



Schools Forum

Date: 17 June 2021

Time: 8:30 am

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 2020-2021 financial year.

Recommendation

That Schools Forum:

- note the report and approve that the £0.478m in-year underspend is offset against last year's deficit carried forward of £1.710m and carried forward into 2021-22 financial year to give a cumulative deficit of £1.232m

REPORT

1. The overall 2020-21 outturn position for the DSG is a £0.478m in year-deficit. It should be noted that this figure is the in-year deficit and needs to be added to the £1.710m overspend carried forward from 2019-20 in order to give the overall cumulative deficit position of £1.232m. 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 £0.204m on a provisional budget of £16.796m.
3. The main reason for this is an underspend of £0.151m identified in relation to the Early Years allocations for two year old nursery entitlement. This is due to a decreased level of take up of free entitlement places from eligible parents.
4. The Council will receive a final 2020-21 Early Years DSG allocation in July to take account of the January 2021 census figures. It is anticipated that the final Early Years DSG allocation will be smaller than the provisional allocation reflecting this lower level of take-up.

5. There was also an underspend of £0.093m on the three and four year old nursery entitlement budget. This underspend would have been higher as there was a £0.150m budget pressure reported earlier in the year against this budget as a direct result of the “double funding” of nursery placements due to Covid-19. There were Early Years children who could not access their free Early Years entitlement at the setting of their choice, either because it was closed or because they have had to restrict places in order to operate safely within the current guidelines of Covid-19. In these instances children attended other settings where they could be accommodated. Given that the outturn position reflects a relatively small underspend in spite of the double funding of nursery places, this indicates that take-up of places has reduced in comparison to the number of children funded.
6. These underspends were partially offset by a £0.029m overspend on SEN Support. The demand experienced on this budget has grown in recent years with Shropshire seeing a growing number of children presenting with a range of development and emotional difficulties which require support.
7. It is important to note that this position on the Early Years budget is provisional and it is anticipated that the relatively small underspend will change to an overspend for 2020-21 once the final Early Years DSG allocation is published in July. This is due to the double funding of places described above.

Centrally Controlled High Needs Budget

8. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £20.929m of the £40.870m central DSG budget in 2020-21. The budget excludes the place funding element of the High Needs Block totalling £7.929m but does include the transfer of £0.842m funding from the Schools Block to the High Needs Block as approved by Schools Forum.
9. Overall, the outturn position for the High Needs Block is an in-year deficit of £0.047m. Given that £0.842m of high needs funding represents a one-off transfer of funding from the Schools Block, this indicates that the High Needs Block DSG allocation to Shropshire is insufficient to meet expenditure requirements if current spending levels continue.

Lines 1.2.1 & Line 1.2.2 - Top Up funding – Mainstream Schools and Post 16 Further Education

10. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there was an overspend of £0.415m.

Top Up funding - Mainstream Schools

11. This overspend reflects an overspend of £0.204m on top-up funding paid to mainstream schools with expenditure totalling £4.948m. Increase in demand for top-up funding mirrors the national picture. The Local Government Association reported that the number of children and young people with an Education Health

Care (EHC) plan increased by 35% between 2013/14 and 2018/19. It is estimated that this level of increase has continue since then.

12. The above figures include the Graduation Support Pathway payments as well as top-up funding. The Graduated Supported Pathway aims to provide additional funding to supplement element 2 funding which comes directly through the Schools Block of DSG. Over the longer term, it is anticipated that the local authority will see a reduction in the proportion of Education Health Care (EHC) plans in line with the national average though it is important to stress that this is determined by the child's need.

Top Up funding - Special Schools

13. There was an overspend of £0.182m against the budget for the Council's expenditure on top-ups to it's maintained special school. This is largely as a result of a one-off backdated payment for £0.116m for top-up funding relating to the 2019-20 financial year.

Post 16 Further Education Colleges

14. Within the "1.2.2 - Top Up funding - Academies, Free Schools and Colleges" budget heading there is a budget of £2.189m allocated for Post 16 funding at further education colleges and sixth form colleges. Growth in expenditure on post 16 further education colleges reflects the national picture, however Shropshire has anticipated particularly significant growth in the 2020-21 financial year in terms of the number of post 16 FE college placements. The 2020-21 expenditure of £2.218m is an increase of £0.409m on the 2019-20 outturn figure and is responsible for a budget pressure of £0.029m. Please note that the previous DSG monitoring paper presented to Schools Forum in January estimated a projected level of expenditure of £2.771m and overspend of £0.582m. Please note that this was based on the Spring Term payment to 1 of the 2 lower cost mainstream colleges being at the same level as the Autumn Term payment. It was retrospectively established that the Autumn Term payment was for both Autumn Term and Spring Term hence the outturn figure is much lower than previously forecast.
15. The overspend, although not as large as previously forecast is still the result of a large increase in numbers at the 2 lower cost, mainstream colleges in particular. A trend analysis has determined that while numbers in these mainstream college placements have increased significantly, average costs per placement have remained stable since the 2018-19 financial year. Conversely, the number of students placed in expensive, independent specialist provider placements has decreased since 2018-19 but the average cost of these placements has increased from approx £15,000 per annum to approx £27,000.
16. The Council has and will continue to experience significant expenditure growth in this area 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 work closely with local colleges to increase accessibility to education within mainstream colleges rather than more expensive independent specialist providers. A detailed review of the Post 16 FE college placements expenditure has commenced to understand the drivers for the increase in the number of EHCPs and the scope for reducing expenditure in this area as part of the strategy to reduce the cumulative DSG deficit.

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

17. An underspend of £0.137m is reported in this budget area.

Independent Special Schools

18. The budget for Independent Special School placement expenditure was one of the largest in the High Needs Block at £5.058m. In recent years this budget heading has been one of the highest overspending areas. To address this, the budget was significantly increased by £0.520m in 2020-21 as part of the budget setting process. This was achieved using some of the overall increase in High Needs Block DSG allocation.
19. In 2020-21, the Council has not experienced the increase in expenditure anticipated at the start of the financial year. It is important to note that for this reason the underspend does not reflect a large decrease in expenditure, only that it is lower than the anticipated budget level.
20. It is important to stress that the Council anticipates an increase in demand for this type of placement on a longer term basis due to Covid-19.
21. One explanation for not seeing a large increase in expenditure again is that Shropshire Council has invested in supporting children to access mainstream provision in specialist hubs within mainstream schools. This has reduced the number of children placed at high cost, specialist Independent schools. The development of the SEND free school, anticipated to open in September 2022 will further reduce the number of children requiring access to independent, high cost placements and support us to meet their need locally.
22. The national picture being reported by the f40 group of local authorities during a survey of high needs costs pressures concluded increasing demand for independent special school placements, and higher contributions from education towards joint social care placements. Shropshire has mirrored these trends in recent years but as stated above there are signs that the growth in this budget area is being managed by the strategies in place. While a projected underspend against budget is reported, it is important to note that national benchmarking data indicates that Shropshire has 0.49% of its pupils in Independent Special School placements in 2019-20 compared with the national average of 0.22%. This suggests there is still some scope to further reduce expenditure in this budget area.

Line 1.2.8 – Support for Inclusion

23. Support for Inclusion budgets underspent by £0.317m. There are 2 reasons for the underspend in this area. Firstly, the Council requirement to incur expenditure on 6th Day Provision was less than in a typical year due to the pandemic with expenditure totalling £0.170m compared to the budgeted level of £0.300m. The budget of £0.300m was set in line with expenditure levels for the past 2 years. This is expected to be a one-off budget underspend with expenditure levels estimated to increase to typical levels again in 2021-22.
24. Secondly, the Council has a duty to re-determine an excluding school's budget share in accordance with The School Finance (England) Regulations 2018. In some case this leads to the removal of the amount of funding attributable to a pupil (AWPU) from that school, with the funding transferred to an admitting school if the child transfers to another school or the High Needs Block if the child is placed at TMBSS or in other alternative provision. In 2020-21 officers cleared a backlog of 2 year's worth of AWPU funding transfers relating to excluded pupils which has resulting in £0.227m of funding crediting the High Needs Block that was not budgeted for. This funding offsets the expenditure incurred elsewhere in the Support for Inclusion budget. Again, this underspend is a one-off rather than a trend that can be expected on an ongoing basis.

Schools Growth Fund

25. Within the 2020-21 Schools Block DSG there was a "Growth Funding" allocation of £0.667m. There was an underspend of £0.290m against this allocation and it has been determined that this underspend will offset the overall deficit position.

Accounting for the DSG Deficit

26. Given the cumulative deficit being reported it is likely that Department for Education officials will be in contact with Shropshire Council officers to request details of the deficit and plans being progressed to remove the deficit, and the timescale for those plans.
27. An initial DSG recovery plan was shared with Schools Forum in March. The financial modelling in this plan will need to be updated in light of the Central DSG outturn position described above and progress against the £0.220m growth reduction targets relating to post 16 FE college placements, independent specialist placements and behaviour support and outreach will need continuous review. An updated DSG recovery plan will be shared with Schools Forum at a future meeting.

2021-22 financial year

28. Shropshire's 2021-22 High Needs Block DSG allocation is £31.527m which is an increase of £3.511m compared to the 2020-21 allocation. In light of the £1.232m cumulative deficit being reported, this increase is welcome news.

29. It is important to note that not all of the £3.511m increase in High Needs Block DSG allocation is available to fund expenditure that is required as a consequence of increase in demand for places. For 2021 to 2022 the High Needs Block incorporates the teacher's pay grant and teacher's pension employer contribution grant within the high needs national funding formula. The grants have been incorporated by increasing the basic entitlement factor of the high needs formula that pays out on the basis of the number of pupils in special schools, from £4,000 to £4,660 to include funding currently paid to special schools separately. The £3.511m increase in allocation also includes a new £0.275m funding allocation called the "Hospital education, AP teachers pay/pension and supplementary funding factor" for the same reason as above but applying to alternative provision settings rather than special schools.
30. Shropshire's Early Years Block DSG allocation for 2021-22 has been set at £17.028m using the Early Years national funding formula. This represents an increase of £0.232m compared to the 2020-21 allocation.
31. Please note that no 2021-22 DSG budget monitoring will be completed until the Council's period 2 (end of May) budget monitoring position is finalised towards the end of June 2021.