



**Schools Forum**  
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Item  
  
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Paper  
  
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## **DEDICATED SCHOOLS GRANT MONITORING**

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### **Summary**

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) forecast outturn position at the end of October 2016.

This report also asks the Schools Forum to make a decision to agree the 2017-18 centrally retained budgets under the heading “Central Provision within Schools Budget”.

### **Recommendation**

That Schools Forum agree the Central Provision within Schools Budgets for 2017-18 as set out in Appendix B of this report.

## **REPORT**

### **Outturn 2016-17**

1. The overall outturn against centrally retained DSG is forecast to be £0.684m in deficit at the end of October 2016.

### **Centrally Controlled Early Years Budget**

2. The Early Years Block is forecast to overspend by £0.789m on a provisional budget of £7.068m.
3. The main reason for this is a large forecast overspend of £0.777m identified in relation to the Early Years Budget for three and four year old nursery entitlement. This has come to light now that the Autumn term payments have been processed and the expenditure can be profiled more accurately.

4. There are two reasons for the overspend on this budget heading. Firstly, the number of weeks being funded within the financial year. The Council receives funding from the 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 this year the number of weeks is higher than normal containing 39.8 weeks which means the Council is funding 5% more provision by way of weeks than it is being funded for. This will account for approximately £0.200m additional costs in 2016-17.
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. Further, thorough analysis of the take-up of the entitlement is required to determine how much of the overspend is explained by this. An increase in take-up in the current academic year, from September 2016 to March 2017 will be reflected in the final adjustment to the provisional Early Years budget for 2016-17 made following the end of the financial year.

### **Centrally Controlled High Needs Budget**

6. The Centrally Controlled High Needs Budget is the largest budget area within Central DSG accounting for £17.526m of the £28.764m Central DSG budget in 2016-17.
7. The main reasons for a variation from budget of greater than £0.100m falling within the High Needs Budget are detailed below:

#### **Line 1.2.1 – Top Up Funding – Maintained Providers**

8. Against the £4.791m budget relating to top-up funding to maintained providers, there is a forecast overspend of £0.124m.
9. Top-up funding to Primary Maintained Schools is forecast to overspend by £0.298m. An exercise will be undertaken independently between now and the end of the financial year to review banding levels and this will likely result in an increase in banding levels, implemented from 1<sup>st</sup> April 2017 but backdated to the start of the 2016-17 academic year. £44k of the £298k overspend can be attributed to an assumption that there will be a 5% increase in costs backdated to September. An analysis of the last 12 months data show that the FTEs in receipt of top-ups at Primary Maintained Schools was 301 in November 2015 compared to 284 in November 2016. Despite the fall in numbers the monthly spend increased from £133,241 in November 2015 to £135,424 in November 2016 showing that the monthly cost per FTE has increased from £443 to £477. This trend analysis shows that the overspend is more due to insufficient budget in 2016-17 rather than increasing costs as the projected spend for this year is similar to the 2015-16 outturn figure.
10. There is an £0.088m unfavourable variance projected against Recoupment expenditure. Recoupment is the process whereby one local Authority charges another for children educated in their Local Authority area. The forecast overspend relates specifically to children educated at 4 Telford & Wrekin

Council Special Schools where a combination of increased number of academic days from 187 to 196 in 2016-17 financial year, an increase in banding values and a higher proportion of pupils at these higher bandings has contributed to increased costs. Not all of this information was known when the budget was set, and consequently the budget was not increased by enough to negate these pressures.

11. There is a net underspend of £0.261m against Post 16-Maintained, Secondary Maintained Schools and Special Maintained settings. For Post 16 Maintained Schools the budget has historically always been overfunded and during the budget setting process there is an opportunity to re-align the budgets. For Secondary Maintained Schools there is a projected underspend of £0.095m against the £0.767m budget. Some of this underspend will be due to budget not transferring across for a School converting to academy status part way through the year. As with Primary Maintained top-ups, forecast 2016-17 spend on top-ups for Secondary Maintained pupils is broadly in-line with last year's outturn figure so the underspend is not due to a fall in the number of FTEs. Conversely, across the 7 Secondary Maintained Schools currently in receipt of top-up funding the numbers of pupils increased from 189 to 195 FTEs between November 2015 and November 2016.

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

12. An underspend of £0.208m is currently forecast in this budget area. The key budget areas are detailed below:

#### **Independent Special Schools**

13. In 2016-17 the budget was set at £4.546m based on 78 placements at approx. £0.058m per placement. Once all the Summer Term 2015-16 charges were paid the number of placements stood at 84 and the average cost of these Placements was £0.057m. In September's Schools Forum DSG Monitoring report, based on the placement tracker that estimates costs for these placements using known placement end dates, there was a forecast overspend of approx. £0.092m.
14. 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. The latest position has seen the projected spend reduce significantly and an underspend of £0.294m is now being forecast. This is a swing of £0.386m and is explained by the careful management actions described above. A number of high cost placements ended 31<sup>st</sup> August and the pupils were placed in lower cost placements deemed appropriate for their needs. Not only has the number of placements reduced to 76 as at the Autumn Term, the average cost per placement has also decreased considerably from £0.057m to £0.053m. In the case of 1 joint-funded placement, a review of funding led to the contributions increasing from other partners. This

brought down the educational element of the costs of this placement from over £0.200m to just £0.054m and this will have had a significant impact on the bottom line position.

15. 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.

### **Independent Non-Special Schools**

16. An overspend of £0.053m is currently forecast against Independent non-special schools where the Council funds teaching support costs. Previously these costs were assigned to the same budget as the top-up funding for Independent Special Schools, however in 2016-17 it was decided to separate these costs out and set at a separate budget of £200k for 24 pupils at an average cost of £8.3k per pupil.
17. Where the SEN Team believe that a Maintained School can not meet the needs of a child and it is cheaper to place a child at an Independent School with one-on-one attention rather than a high cost specialist Independent Special School, this may result in an Independent non-special School being named on a Child's EHC Plan. On the basis that a potential overspend has been identified, the Service are reviewing how to continue to fund these costs with the aim of bringing it into line with SEN notional budgets allocated to Maintained Schools.

### **SEN Nursery Placements**

18. There is a forecast overspend of £0.038m on SEN Nursery Placements against the budgeted level of £35k. This is explained by the SEN Team maximising or providing opportunities for Mainstream Early Years settings. There will be a potential ongoing pressure on this budget, however there should be reduced costs on Special School nursery placements and related reduced costs on SEN transport.
19. 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.

### **Line 1.2.5 – SEN Support Services**

20. The Joint Arrangement with Telford & Wrekin Council for the provision of a Sensory Inclusion Service is currently forecasting an underspend of £0.117m. A staffing restructure earlier in the financial year has resulted in a saving of £0.117m on Shropshire Council's contribution.
21. Continuing from 2015-16 there are 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 forecast underspend of £0.194m but not all of this underspend is ongoing.

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

22. 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.

#### **2017-18 Central Provision within Schools Budget**

23. Funding for some services can be centrally retained before allocating individual budgets to schools through the funding formula with the agreement of Schools Forum. These centrally retained services are applicable to maintained schools and academies.
24. A number of these services are subject to a limitation of no new commitments or increases in expenditure from 2016-17 levels and Schools Forum approval is required to confirm the amounts on each line.
25. Appendix B sets out which services can be centrally retained, the amount centrally retained in 2016-17 and the amount proposed to be centrally retained in 2017-18 for consideration and approval by Schools Forum.
26. Any underspends or overspends in this area of Centrally Retained DSG can be recycled or used again.
27. Contributions to Combined Budgets are towards Services funded partly from central expenditure and partly from other budgets of the local authority or contributions from other bodies, where the expenditure relates to classes. Some examples within Shropshire include contributions to Children's Safeguarding's Early Help function where Schools receive a direct benefit e.g targeted mental health support in Schools and support for Young Carers.
28. Schools Admissions budgets are spent on the administration of the system of admission of pupils and largely funds the staff employed to deliver this service.
29. Termination of Employment Costs funds expenditure in respect of premature retirement costs and relates to existing commitments so the budget will fall year on year.
30. Capital Expenditure from Revenue is revenue funding contributions to existing capital commitments while Prudential Borrowing costs relates to expenditure incurred in the repayment of loans for Capital Schemes.
31. Based on information received to date regarding the introduction of national funding arrangements it appears that this funding will be moved to the new "Central Schools Block" when the new arrangements are implemented. The EFA has "baselined" this funding block at a value of £3.064m following an exercise undertaken with Local Authorities earlier in the year. The reduction from

£3.616m was on the Contributions to Combined Budgets budget heading based on the EFA only funding historic commitments pre-dating the 2013-14 financial year in 2017-18.