



Schools Forum
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Item

Public

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) final outturn position for the 2017-18 financial year.

Recommendation

That Schools Forum note the report and approve that the £0.212m overspend reported against central retained DSG in 2017-18 is funded through underspend carried forward from 2016-17.

REPORT

Outturn 2017-18

1. The overall 2017-18 outturn position for the centrally retained DSG is £0.212m 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 underspend by £0.139m on a provisional budget of £13.531m.

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

3. The main reason for this £0.139m underspend is a £0.151m underspend on the £1.738m provisional funding allocation for "Early years entitlement funding for disadvantaged 2 year olds". The 2017-18 Early Years Block DSG allocation is only a provisional allocation with the £1.738m value based on the spring 2017 census data collection reflecting the total number of pupils aged 2 at 31 December 2016 (born between 01/01/14 and 31/12/14) in all year groups.

Actual costs incurred in 2017-18 reflect a lesser number of 2 year old pupils entitled to this funding. This indicates that the numbers of 2 year old pupils has decreased between 31 December 2016 and 31 December 2017 which will only be reflected in the Early Years Block 2017-18 final budget allocation to be published in July 2018. This allocation will be based on spring 2018 census data.

4. The underspend on 2 year old entitlement funding was partially offset by an overspend against the budget set for Early Years SEN Support. This overspend reflects a growing number of children who do not have a EHC Plan attracting SEN support. 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 three years. Those 2-4 year old children who do have an EHC Plan are funded through the High Needs Block of DSG.

Centrally Controlled High Needs Budget

5. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £18.295m of the £35.672m central DSG budget in 2017-18. The outturn position for the High Needs Block is a deficit of £0.190m.
6. The main reasons for a variation from budget of greater than £0.100m falling within the High Needs Block are detailed below.

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

7. An underspend of £0.118m is being reported. This budget of £5.494m covers top-up funding to primary, secondary and special academies, 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 £0.977m was £0.183m less than the budgeted figure of £1.160m
8. In 2017-18 this budget was increased to £1.160m. This was to allow for two things. Firstly, 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 Childrens 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.
9. Secondly, some consideration was given in the budget to reflect the SEN team's intention of ensuring that the Council are developing routes to employment including training and supported internship opportunities.
10. The underspends reflects that ratio of post 16 pupils in mainstream colleges to independent specialist providers is higher than anticipated and is also a consequence of not requiring this element of budget to support SEND

internships since the government have recently allocated specific grant funding to support local authorities to achieve this aim.

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

11. An overspend of £0.437m is reported in this budget area. The key budget areas are detailed below:

Independent Special Schools

12. In 2017-18 the budget was set at £4.186m based on 84 placements at approximately £0.050m per placement. Using the placement tracker spreadsheet that tracks costs of individual placements the overspend against this budget was £0.541m. There are 74 education led placements where the average cost per placement is £0.052m. Of these 74, 46 children are currently placed in either one of 2 low cost non-residential settings where the average cost of placement is considerably lower at £0.034m. The average cost per placement is brought up to £0.052m by a small number of high cost residential placements where the child's level of need is far greater. In addition to the 74 placements, there are 22 placements where education makes an annual contribution towards a joint funded placement. The average education contribution towards these costs is £0.045m.
13. The increase in placement numbers in 2017-18 is explained by a number of new placements at 2 of our lower cost, non-residential providers. This has occurred as these providers have extended their capacity to allow for a great number of placements. Demand for increased placements at these two providers is indicative of a bigger issue around challenging behaviour across the county which reflects the national picture. It is also a direct result of Shropshire's maintained social, emotional and mental health (SEMH) provision being at full capacity.
14. The other explanation for this overspend is an increase in contributions from education towards joint social care placements where there is a lack of clarity of what the primary cause for the need to move to an independent specialist provider is.
15. These trends follow 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, and higher contributions from education towards joint social care placements.

SEN Nursery Placements

16. An underspend of £0.098m has been incurred in relation to SEN nursery placements. It is worth highlighting that the budget has been significantly increased to £0.240m in anticipation of further ongoing cost pressures with the introduction from September 2017 of 30 hours free childcare for all 3 and 4 year olds with working parents. It is expected that costs will continue to rise in this

area and the forecast underspend is due to not seeing the full effect of the introduction of 30 hours free childcare in the first year of implementation. Further work is required to understand the forecast financial position in the longer term.

17. A strategic change in the way the Council delivers provision for children with complex needs has been introduced so that more children with complex SEN can be supported to attend their local early years provision. Initially this has meant increased expenditure as training is provided to settings to meet the needs of more complex children within their communities. In the longer term it is anticipated that there will be a reduction in the spend on special school nursery placements and related reduced costs on SEN transport. However, this needs to be considered alongside health led data provided by the Child Development Centre (CDC) which will enable more accurate forecasting for children with the most complex SEN whose needs cannot be met within a mainstream setting.

Central Provision within Schools Budget

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

18. A cost of £0.168m is reported. As agreed by Schools Forum in 2014-15, this is the fourth year charge relating to a secondary school deficit balance incurred in 2014-15 at the point of conversion to a sponsored academy. 2018-19 will be the last financial year to incur a charge.

Dedicated Schools Grant Monitoring 2018-19

19. The overall outturn against centrally retained DSG is forecast to be £0.950m in deficit as at the end of May 2018.

Centrally Controlled High Needs Budget

20. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £18.726m of the £37.498m central DSG budget in 2018-19. The £18.726m budget excludes the place funding element of the High Needs Block totalling £7.147m but does include the transfer of £0.784m funding from the Schools Block to the High Needs Block as approved by Schools Forum in January 2018.
21. Overall, the High Needs Block forecast to be £0.848m in deficit as at the end of May 2018. Given that the £0.784m of high needs funding represents a one-off transfer of funding from the Schools Block, this indicates that the High Needs Block allocation to Shropshire is insufficient to meet expenditure requirements if current spending levels continue.
22. The main reasons for a variation from budget of greater than £0.100m falling within the High Needs Block are detailed below.

Lines 1.2.1 & Line 1.2.2 - Top Up funding – Mainstream Schools

23. On budget lines 1.2.1 and 1.2.2, shown in Appendix 2, there is a net forecast overspend of £0.334m. This overspend reflects a pressure of £0.685m on top-up funding paid to mainstream schools where the budget is £3.535m. One explanation for this is the impact of the Graduated Supported Pathway, introduced in 2017-18 as a strategy to support schools to meet the needs of children with low cost, high frequency need (SEND Support). The Graduated Supported Pathway aims to provide additional funding to supplement element 2 funding which comes directly through the Schools Block of DSG. The long term aim is that the local authority will see a reduction in the number of Education Health Care (EHC) plans to bring Shropshire's percentage of EHC Plans per population down in line with the national average. It was understood that in the short term there will be a transitional period where additional funding is required to support this strategy, however more detailed analysis is required to understand the ongoing cost of this strategy for the remainder of the year.

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

24. An overspend of £0.437m is reported in this budget area. The key budget areas are detailed below:

Independent Special Schools

25. In 2017-18 the outturn figure was a £0.541m overspend against the Independent Special School budget of £4.186m. Despite this large overspend, the budget has only been increased by £0.140m to £4.326m in 2018-19.

26. Using the placement tracker spreadsheet that tracks costs of individual placements, the projected overspend against this budget is £0.444m. This is based on summer term invoices and known projected placement end dates. During the summer term there are 79 Education led placements where the average cost per placement is £0.050m. This is 5 additional education led placements compared to 2017-18. Of these 79 placements, 50 children are currently placed in either one of 2 low cost non-residential settings where the average cost of placement is considerably lower at £0.033m. The average cost per placement is brought up by a small number of high cost residential placements where the child's level of need is far greater. In addition to the 79 placements, there are a number of placements where education makes an annual contribution towards a joint funded placement. The average education contribution towards these costs is £0.065m.

27. The increase in placement numbers in 2018-19 is explained by 4 new placements at 2 of our lower cost, non-residential providers. Demand for increased placements at these two providers is indicative of a bigger issue around challenging behaviour across the county which reflects the national picture. It is also a direct result of Shropshire's maintained social, emotional and mental health (SEMH) provision being at full capacity.

28. The other explanation for this overspend is an increase in contributions from education towards joint social care placements where there is a lack of clarity of what the primary cause for the need to move to an independent specialist provider is.
29. These trends follow 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, and higher contributions from education towards joint social care placements.

Central Schools Services Block

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

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

National Context and Next Steps

31. In September 2017, the Association of Directors of Children's Services (ADCS) issued a survey to all directors of children's services in order to develop a better understanding of the pressures on high needs funding. The survey aimed to quantify the financial pressures on high needs budgets while also identifying the key contextual drivers creating the demand for high needs funding. Across the 85 Local Authorities who responded to the survey, 68 reported an overspend on their 2016-17 high needs block budget.
32. Local authorities fed back that they had worked closely with their Schools Forum to agree how the overspend should be managed with medium term financial plans agreed by Schools Forum. Due to the introduction of a national funding formula, a number of local authorities reported a lack of clarity as to how the financial plans will be implemented given the schools block will be ringfenced with minimal flexibility to transfer funds between blocks.
33. In light of the extent of the overspend being forecast as at the end of May, there is an urgent need for officers to establish a financial plan over the Summer to bring back to Schools Forum during the Autumn Term. This plan will outline to Schools Forum proposals that could reduce the overspend in year. Where controlling expenditure to within budgeted levels is not possible, the plan will highlight these areas with reference to those external factors that are driving demand.