



Date: Thursday, 8 June 2017

Time: 8.30 am

Venue: Shrewsbury Training and Development Centre, Racecourse Crescent,
Monkmoor, Shrewsbury, SY2 5BP

Contact: Philip Wilson, Service Manager Business Support People
Tel: 01743 254344
Email: phil.wilson@shropshire.gov.uk

SCHOOLS FORUM

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Item

Public

Paper

H

DEDICATED SCHOOLS GRANT MONITORING

Responsible Officer Stephen Waters

e-mail: Stephen.a.waters@shropshire.gov.uk Tel: (01743) 258952

Summary

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) final outturn position for the 2016-17 financial year.

Recommendation

That Schools Forum note the report and approve that:

- £0.918m of unallocated underspend carried forward from 2015-16 is partially used to fund the net 2016-17 overspend on the Early Years Block, High Needs Block and Central Provision within Schools Budget.
- £0.488m of underspend carried forward from 2015-16 is applied to spend on Independent Providers within the High Needs Block as has been reported in previous DSG Monitoring Papers and is assumed in the figures reported.

REPORT

Outturn 2016-17

1. The overall 2016-17 outturn position for the centrally retained DSG is £0.917m in deficit. The main reasons for a variation from budget of greater than £0.100m are detailed below.

Centrally Controlled Early Years Budget

2. The outturn position for the Early Years Block is an overspend by £1.287m on a provisional budget of £7.068m.

Line 1.0.1 - Free entitlement for 2, 3 & 4 year olds - Early Years PVIs

3. The main reason for this is a large overspend of £1.017m identified in relation to the Early Years Budget for two, three and four year old nursery entitlement.

4. There are several reasons for the overspend on this budget heading. Firstly, the number of academic weeks being funded within the financial year. The Council receives funding from the Education Funding Agency (EFA) for an academic year of 38 weeks since parents are entitled to provision of 15 hours each week over 38 weeks. The number of funded weeks in a financial year varies from year to year and in 2016-17 the number of weeks was higher than normal with 203 academic days funded compared to only 186 academic days in the previous financial year. On the basis that a typical cost for an academic day is £36,712, the additional 17 academic days could explain £0.624m of the £1.017m overspend. We would expect to see some compensatory impact on budget and funding in 2017-18.
5. Secondly, the Council has experienced a higher take-up of provision in this year than previously resulting in a greater draw on the funding. Across the course of the year there were around 330 additional children taking up provision over the course of the year compared to 2015-16 financial year. The majority of this 330 will be in the 3 and 4 year old cohort and the annual unit of funding for 3 and 4 year olds is £3,250 so it follows that the remainder of the overspend is explained by this increase take up of provision.
6. In July 2017, in addition to any updates to the 2017-18 DSG allocation, the Department for Education will announce the final Early Years Block funding for the 2016-17 financial year based on January 2016 and January 2017 pupil numbers. An increase in take-up in the current academic year, from September 2016 to March 2017, will be reflected in this final adjustment to the provisional early years budget for 2016-17 and it is anticipated that this will compensate for a small part of the overspend.
7. In addition to the £1.017m overspend on free entitlement for two, three and four year olds, there was an overspend of £0.118m on sustainability payments. The overall amount of sustainability funding issued to providers has increased compared to previous years. We have seen an increase in the number of schools who have taken over their on-site early year's provision, usually this having previously been parent-led, charitable provision. Under TUPE regulations the Council is required to transfer the staff to Shropshire Council terms and conditions of employment and this will always result in an increase in the overall staff costs. In order to facilitate the transition, the Council has agreed, on a case-by-case basis, to provide one year sustainability funding to each school. This should see a fall in these commitments over the next 12 months.

Line 1.3.1 - Central Expenditure on Children under 5

8. The £0.222m budget for Early Years central expenditure on children under 5 was £0.151m overspent with £0.135m attributable to the overspend on the SEN support budget. The explanation for this is an increase in funding allocated to children with special needs in order to support them to access their free entitlement. Furthermore, the service is now funding children to access 24U provision and this has led to an increase in spend in this area over the past two years.

Centrally Controlled High Needs Budget

9. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £17.526m of the £28.764m central DSG budget in 2016-17. During the 2016-17 budget setting process, it was identified that £18.014m of funding was required for the High Needs Block based on forecast spending levels. However, rather than increase the High Needs Block from the £17.526m baseline it was determined that the additional £0.488m would be funded from last year's underspend which was carried forward into 2016-17.
10. The overall underspend on the High Needs Block was £0.571m which indicates that the £0.488m contribution from last year's underspend was not required, however it has been included in the appended figures in order to be consistent with previous DSG monitoring papers throughout 2016-17.
11. The main reasons for a variation from budget of greater than £0.100m falling within the High Needs Block are detailed below:

Line 1.2.1 - Top Up funding - Maintained Providers

12. An overspend of £0.141m on top-up funding to maintained providers is reported. This budget of £4.698m covers top-up funding to primary and secondary schools for pupils with high needs in mainstream classes, special schools and in PRUs and sixth forms.
13. Although this budget line relates to maintained providers we need to look at mainstream settings as a whole. The historic trend is a move to less pupils in receipt of top-ups but higher banding levels across the board. At the last Schools Forum it was agreed that a task and finish group will convene at the end of June to review criteria for an EHCP plan and start developing a graduated pathway.
14. £0.092m of the overspend relates to an increase in funding paid to Tuition, Medical, Behaviour Support Services. The budget had been set and approved on the basis of ensuring that the provision had sufficient funding to meet the needs of the 138 commissioned places at that time, however the numbers of permanent exclusions increased in year resulting in more children accessing the service.

15. A net budget of £0.510m relates to Inter-authority recoupment. An overspend on this budget of £0.081m in 2016-17 is explained by increased recoupment expenditure due to either less pupils placed out of county than budgeted for or those placed out of county being on higher banding levels than budgeted for. There has also been less income from those authorities with less children placed at Shropshire Schools compared to last year.

Line 1.2.2 - Top Up funding - Academies, Free Schools and Colleges

16. An underspend of £0.158m on top-up funding to academies, free schools and colleges is reported.

17. The top-up funding to primary, secondary and special academies overspent by £0.053m on a budget of £4.200m, however the significant variation from budget within this area relates to post 16 funding at further education colleges and sixth form colleges where the total expenditure of £0.939m was £0.211m less than the budgeted figure.

18. In 2016-17 the budget was increased from £0.900m to £1.150m. This was to allow for continued expenditure growth expected as a direct result of changes in legislation which has seen local authorities having significant new statutory duties for students with special educational needs up to the age of 25 years under the Children and Families Act (September 2014). As a result, Shropshire has seen a sharp increase in students with SEN requiring additional support in further education year on year. The local authority's SEN team are striving to address these rising costs through close working with local colleges to increase accessibility to education within mainstream colleges rather than more expensive independent specialist providers.

19. The £1.150m budget was set on the basis of 134 pupils at an average cost of approximately £8.5k per pupil. An analysis of the figures indicates that the actual number of pupils was 130 rather than 134 and the average cost per pupil was approximately £7.2k.

20. Of the 130 placements, 4 started mid-term so actual spend was less than the budgeted value for the full year. There were also 2 placements where the budget was based on a child placed at a relatively high cost independent specialist provider at their main site, but these children were placed at lesser cost on a smaller satellite site.

21. The reduced average cost per placement is also largely attributable to robust challenge and review of high cost placements to ensure value of money, and ensuring that the High Needs Block of DSG is only picking up the educational element of these costs and that Social Care and Health partners are contributing fully. On this point it is worth noting that the Post 16 SEND education area is one of high volatility. There are conflicting messages from the Department for Education but there seems to be a shift towards a broader definition of education for Post 16 SEND children which indicates that this budget may need to fund additional costs going forward as they will now be deemed as education. This area will form part of the strategic review of High

Needs provision that all Local Authorities have been funded to carry out and prioritise.

Line 1.2.3 - Top Up funding - Non-Maintained and Independent Providers

22. An underspend of £0.243m is reported in this budget area. The key budget areas are detailed below:

Independent Special Schools

23. In 2016-17 the budget was set at £4.546m based on 78 placements at approx. £0.058m per placement. The £4.546m included the £0.488m contribution from last year's underspend.
24. The final outturn expenditure was £4.239m resulting in an underspend of £0.307m. The underspend is due to a number of high cost placements ending 31 August and the pupils placed in lower cost placements deemed appropriate for their needs.
25. As at the end of the financial year there were less placements compared to 84 at the start of the last Summer term and the average annual cost per placement has decreased from £56,530. This trend goes against the national picture being reported by the f40 group of local authorities during a recent survey of high needs costs pressures. The responses concluded increasing demand for independent special school placements, increasing individual placement costs and higher contributions from education towards joint social care placements.
26. The service, through day-to-day placement management, seeks to focus on maximising placements at non-residential lower cost establishments while not placing pupils at the more expensive residential placements that can cost in excess of £0.100m per annum. In practice this is not always controllable as sometimes a child will be placed at these higher cost placements for their social care needs and education will be recharged accordingly. It is also important to note that some of the lower cost providers will already be at or near to full capacity.
27. Another way in which costs have been controlled is through the West Midlands Price Review Panel. Shropshire Council, through regional price agreements, aims to ensure that providers do not increase prices without full agreement at regional level.
28. It is important to note that this budget is volatile since costs could increase significantly at short notice if 1 or 2 pupils with complex needs requiring high cost residential placements re-locate to the area or the needs of a child change.

SEN Nursery Placements

29. There was an overspend of £0.057m on SEN nursery placements against the budgeted level of £0.035m. This is explained by the SEN team maximising or providing opportunities for mainstream early years settings.

30. The reasons for increasing costs in this area is due to children surviving at birth with more complex needs as demonstrated by health data leading to more children assessed for EHCP plans. Also, there is the extension of the age range leading to an increase in the number of placements.
31. There will be further ongoing cost pressures on this budget with the introduction from September 2017 of 30 hours free childcare for all 3 and 4 year olds with working parents. A strategic change in the way the Council delivers provision for children with complex needs will be required. To start with there would be an increase in cost as training is provided to settings to meet the needs of more complex children within their communities, however there should be reduced costs on special school nursery placements and related reduced costs on SEN transport.

Line 1.2.5 – SEN Support Services

32. The High Needs SEN support services budget underspent by £0.272m on a £1.828m budget. There are two reasons for this:
33. Firstly, the joint arrangement with Telford & Wrekin Council for the provision of a Sensory Inclusion Service resulted in an underspend of £0.117m. A staffing early in the financial year has resulted in an ongoing saving of £0.117m on Shropshire Council's contribution. A couple of managers in the team are nearing retirement and there will be a further review of the structure as a result.
34. Secondly, continuing from 2015-16 there were still some vacancies in the SEN team where key posts are actively being recruited to. The team has been stretched to capacity due to increased numbers of EHC plans and increasing SEN Casework workloads. These vacancies have resulted in a underspend of £0.176m but not all of this underspend is ongoing.

Central Provision within Schools Budget

Line 1.4.6 – Capital Expenditure from Revenue (CERA)

35. An underspend of £0.101m relates to property related expenditure under this heading. This underspend is less than forecasted in previous DSG monitoring reports due to a strategic decision to fund additional works from this 2016-17 budget in light of its removal from 2017-18.

1.4.12 – Exceptions agreed by Secretary of State (Deficit Balance)

36. A cost of £0.168m is reported. As agreed by Schools Forum in 2014-15 this is the third year charge relating to a secondary school deficit balance incurred in 2014-15 at the point of conversion to a sponsored academy.

CENTRALLY RETAINED DEDICATED SCHOOLS GRANT FUNDING PERIOD (2016-17)

	2016-17 Latest Budget £	2016-17 Final Outturn £	2016-17 Variance £	
DEDELEGATED ITEMS				
1.1.1	Contingencies	159,770	241,553	81,783
1.1.2	Behaviour Support Services	0		0
1.1.3	Support to UPEG and bilingual learners	0		0
1.1.4	Free school meals eligibility	0		0
1.1.5	Insurance	23,280	23,280	0
1.1.6	Museum and Library Services	0		0
1.1.7	Licences/subscriptions	0		0
1.1.8	Staff costs Maternity supply cover	321,570	401,700	80,130
1.1.9	Staff costs Trade Union Duties	50,400	48,921	-1,479
	DEDELEGATED ITEMS SUB TOTAL	555,020	715,455	160,435
CENTRALLY CONTROLLED EARLY YEARS BUDGET				
1.0.1	Individual Schools Budget - Early Years PVI's	6,845,180	7,981,020	1,135,840
1.3.1	Central Expenditure on Children under 5	222,460	373,151	150,691
	CENTRALLY CONTROLLED EARLY YEARS SUB TOTAL	7,067,640	8,354,171	1,286,531
CENTRALLY CONTROLLED HIGH NEEDS BUDGET				
1.2.1	Top Up funding - Maintained Providers	4,698,390	4,839,607	141,217
1.2.2	Top Up funding - Academies, Free Schools and Colleges	5,349,670	5,191,466	-158,204
1.2.3	Top Up funding - Non-Maintained and Independent Providers	4,343,180	4,100,384	-242,796
1.2.4	Additional High Needs Targeted Funding for Maintained Schools and Academies	92,270	92,270	0
1.2.5	SEN Support Services	1,828,300	1,556,641	-271,659
1.2.6	Hospital Education Services	105,190	105,190	0
1.2.7	Other Alternative Provision Services	177,180	154,978	-22,202
1.2.8	Support for Inclusion	931,320	913,659	-17,661
1.2.9	Special Schools and PRUs in Financial Difficulty	0		0
1.2.10	PFI / BSF Costs at Special Schools and AP / PRUs	0		0
1.2.11	Direct Payments (SEN and Disability)	0		0
1.2.12	Carbon Reduction Commitment Allowances (PRUs)	0		0
	CENTRALLY CONTROLLED HIGH NEEDS BUDGET SUB TOTAL	17,525,500	16,954,196	-571,304
CENTRAL PROVISION WITHIN SCHOOLS BUDGET				
1.4.1	Contribution to combined budgets	1,310,000	1,262,792	-47,208
1.4.2	Schools Admissions	211,460	225,826	14,366
1.4.3	Servicing of Schools Forums	11,000	6,991	-4,009
1.4.4	Termination of employment costs	994,920	994,920	0
1.4.5	Falling Rolls Fund	0		0
1.4.6	Capital Expenditure from Revenue (CERA)	605,550	504,619	-100,931
1.4.7	Prudential Borrowing Costs	295,350	295,350	0
1.4.8	Fees to independent schools without SEN	0		0
1.4.9	Equal Pay - Back Pay	0		0
1.4.10	Pupil growth / Infant Class sizes	0		0
1.4.11	SEN Transport	0		0
1.4.12	Exceptions agreed by Secretary of State (Deficit)	0	168,141	168,141
1.4.13	Other Items (Copyright Licensing Agency fee)	187,820	198,632	10,812
	CENTRAL PROVISION WITHIN SCHOOLS BUDGET SUB TOTAL	3,616,100	3,657,271	41,171
	TOTAL CENTRAL DSG	28,764,260	29,681,093	916,833
	TOTAL CENTRAL DSG	28,764,260		
	DELEGATED EARLY YEARS BUDGET - Maintained Nursery Provision	2,712,430		
	DELEGATED HIGH NEEDS BUDGET - Place Funding	6,241,670		
	INDIVIDUAL SCHOOLS BUDGET SHARES	151,098,640		
	TOTAL DSG	188,817,000	188,817,000	

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