



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) forecast outturn position at the end of August 2019.

Recommendation

This report is for information only.

REPORT

1. The overall 2019-20 outturn against centrally retained DSG is forecast to be £1.558m in deficit as at the end of August 2019. It should be noted that this figure is the in-year deficit and needs to be added to the £0.879m overspend carried forward from 2018-19 in order to give the overall cumulative deficit position of £2.437m.

Centrally Controlled High Needs Budget

2. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £19.130m of the £38.273m central DSG budget in 2019-20. The £19.130m budget excludes the place funding element of the High Needs Block totalling £7.035m but does include the transfer of £0.397m funding from the Schools Block to the High Needs Block as approved by Schools Forum.
3. Overall, the High Needs Block forecast to be £1.393m in deficit as at the end of August 2019. Given that the £0.397m 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.

4. 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

5. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is a net forecast overspend of £0.181m. This overspend reflects a pressure of £0.036m on top-up funding paid to mainstream schools where the 2019-20 budget has remained at the level budgeted in 2018-19 which is £3.535m. It is noteworthy that the projected 2019-20 expenditure figure of £3.570m is considerably less than the final 2018-19 expenditure figure of £4.191m.
6. A possible explanation for this is that 2018-19 was the second year of a transitional period following the introduction of the Graduation Support Pathway in 2017-18 where there was a short term increase in expenditure required to support this strategy. For context, the Graduated Support Pathway was 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. Work has commenced to understand the ongoing cost of this strategy and while the forecasted spend in this report does potentially indicate that spend on mainstream top-up funding is returning to levels experienced prior to the introduction of the Graduated Supported Pathway, more time is needed to review top-up funding levels over the first few months of the new academic year.
7. Within budget lines 1.2.1 and 1.2.2 is the budget for special school top-ups for both maintained and academies. Here, there is a forecast overspend of £0.096m and this relates to the Special School academy where there is a projected expenditure of £2.453m for Pre-16 pupils and £0.489m for Post-16 pupils. This compares to figures of £2.380m and £0.445m in 2018-19.

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

8. An overspend of £1.197m is reported in this budget area. The key budget areas are detailed below:

Independent Special Schools

9. The budget for Independent Special School placement costs has been set at £4.538m. In 2018-19 the outturn figure was a £5.432m which was £0.633m higher than in 2017-18 and a large overspend of £0.913m. Given that the budget has stayed at approximately the same level as in 2018-19 this shows that the budget pressure on Independent Special School placement costs is an ongoing budget pressure that has continued from 2018-19.

10. 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.
11. Using the placement tracker spreadsheet that tracks costs of individual placements, the projected overspend against this budget is £1.185m with projected expenditure of £5.722m projected to be £0.290m higher than in 2018-19.
12. This is based on all summer term and some autumn term invoices paid on the Council's financial system, and known projected placement end dates.
13. During the summer term there were 90 Education led placements. Of these, 54 children were placed in either one of 2 low cost non-residential settings where the average cost of placement is relatively low at £0.034m. The budget for these non-residential placements at these 2 settings was based on 50 placements at the cost of £0.033m and the resulting overspend against these placements is £0.215m due to these 4 additional placements. The increase in placement numbers in 2018-19 is explained by increased demand at 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.
14. In addition to these non-residential placements at the 2 specific settings, there were an additional 36 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 was set based on 33 residential placements at a cost of £0.069m per placement, however the projected cost of these placements is £0.259m higher than budgeted due to the 3 additional placements.
15. 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 with 17 complex cases receiving an education contribution. This is a continuing pressure from 2018-19 and the overspend in relation to these placements is £0.711m.
16. These trends follow the national picture being reported by the f40 group of local authorities during a 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.

National Context and Next Steps

17. The Department for Education now requires Local Authorities to submit a financial recovery plan in the event that their cumulative DSG overspend at the end of a financial year, exceeds 1% of their DSG allocation. Given that Shropshire's DSG allocation for 2019-20 is currently £204.587m the 1% threshold is equal to £2.046m and therefore the current cumulative deficit position being reported of £2.437m breaches this limit and triggers the requirement for a detailed financial recovery plan to be submitted to the Department following the close of the financial year.
18. In light of the above, officers are continuing to work to establish a financial plan to bring back to Schools Forum. Any plan will have an impact on policy, therefore a number of options are being identified alongside any associated risks. A High Needs Funding Task & Finish Group has been meeting to explore ways in which the overspend can be brought under control with the minimum of impact on service users.
19. Nationally it has been announced that £700m extra funding for schools pledged by the government next year will form part of the 'high needs block' of the dedicated schools grant. Local Authorities await further announcements on the details but this is good news given the extent of the overspend described above.