



## Schools Forum

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Venue: The Guildhall,  
Shrewsbury

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 2018-19 financial year.

### Recommendation

That Schools Forum note the report and approve that the £1.411m overspend reported against central retained DSG in 2018-19 is:

- partially funded from the balance of DSG carried forward from 2017-18 which is £0.531m
- the remaining deficit of £0.879m will be carried forward to 2019-20 and be recouped over a realistic timescale.

## REPORT

1. The overall 2018-19 outturn position for the centrally retained DSG is £1.411m in deficit. The main reasons for a variation from budget of greater than £0.100m are detailed below.

### Dedelegated Items

2. There was a £0.220m underspend reported on the "Delegated Items" budget of £0.605m. £0.157m of this relates to the maternity supply cover budget where the number of maintained school staff taking maternity leave has been significantly less than in 2017-18. The budget requirement for maternity supply cover currently based on £20.79 per maintained pupil is difficult to forecast as spend can fluctuate from year to year.

## **Centrally Controlled Early Years Budget**

3. The outturn position for the Early Years Block is an overspend by £0.764m on a provisional budget of £15.156m. This overspend was only identified as of late February once the Spring Term nursery payments for 2, 3 and 4 year olds had been processed.
4. The main reason for this is a large overspend of £0.937m identified in relation to the Early Years allocations for two, three and four year old nursery entitlement. There are a couple of reasons for the overspend against these budget allocations. Firstly, the number of academic weeks being funded within the financial year. The Council receives funding from the ESFA 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 2018-19 there were a total of 40 funded weeks. It is estimated that the additional weeks resulted in around £0.700m of additional expenditure for the Council over the course of the financial year.
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 100 additional 2-year-old children taking up provision over the course of the year and around an additional 50 three and four year olds compared to the numbers of children for whom funding was received. The Council will receive some compensation for this when the 2018-19 funding allocation is revised to take account of the January 2019 census figures. However, the Council will only receive 5/12ths of the full year funding for those additional children. It is estimated that these additional children resulted in around £0.400m of additional spend over the year of which it is hoped to receive around £0.100m back in additional income when the final Early Years Block DSG 2018-19 funding allocation is announced in July.
6. Once the overspend on the Early Years allocations for two, three and four year old nursery entitlement was identified, action was taken to ensure that the £0.937m overspend on these budget headings was offset by as much as possible on the budgets for Deprivation Payments and Sustainability Payments.

## **Centrally Controlled High Needs Budget**

7. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £19.457m of the £38.378m central DSG budget in 2018-19. The £19.457m budget excludes the place funding element of the High Needs Block totalling £7.043m 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.
8. Overall, the outturn position for the High Needs Block is a deficit of £0.618m. 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. It is also demonstrates that the High Needs

funding allocation for Shropshire is still well below what is required even after the additional £0.627m High Needs Funding has been applied.

9. 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**

10. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is an overspend of £0.301m. This overspend reflected a pressure of £0.590m on top-up funding paid to mainstream schools where the budget is £3.535m. The total 2018-19 expenditure is £4.191m which is £0.278m more than last year's outturn figure of £3.913m which shows that spending is continuing to increase to meet the special educational needs of children placed in mainstream schools. The projected overspend of £0.301m is £0.125m less than projected as at end of February which indicates that the expected increase in monthly top-up funding through the rest of the academic year has not been as high as expected.
11. One explanation for this overspend 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. A detailed analysis is required to understand the ongoing cost and long term financial impact of this strategy.

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

12. An overspend of £0.880m is reported in this budget area. The key budget areas are detailed below:

##### **Independent Special Schools**

13. The budget for Independent Special School placement costs was £4.519m in 2018-19. A large overspend of £0.913m was incurred on this budget with actual expenditure of £5.432m being £0.633m higher than in 2017-18.
14. A placement tracker spreadsheet that tracks costs of individual placements is maintained throughout the financial year. The overall budget for Independent Special Schools is divided into 3 distinct areas. These are; lower cost non-residential placements, higher cost residential placements and joint funded placements where Education is making a contribution to placements where the total cost is also partially funded by Social Care and/or Health budgets.

15. As at the end of the financial year there were 50 children placed in either one of 2 low cost non-residential settings where the average cost of placement is relatively low at £0.032m. The budget of £1.602m for these non-residential placements at these 2 settings was based on 50 placements at the cost of £0.032m and the resulting overspend against these placements is £0.278m. 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. The High Needs strategy involves the development of localised SEN hubs attached to mainstream settings and it is anticipated that these hubs will cater for some of the high demand for places at these 2 independent non-residential settings.
16. In addition to these non-residential placements at the 2 specific settings, there is an additional cohort of children placed at other education led placements. The majority of these placements are at residential settings where the annual cost can exceed £0.200m per child per annum. In relation to these placements the budget of £2.150m was set based on 33 residential placements at a cost of £0.065m per placement. Based on the placement tracker, the actual cost of these placements was £0.019m less than budgeted.
17. In addition to the placements above, there are a number of placements where education agrees a contribution towards a joint funded placement alongside Health and Social Care. These are the most complex cases and it is these placements where we have seen the highest growth in numbers. The overspend in relation to these placements is £0.654m.
18. 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)**

19. 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.

## **Treatment of the Cumulative DSG Deficit**

20. The overall in-year central DSG deficit as per the attached Appendix is £1.411m. With a balance of £0.531m carried forward from previous years this has resulted in a cumulative deficit of £0.879m as at the end of the 2018-19 financial year.

21. The 2019-20 Operational Guidance issued by the Department for Education sets out a requirement to report annually to the department on DSG expenditure in line with the grant where a DSG deficit exceeds 1% of the total DSG allocation for 2018-19 as at 31 March 2019. This includes the requirement for the Council, in consultation with its Schools Forum, to produce a detailed recovery plan to bring its DSG reserve back into balance within three years. Although the £0.879m cumulative deficit does not trigger this 1% threshold - it is 0.44% of the total DSG allocation for 2018-19 - a financial plan will need to be drawn up by officers and shared with Schools Forum outlining how this £0.879m can be recouped in order to bring the total DSG back into balance, identifying appropriate and achievable timescales. This should lower the risk of the DSG overspending by more than the 1% threshold in 2019-20.
22. The High Needs Funding Task & Finish Group is already exploring ways in which the overspend in the High Needs Block can be brought under control with the minimum of impact on service users. In the light of the overspend on the Early Years Block in 2018-19, the financial plan will need to be extended to cover this area of spend as well.