

Committee:	Schools Forum
Meeting Date:	7 th October 2021
Title:	DSG Spend 2020-21 and 2021-22 Forecast
Author:	Sonya Harban
Decision making / consultative / information:	Information
Who can vote?	N/A

What is the Forum being asked to decide?

1. Schools Forum are asked to note the DSG outturn for 2020-21, the forecast outturn for 2021-22 and the impact this will have on the DSG reserve position if both DSG funding and spending remain unchanged this financial year.
2. Note that following confirmation of the final recoupment of Early Years DSG relating to 2020-21 that is expected in November 2021, a paper will be shared with Schools Forum to discuss a potential redistribution of some of the remaining Early Years Block surplus.

Reason for recommendation

3. No recommendation is made as the paper is for information only.

Alternative options

4. This paper is for information only and so no alternative option is applicable.

Who will be affected by this decision?

5. Whilst no decision is required at this point in time, the DSG reserve position affects all schools and provider settings.

Main body of the Report

6. The DSG outturn position for 2020-21 shows an overspend of £3.556m. This is summarised in Table 1 below:

Table 1: 2020-21 Outturn Position

	Agreed 2020-21 Budget	2020-21 Spend	2020-21 Variance
Central School Services Block (CSSB)			
Regulatory & Other Statutory Duties	£1,738,848	£1,722,396	£16,452
General Landlord Duties	£219,720	£219,720	£0
Education & Learning	£1,286,957	£1,286,957	£0
Music	£235,090	£235,090	£0
Headteacher Association Support	£32,130	£32,130	£0
Early Help Services	£2,460,415	£2,460,415	£0
Virtual School	£344,722	£344,722	£0
Schools Support for SEND services	£652,275	£652,275	£0
Redundancies	£65,000	£35,402	£29,598
Sub-total	£7,035,157	£6,989,107	£46,050
Copyright Licences	£535,000	£535,397	-£397
Total CSSB	£7,570,157	£7,524,504	£45,653
Early Years	£37,687,508	£36,636,893	£1,050,615
HNB	£56,526,283	£61,092,583	-£4,566,300
Schools (including de-delegated)	£113,631,577	£113,631,577	£0
Recoupment/Rates		£72,439	-£72,439
Growth	£1,780,000	£1,794,165	-£14,165
Total DSG	£217,195,525	£220,752,160	-£3,556,635

- The budgets agreed by Schools Forum for activities to be funded from the CSSB, after savings of 20% had been applied to the historical commitments' element of this funding stream, were fully utilised, other than small underspends against the redundancies budget, and against the regulatory duties' element.
- The £1.051m underspend against the Early Years Block represents the difference between what the service have paid out in relation to hours provided by providers (and associated costs), and the number of hours which the DfE funded based on the census data. This underspend is after making an initial planned reserve transfer of £0.532m to take into account the expected recoupment in November 2021 to reflect the take-up of early years placements during 2020-21. This significant underspend reflects the lower take-up of placements during the lockdown period, where some parents chose to not send their children in for their funded sessions due to COVID-19 concerns. All providers have been paid for the sessions provided for which they are able to claim. The Local Authority is really mindful of the difficult financial position that many of our Early Years Providers are struggling with and being able to provide some additional funding where resources allow to support our settings is a priority. The final level of grant recoupment is due to be confirmed by the DfE next month, and this will give the Early Years Team clarity on the actual surplus available, so that they can review how best this could be distributed.
- Since the calculation of the £0.532m, the DfE have confirmed new recoupment arrangements based on monthly returns provided by Early Years. Depending on this final level of recoupment, it is suggested that a recommendation comes to Schools Forum in January 2022 with a plan to redistribute some of the Early Years Block surplus to providers, and potentially move 0.05% (about £0.180m) to help offset the HNB deficit.

10. The overspend against the HNB is a decrease on that seen in 2019-20 due to the significant increase in HNB funding received in 2020-21. However, the funding Suffolk receives is still well below our statistical neighbour average per pupil head.
11. The majority of the overspend was due to the increase in demand for specialist placements and top-up funding across Suffolk. Many more children with SEND are being referred to the admissions process for Specialist settings and we have seen this increase considerably especially since November 2020. There has been a considerable increase in the number of Band I learners (the highest band which supports a more bespoke approach for children who do not sit within the banding methodology.) Payments for Band I's are being made using Transitional Protection but there are currently 63 Band I learners compared to 34 last academic year. The funding for Band I learners is more than £16,000 each. This increase is expected to continue over the coming years and has been factored into the future funding calculations as part of the DSG deficit recovery plan.
12. Overall, the additional places required within the local offer has grown significantly. 11 new Specialist Units attached to mainstream school opened in September 2020, and although not all full, require guaranteed funding for 2 years to ensure they remain financially viable.
13. Table 2 below shows the allocation of spend between different areas in SEND against the High Needs Block DSG and compares spend to 2019-20. This shows the increase in expenditure is driven by the volume and cost of top-up payments, with a smaller cost increase in the number of placements commissioned.

Table 2

	2020-21 DSG High Needs Block			2019-20 Spend	£ increase in 2020-21	% increase in 2020-21
	Budget	Actual	Variance			
Independent Placements	£13,500,000	£13,528,037	-£28,037	£13,343,139	£184,898	1.4%
Top-Up payments	£25,785,590	£29,156,235	-£3,370,645	£25,850,278	£3,305,957	12.8%
FE Top-Up payments	£3,300,000	£3,391,625	-£91,625	£3,283,124	£108,501	3.3%
High Needs Additional Places	£2,112,672	£3,418,241	-£1,305,569	£2,683,443	£734,798	27.4%
School Placements (Maintained)	£2,527,000	£2,527,000	£0	£2,935,500	-£408,500	-13.9%
Alternative Provision	£2,881,487	£2,562,237	£319,250	£2,389,215	£173,022	7.2%
Family Services (was partially CSSB)	£590,714	£537,997	£52,717	£271,130	£266,867	98.4%
Sensory Services	£1,079,144	£1,079,785	-£641	£1,055,318	£24,467	2.3%
CISS	£793,160	£762,741	£30,419	£769,944	-£7,203	-0.9%
Targetted Support	£600,000	£605,511	-£5,511	£538,655	£66,856	12.4%
Bespoke Packages	£600,000	£512,100	£87,900	£426,145	£85,955	20.2%
SEN Recoupment	£550,000	£746,656	-£196,656	£722,473	£24,183	3.3%
Equipment/Hospital Tuition/Management	£449,414	£391,424	£57,990	£391,907	-£483	-0.1%
Contingency	£42,342	£239,131	-£196,789	£392,549	-£153,418	-39.1%
Dyslexia Outreach	£273,491	£272,824	£667	£277,180	-£4,356	-1.6%
Outreach	£280,000	£280,000	£0	£280,000	£0	0.0%
Speech & Language	£264,170	£264,595	-£425	£285,559	-£20,964	-7.3%
Specialist LSA scheme	£200,000	£201,126	-£1,126	£176,021	£25,105	14.3%
Contracts	£150,000	£68,220	£81,780	£43,642	£24,578	56.3%
PEX Income			£0	£172,032	-£172,032	-100.0%
CAMHS Support (was CSSB)	£170,100	£170,100	£0	£0	£170,100	
Total	£56,149,283	£60,715,584	-£4,566,301	£56,287,253	£4,428,331	8%
Academy Places (Recouped)	£19,303,179	£19,303,179	£0	£16,948,475	£2,354,704	14%
Agreed Planned Reserves	£377,000	£377,000	£0	£1,200,000	-£823,000	-69%
Grand Total	£75,829,462	£80,395,763	-£4,566,301	£74,435,729	£5,960,034	8%

14. The Schools Block budget had a small overspend of £0.086m, relating to rates being higher than budgeted for, and a small overspend on expenditure relating to growth.
15. This led to a DSG reserve deficit position at the end of the financial year of £12.711m, as shown in Table 3 below (please note that individual school budget balances are held in a separate unusable reserve):

Table 3

Reserves Table:	Opening Position 01/04/2020	In-year transfers agreed	Operating Variance 2020-21	Closing Position 31/03/2021	Expected Future Commitments
Previous to 2020-21	£2,515,938	-£2,534,245		-£18,308	
High Needs Block	£10,323,550		£4,566,300	£14,889,850	
Early Years Block	£540,081	-£1,287,997	-£1,050,615	-£1,798,531	£532,217
CSSB			-£45,653	-£45,653	
Schools		-£34,764	£86,602	£51,838	
EY Capital	-£368,652			-£368,652	£368,652
Total	£13,010,917	-£3,857,006	£3,556,634	£12,710,545	£900,869

16. The Early Years Block includes a transfer for the expected recoupment of £0.532m by the DfE in November 2021, as well as the additional monies received in June 2020 relating to 2019-20 that had been accounted for (which explains the deficit position brought forward for the Early Years Block).
17. The level of Early Years underspend, alongside the Schools Forum agreed transfer of 0.05% from both the Schools Block and High Needs Block in 2020-21 to offset the 2018-19 overspend means that the closing deficit position of the DSG reserve was actually a £0.300m improvement from the opening position.
18. Schools Forum agreed in 2020-21 that there would be a 0.05% transfer from the schools block each year for the next 5 years (but agreed on an annual basis) to offset the HNB deficit in order that we can share with the DfE that we have an agreed plan on how the deficit will managed. Unless there is additional funding forthcoming, and future years expenditure can be managed within the annual HNB received, there may need to be either additional transfers agreed from the other DSG blocks of funding, or other agreed budget savings to clear the deficit completely.

2021-22 Forecast Outturn Position for DSG Budgets

19. Table 4 shows the quarter one forecast of DSG budgets based on known commitments and anticipated demand in 2021-22:

Table 4

	Agreed 2021-22 Budget	2021-22 Forecast	2021-22 Forecast Variance
Central School Services Block (CSSB)			
Regulatory & Other Statutory Duties	£1,918,132	£1,585,989	£332,143
Education & Learning	£1,287,045	£1,287,045	£0
Early Help Services	£2,460,416	£2,460,416	£0
Virtual School	£344,722	£344,722	£0
Schools Support for SEND services	£121,865	£121,865	£0
Redundancies	£23,000	£4,442	£18,558
Sub-total	£6,155,180	£5,804,479	£350,701
Copyright Licences	£542,811	£542,811	£0
Total CSSB	£6,697,991	£6,347,290	£350,701
Early Years	£38,199,228	£38,199,228	£0
HNB	£64,147,416	£67,083,676	-£2,936,260
Schools (including de-delegated)	£120,153,175	£120,153,175	£0
Recoupment/Rates			£0
Growth	£1,780,000	£1,570,380	£209,620
Total DSG	£230,977,810	£233,353,749	-£2,375,939

20. As in previous years, the SEND overspend reflects the level of underfunding Suffolk receives through the Dedicated School Block (DSG) High Need Funding formula, which does not fund the total cost of demand for services in this area. The funding received in 2021-22 has increased by £9.7 million over last year, but £1.4 million of this is needed to cover Teacher Pay Grant (TPG) costs paid directly to providers, and there are costs of £0.5 million that were previously funded from the Central School Services Block (CSSB - the funding for which has been reduced by over £1 million over 2020-21), which now fall to the High Needs Block (HNB).
21. Over the past 6 months there has been an unprecedented demand for SEND Places in Suffolk, with weekly referrals from Mainstream Schools increasing to between 80-120 per week. We have also seen the request for High Needs Funding increase in Mainstream schools by nearly 60%. The specialist settings within the Local Offer are filling up and we are finding ourselves in a position where we do not have enough places for all of the children who are being referred. The Service is unable to reduce its reliance on the Independent Sector and is finding itself having to commission additional temporary small groups across the county. This is putting considerable pressure on its budgets and resulting in an increase in the deficit. In 2020-21, 52% more children were placed in Specialist Settings compared to 2019-20 and we are expecting this number to grow further in 2021-22. The SEND Capital Programme has seen an additional 220 places created for 2020-21 and this will increase by a further 286 in 2021-22. However, these places need to be funded from the High Needs Block and this is an increased pressure on already stretched revenue budgets.

22. The Council continue to closely monitor the spend on the High Needs block with scrutiny and moderation processes in place with all settings. However, it is the growth in demand that is resulting in additional pressure on the system. This unprecedented demand is making it extremely difficult to predict future need for specialist places and this makes the forecasting of the spend equally challenging.
23. Initial allocations of DSG High Needs Block (HNB) funding for 2022-23 have recently been published. The increase of £6.5 million in funding projected will again need to cover TPG commitments, as well as increasing demand, the total of which is still being quantified. The increase in funding is only just over the minimum guaranteed of 8% over that received in 2021-22, as the DfE have changed the way that the HNB is calculated, using actual spend in 2017-18 rather than that budgeted for, which has benefitted those authorities whose spending was far in excess of their original budget for that year. This is highlighted by comparing Suffolk to Norfolk, who will see an 11% increase in their funding. If Suffolk had received the same level of historical spend funding per head over the last 3 years as Norfolk, we would have no DSG deficit - as it stands, we have a total DSG deficit of £12.7m, which despite the disparity in funding is still significantly less than Norfolk's HNB deficit of £31.8m. The use of historical spending as a funding factor is completely at odds with the DfE plans to remove the historical commitments element of the Central Schools Services Block within the DSG, where it is seen to be unfair to continue with that resourcing arrangement. Suffolk have already had to make £2.4 million of savings in response to this reduction in funding, with a further £3.4 million to make over a period of time as yet to be confirmed. We are also constrained in meeting SEND demand efficiently by being unable to use DSG as a funding source for capital costs, so this must be met from core funding due to the limited capital grants received.
24. The minimum increase in funding means that Suffolk remain one of the lowest funded upper tier authorities, and without funding being increased further in future years it is likely to mean that the HNB deficit (which is projected to be £15.5 million at the end of this financial year) will need to be recovered over a longer period of 5 years than had been anticipated and agreed with Schools Forum in November 2020.
25. Should this be the final position for 2021-22, and assuming that the DSG recoupment in relation to Early Years for 2020-21 is limited to £0.532m, the balance of the DSG reserves would be as follows:

Table 5

Reserves Table:	Opening Position 01/04/2020	In-year transfers agreed	Operating Variance 2020-21	Closing Position 31/03/2021	Expected Future Commitments
Previous to 2020-21	-£18,308			-£18,308	
High Needs Block	£14,889,850	-£2,300,000	£2,936,260	£15,526,110	
Early Years Block	-£1,798,531	£532,000	£0	-£1,266,531	
CSSB	-£45,653		-£350,701	-£396,354	
Schools	£51,838		-£209,620	-£157,782	
EY Capital	-£368,652			-£368,652	£368,652
Total	£12,710,545	-£1,768,000	£2,375,939	£13,318,484	£368,652