

Southend-on-Sea City Council

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

Education Board

On
21st June 2022

Agenda
Item No.

Report prepared by:
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Final Outturn for Dedicated Schools Grant 2021/22

1 Purpose of Report

To update the Education Board on the Dedicated Schools Grant (DSG) final outturn for the 2021/22 schools budget, high needs, early years and centrally retained.

2 Recommendations

Education Board (EB) are asked to:

- 2.1 Note the final 2021/22 outturn.
- 2.2 And agree the subsequent DSG reserve balances shown for each individual funding block to be carried forward into 2022/23 (as referenced in 4.19).

3 Background

- 3.1 This report sets out the final outturn (spend position) compared to the 2021/22 DSG budget set for schools, high needs, early years, central and the subsequent resulting position for DSG reserve balances.

4 2021/22 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 – £51,518 in year overspend, of which:

Schools Block individual school block allocations – (£11,363) underspend

- 4.3 Individual school block allocation reflects the DSG sum available and distributed to schools in accordance with the principles agreed in the January 2021 EB Budget paper. The underspend balance of (£11,363) reflects the reduced in year business rate reduction applied that the DSG is able to retain when a maintained school converts to an academy status during that year. This is applicable to 1 maintained school conversion in 2021/22. It is simply proposed at this current time that the underspend is held within the DSG reserve balances against the Individual Schools Block.

Schools Block De-delegated – staff cover costs (Public duties) - £2,002 overspend

- 4.4 A small in year overspend of £2,002 on the small fund supporting Public Duties. Which reflects the final net expenditure claim balance after 4 academy buy ins in addition to the maintained schools de-delegated sum. This small overspend will automatically fall to the isolated DSG reserve balance for de-delegated public duties, reducing the previous positive balance of £14,208 (at the 1st April 2021) to now £12,206 as at 31st March 2022. The fund remains in positive balance but as always it will just need annual consideration to the applicable de-delegated per pupil amounts for coming up 2023/24 and buy in rates. As per the agreed DSG paper of December 2021, the de-delegated sum for 2022/23 and academy buy in rate is set at £0.50p per pupil for each applicable school.

Schools Block Growth – £60,879 overspend

- 4.5 As previously forecast and explained in detail in the March 2019 EB DSG growth fund paper alongside the 2021/22 rates updated and as shared in the January 2022 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 2021/22 overspend will be funded through the isolated DSG reserve balances for growth.

Early Years Block – (£339,775) underspend against the latest provisional Early Years DSG funding allocation

- 4.6 The early years block DSG funding for 2021/22 remains provisional until the DfE have updated the final funding allocations for the spring term of 2022 based on the January 2022 early year census, expected to be announced in July 2022. Although note as previously shared there has been a change this year in 2021/22 due to the Covid-19 Pandemic, whereby funding for both the summer term of 2021 and autumn term of 2021 have been based on additional early years census's within those terms. From 2022/23, the DfE have announced they will return to the traditional annual January early years census to determine the annual early years funding allocations.
- 4.7 On the 27th January 2022, the DfE announced the updated provisional 2021/22 Early Years funding allocation for both the summer and autumn terms of 2021, and this is shared and displayed in Appendix 2 col. D. You will note, as shared in Appendix 2, the DfE provisional early funding allocation for 2021/22 has been reduced by (£0.667M) from a total previous £10.773M early years funding allocation. This funding reduction is no surprise and was first shared as expected in the December 2021 DSG EB paper, whereby it was noted that due to Covid-19 there had been a reduction in both 3&4 year old universal and extended entitlement claims now a 7-9% take up reduction pre-Covid19 funding levels and an increase of now 63% for Early years pupil premium claims. It is ofcourse hoped that the uptake of Early Years funding will increase over and above pre-pandemic funded levels. This will also be assisted by the additional EB agreed use of one off reserves paper as shared in the January 2022 by the Head of Early Years.
- 4.8 Although the 2021/22 provisional funding has been reduced, it does need to be noted the DSG early years balances have still returned a collective and current positive in year underspend of (£0.340M) or equivalent 3% of total indicative DSG early years funding for 2021/22. It is not currently expected that the January 2022 Early Years census once processed by the DfE will materially change the current 2021/22 Early years funding allocation, therefore this underspend is really due to both the summer and autumn term of 2021 and there will always be small fluctuations between what was finally paid out, including all providers being paid for what was expected to be paid for that term to the respective census' for that term for funding in, which are taken and captured at an earlier point within that term. We also need to remain minded to the fact that Covid-19 has remained a significant factor and presence during 2021/22 but also given the DfE moving forward are going to re-base Early Years funding allocations back to the traditional annual January census's there is little to be gained from really drilling down into these relatively % wise small underspends. They are ofcourse positive as they further fall to support the DSG Early Years balances and therefore wider Early years community, but as previously shared we continue to hope to see funding uptake increase and as always this will be monitored and reported moving forward.

- 4.9 It also has to remain noted, that Southend's Early Years funding allocations and payments are now administered and have been over the last 3 years on a very robust and efficient monthly payment process, which includes Early Years providers portal access and checking facilities, and this has also significantly assisted management of early years DSG funds during the Covid-19 pandemic.

High Needs Block – (£1,575,571) underspend against allocated service line expenditure. Full underspend of (£3,553,008) including the permanent funding held aside to support long term permanent growth and expansion in high needs.

- 4.10 Appendix 1 – displays the full 2021/22 final outturn for high needs on a line by line basis. As referenced in both the previous June 2021 and December 2021 EB DSG papers, an underspend on High Needs funding for 2021/22 was expected of which has increased by the end of the year financial year position by a further (£0.592M) or equivalent 2.3% of the total High Needs budget £25.516M.
- 4.11 It must remain noted, that many Local Authorities and School Forums across the country are struggling to contain their High Needs spend within their DSG funding allocations, including Authorities that now have high deficits within their DSG's and therefore effectively within requiring financial recovery (a position Southend was in previously and up to and including 2018/19). It is therefore incredibly welcome and pleasing, that locally through the combined efforts of the Local Authority, Education Board and respective Schools we have now been able to contain spend within the increased DfE funding allocations, including the awarding of growth on EHCP banded top rates, expanding provision and we do still benchmark above national averages for the number of EHCP's. The additional permanent funding received from the DfE is ofcourse much needed, and enables High Needs funding locally to expand further in line with demand and the strategic intent for further expansions as set within the June 2021 EB DSG paper, and will continue into the following June 2022 EB DSG paper on a permanent basis. The administers of that expansion remain with the Local authority leads for Head of SEND and Head of Access and Inclusion, through the ultimate governance of the Education Board and Director of Education and Early Years.

4.12 The following table summarises the current final spend to budget position for 2021/22 alongside previous forecasts.

Summary Heading	2021/22 Final Budget (A)	2021/22 Opening Forecast (June 21)	2021/22 Revised Forecast (Dec 21)	2021/22 Final Spend (B)	2020/21 Final Spend
Place funding	£8.304m	£8.188m	£8.217m	£8.197m	£7.854m
Special and PRU/AP top up funding	£6.781m	£6.770m	£6.758m	£6.615m	£5.502m
Subtotal	£15.035m	£14.958m	£14.957m	£14.812m	£13.356m
Schools, early years, post-16 top up funding	£4.480m	£4.480m	£4.100m	£4.040m	£3.718m
Independent Providers	£1.950m	£1.950m	£1.750m	£1.533m	£1.400m
Other Provisions including SLA's	£2.024m	£1.907m	£1.729m	£1.578m	£1.444m
Total services line total	£23.539m	£23.295m	£22.554m	£21.963m	£19.918m
Funding allocations to support required future permanent growth in high need provision	£1.800M				
Remaining balance held aside from service provision to support any in year high need funding pressures	£0.177m				
Total	£25.516m	£23.295m	£22.554m	£21.963m	£19.918m

4.13 To remind, 2021/22 saw our local DSG high need funding grow by a further circa additional £2.9M through the high needs funding formulae, 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.

4.14 As reflected in 4.12 (and in full in Appendix 1) and as presented in the June 2021 DSG High Needs paper, it was always recognised new permanent funding of £1.8M had been held aside to support the expansion of permanent growth within the high needs block until mobilized. An element of this permanent growth has naturally been considered within the following June 2022 DSG High Needs paper where more detail will be covered.

4.15 Therefore focusing on the main reasons for the (£1.576M) underspend against service allocations:

4.15.1 We must first start with the independent provider provision. There is always spend volatility in high needs Independent provision budget due to the demand led nature of these budgets and market prices, where 3 or 4 additional residential school placements can add significant additional cost. It is therefore welcome, that for 2021/22 spend has been contained within this funding

allocation, and gives rise to a now hopefully sufficient budget allocation moving forward on that basis.

- 4.15.2 Mainstream Schools, early years, post-16 top up funding. As previously highlighted we continue to benchmark above national averages for EHCPs. As displayed in Appendix 1, there is not one particular area that has significantly underspent but more of a collective between inborough Mainstream Schools and post 16 providers. Again, this supports effective budget management within services (and the SEND team) of the new EHCP Banded Model from September 2021, and management of Post 16 provision.
- 4.15.3 Other Provisions including SLA's. As displayed in Appendix 1, the main area's of underspend are the Hospital Education provision and Inclusion Services. Again required Hospital Education provision will be simply based on the need and demands during that year, and obviously welcome that in 2021/22 spend has been lower than budget. The remaining material underspend is on Inclusion Services. It needs to be recognised, (as highlighted at the June 2021 EB), there have been changes to this provision and it has taken some time to mobilize the full spend in 2021/22, mostly related to under expected utilization of Schools requested use of Inclusion panel funding alongside some schools demonstrating full use with their notional Mainstream SEND funding first. There has also been no need spend against the additional education Inclusion Services budget of £60,000 (as agreed in the June 2021 DSG High Need Paper) for vulnerable pupils found to be missing from education or unable to sustain a placement in school and where placement at the PRU would not be appropriate for the child's needs, which is good news, simply in terms of the Interim Tuition Service have managed these cases in 2021/22.
- 4.16 The High Needs underspend for 2021/22 will naturally fall to support the DSG High Need reserve balances, and we need to remain minded of the now agreed approach as set at the October 2021 EB DSG paper whereby one off DSG reserve balances above the minimum recommend level of reserve can be used to support DSG High Needs one off spend with the appropriate agreed governance around that use. Therefore the now updated DSG balances and reminder of agreed approach for the use of one off balance is updated and displayed in paragraph 4.19.

Central block – (£295,964) underspend

- 4.17 A net underspend on the central block, the majority of which falls within the "contributions to combined budgets with the Local Authority". As explained in depth in the October 2021 EB DSG paper (and previous December 2020 EB DSG paper), a (£149,000) of this underspend was pre-planned in 2021/22 to support the unfortunate DfE unwinding of funding supporting Historic Commitments moving forward, and therefore seeking to sustain that remaining provision now as long as possible. A further underspend has been achieved within School Improvement, in part impacted by Covid-19 but also reduced commitments within 2021/22 to enable further support on a long term basis. Therefore 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. On the basis the DfE continue to unwind funding at a rate of 20% of the previous year's funding allocation, this allows the local authority to continue with now current combined commitments funded from the DSG up to and including now the financial year 2025/26.

DSG funding income – £45,322 under recovery

- 4.18 As explained in depth in the Dec 2021 EB DSG paper, a relatively small difference between the estimated DfE reclaim figure for the 2020/21 DfE Early Years funding adjustment and final adjustment processed.

Overall Position for the 2021/22 DSG Final Outturn and reserve balances as at the 31st March 2022

- 4.19 As displayed in Appendix 1 and the table below this now reflects the final DSG reserve balances as at the 31st March 2022 which are carried forward to the 1st April 2022. It remains minded, the reserve balance table now also includes as formally agreed through the EB DSG October 2021 paper, the presentation of recommended minimum reserve balances for each block, and where reserve forecast balances are now above those minimum recommended balances the following DSG expenditure conditions apply for the one off use of those reserve balances, with now note to both the reserve balances of Early Years and High Needs:

- 4.19.1 That any one off cumulative use of reserve balances below £50,000 in any one financial year has the required LA lead officer approval to proceed, but on the conditional basis this is reported through to EB.
- 4.19.2 That any single expenditure item or where the cumulative use of reserve balance was to fall above £50,000 in any one financial year then EB approval is firstly required. If the item or the matter is urgent, then approval can be given by an urgent virtual EB agreement but with a subsequent note to the actual and following scheduled EB meeting for formal minuting.

Block	Schools – ISB	Schools - growth	Schools – de- delegate	Early Years	High Needs	Central	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserves surplus / (deficit)							
1 April 2021 B'fwd	0	182	14	1,105	3,003	177	4,481
Agreed Issue to 2021/22 budget	0	0	0	(112)	(60)	0	(112)
Early years funding adjustment 2020/21	0	0	0	(45)	0	0	(45)
2021/22 current forecast variance	11	(61)	(2)	340	3,553	296	4,137
31 March 2022	11	121	12	1,287	6,496	473	8,401
Agreed Issue to* future yr budgets				(334)	(150)		(484)
Recommended* Minimum Reserve balance	0	121	12	500	2,301	473	3,407
One off Funding Available for DSG Conditional Use				453	4,045		4,498

Agreed (issue to budget for future years 22/23 and 23/24) - 22/23 HN draw down agreed at the December 2021 Education Board, 22/23 EY draw down agreed at the January 2022 Education Board

*Recommended Minimum Reserve balances, were agreed and currently set at 5% for Early Years and 8% of current total in year funding available for both of those blocks. Both these recommended minimum reserves %'s are subject to review and agreement should we see any funding pressures materialize in future years. All other block reserves balances are ring fenced to support those reserve block positions, particularly with note to the Central Block reserve that will be fully utilized to support the unwinding of DfE DSG commitments to Central Block Historic commitment services.

5 Conclusion

5.1 A very welcome closing 2021/22 financial position for DSG balances now returning a final DSG surplus reserve balance of £8.401M (equivalent 4.9% of total 2021/22 DSG funding £170.936M) to be rolled forward into 2022/23.

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 202122