School improvement and Workforce Development both impacted by the Pandemic. Given, the continued and expect funding reductions from the DfE for Central Block historic commitments, in terms of a financial position this is a welcome medium term position as this will further increase the Central Block DSG reserves providing further buffer whilst that funding continues to unwind.

DSG funding income – £58,573 anticipated net claw back of DSG income

- 4.19 The net £58,573 is made of both the previously explained (£151,427) of DSG early years additional income applied from the 2019/20 Early years funding adjustment, now offset by the anticipated £210,000 DSG Early Years finding claw back as explained in 4.10.

Overall Position for the 2020/21 DSG Final Outturn and reserve balances as at the 31st March 2021

- 4.20 The table below summarises the final outturn position for 2020/21 and now DSG reserve balances allocated to each block as at the 31st March 2021 carried forward to the 1st April 2021.

Block	Schools – ISB	Schools - growth	Schools – de- delegated	Early Years	High Needs	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves surplus / (deficit)							
1 April 2020 B'fwd	0	(18)	8	776	410	73	1,248
Issued to 2021 budget	0	0	0	(112)	0	0	(112)
19/20 Early years funding adj	0	0	0	151	0	0	151
20/21 Early years funding adj est.	0	0	0	(210)	0	0	(210)
2020/21 Final Variance	0	200	6	499	2,594	103	3,403

Transferred in year	0	0	0	0	0	0	0
31 March 2021	0	182	14	1,105	3,003	177	4,481

5 Conclusion

- 5.1 A very welcome closing 2020/21 financial position for DSG balances now returning a final DSG surplus reserve balance of £4.481M (equivalent 2.8% of total 2020/21 DSG funding £158.317M) to be rolled forward into 2021/22.
- 5.2 A healthy and sustainable financial DSG reserve position continues to benefit and maximize available future funding to support all children and their educational development.

6 Appendices

Appendix 1 - DSG Final Budget to Spend Outturn 202021