

## **Schools Forum**

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Item

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Paper

**G**

## **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 2022-2023 financial year.

### **Recommendation**

That Schools Forum:

- note the report and approve that the £1.979m in-year underspend is added to last year's surplus carried forward of £0.716m with the remaining balance of £2.695m representing the cumulative surplus to be carried forward into 2023-24 financial year.

## **REPORT**

1. The overall 2022-23 outturn position for the DSG is a £1.979m in year-surplus. It should be noted that this figure is the in-year surplus and needs to be added to the £0.716m surplus carried forward from 2021-22 in order to give the overall cumulative surplus position of £2.695m.
2. In December 2021, Schools Forum approved a transfer of 0.5% from the Schools Block to the High Needs Block to support growth pressures on the High Needs Block. Agreement was given to transfer the remaining schools block budget, up to 0.5% after fully funding schools with the National Funding Formula factors and values. In 2022-23, the Council has been able to fully fund schools in this way, while transferring across the full 0.5% of the Schools Block budget to the High Needs Block budget which has increased the High Needs Block budget in year by £0.949m from the published allocation of £35.743m to a budget of £36.692m
3. The main reasons for a variation from budget in year are detailed below.

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

4. The outturn position for the Early Years Block is an underspend of £0.036m on a provisional budget of £17.368m.
5. The main reason for this is an underspend of £0.144m identified in relation to the Early Years allocations for three and four year old nursery entitlement. This is due to a decreased level of take up of free entitlement places from eligible parents.
6. The Council will receive a final 2022-23 Early Years DSG allocation later in the year to take account of the January 2023 census figures. It is anticipated that the final Early Years DSG allocation for 2022-23 will be smaller than the provisional allocation reflecting this lower level of take-up.
7. This underspend was partially offset by a £0.141m 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. In 2022-23 actual expenditure totalled £0.741m against a budget set internally of £0.600m.
8. In addition to SEN Support, the 2022-23 outturn position reflects increased expenditure on Early Years deprivation payments and sustainability payments accounting for an overspend of £0.061m.
9. Sustainability funding is used to 'top-up' the amount of per pupil funding paid to providers in more rural areas to ensure that they have enough overall income to continue to operate. A small element of this funding is also used to support providers in short term crises. The overspend on sustainability funding can be attributed to pandemic recovery with a few settings taking time to get numbers back up to sustainable levels.
10. It is important to note that this position on the Early Years budget is provisional and it is anticipated that the relatively small underspend could change to an overspend for 2022-23 once the final Early Years DSG allocation is published later in the year.

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

11. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £26.359m of the £48.243m central DSG budget in 2022-23. The budget excludes the place funding element of the High Needs Block totalling £8.992m but does include the transfer of £0.949m funding from the Schools Block to the High Needs Block as approved by Schools Forum. This figure also excludes the local authority's Additional High Needs Funding allocation of £1.342m which is reported on in paragraph below.
12. Overall, the outturn position for the High Needs Block is an in-year surplus of £1.408m.

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

13. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there was an overall underspend of £1.288m. Of this £1.288m, £0.362m relates to top-up funding paid to mainstream schools. Total expenditure on top-up funding to mainstream schools in Shropshire totalled £5.034m in 2022-23. While an underspend is reported, the expenditure has increased compared to 2021-22 when the total expenditure was £4.996m. An increase in demand for top-up funding in mainstream mirrors the national picture. This could be attributed to a growth in new EHC plans and growth in the SEND hubs attached to mainstream schools.
14. The above figures include the Graduation Support Pathway payments as well as top-up funding. The Graduated Supported Pathway provides additional funding to supplement element 2 funding which comes directly through the Schools Block of DSG.
15. £0.808m of the £1.288m underspend relates to recoupment of top-up funding between local authorities. In 2022-23, there were a couple of invoices raised that related to the 2021-22 financial year. The consequence of this was a larger amount of income recouped than budgeted for by £0.547m.

#### **Lines 1.2.1 & Line 1.2.2 - Top Up funding – Special Schools**

16. Of this £1.288m underspend, £0.118m relates to top-up funding paid to Shropshire special schools. Total expenditure on top-up funding to special schools totalled £5.588m in 2022-23. While an underspend is reported, the expenditure has increased significantly compared to 2021-22 when the total expenditure was £4.988m, although it is important to recognise that a proportion of this increase represents top-up funding for the new Special School, Keystones.

#### **Line 1.2.2 - Post 16 Further Education Colleges**

17. Within the “1.2.2 - Top Up funding - Academies, Free Schools and Colleges” budget heading there is a budget of £2.770m allocated for Post 16 funding at further education colleges and sixth form colleges.
18. Despite anticipated growth in 2021-22, the 2021-22 outturn position reported actual expenditure of £1.844m and therefore an underspend of £0.926m against the £2.770m budget.
19. For 2022-23 the budget of £2.770m remained at the same level.
20. Expenditure incurred in 2022-23 totalled £1.662m with £0.798m relating to Mainstream Further Education colleges and the remaining £0.864m relating to Specialist Post 16 Providers. This figure is £0.182m less than in 2021-22 when expenditure totalled £1.844m. The consequence of this decrease in expenditure is a significant underspend of £1.108m being reported. This underspend is particularly high because the budgeted level of £2.770m still reflects the significant growth built into the budget in 2021-22 which did not materialise.

21. Despite the large underspend, it is important to note that significant growth in the expenditure on post 16 further education college placements is the national picture and Shropshire has seen particularly significant growth in recent years in terms of the number of post 16 FE college placements.
22. A review of the number of EHC Plans in the 16-25 age range, indicates that the % increase in EHC plans is approximately 10% year on year so you would expect large expenditure growth in this budget area. Instead, we believe there is a higher proportion of post 16 pupils attending Independent Special Schools or independent alternative providers and the expenditure for these young people is showing in the budget area relating to independent providers instead.

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

23. While the High Needs Block DSG is reporting a £1.408m underspend overall, the Independent Providers budget did overspend by £0.779m against a budget of £7.687m. This is despite a large increase of £1.137m (17%) in the Independent Providers budget in 2022-23.
24. Expenditure of £8.197m was incurred against the Independent Special Schools budget of £7.357m resulting in a £0.839m overspend. This indicates a significant increase of £1.835m compared to 2021-22 expenditure levels (£6.340m) reflecting an increase in demand for this type of provision, mirroring the national picture.
25. The overspend of £0.839m in relation to this Independent Special Schools placements budget relates specifically to the "Education" led placements rather than the value of, and number of contributions to complex, joint funded placements with social care and the Shropshire Clinical Commissioning Group (CCG).
26. One of the trends that has come to light in 2022-23 financial year, is the much more frequent use of independent alternative providers, particularly in relation to children who are post 16. This partly explains the increase in overspend as well as an increase in numbers attending out of county, independent special schools.

### **Lines 1.2.5 - SEN Support Services**

27. An overspend of £0.293m is reported against this budget totalling £1.693m in 2022-23. The majority of the overspends in 2022-23 relate to one-off staffing overspends where additional staff have been employed, sometimes as agency workers to support the wider increase in demand.

### **Additional High Needs Funding Allocation**

28. In 2022-23 the Department for Education introduced Additional High Needs Funding to supplement the High Needs Block DSG. The additional £325 million allocated nationally following the autumn 2021 spending review is intended to reflect the cost to all employers of the Health and Social Care Levy and other cost

increases that were not anticipated when the NFF allocations were published in July 2021.

29. For Shropshire, this meant an additional high needs allocation of £1.342m to be targeted towards Shropshire Special Schools, Pupil Referral Units and Alternative Provision settings. As at the end of the 2022-23 financial year, the Council had spent £0.913m of the allocation leaving an underspend of £0.429m which forms part of the £1.979m in year-surplus carried forward into 2023-24. It is important to note that the Council is currently reviewing top-up funding levels to Special Schools and this £0.429m underspend carried forward is part of the conversation when considering the funding available, in addition to the Council's increased 2023-24 Additional High Needs Funding allocation.

### **Central Schools Services Block**

30. An in-year overspend was incurred in 2022-23 of £0.020m. £0.013m of this overspend relates to the Schools Admissions Team.

### **Schools Growth Fund**

31. As per "Paper E – Growth Fund Criteria & Allocations 2022-23 and 2023-24" there was actual expenditure of £0.183m in 2022-23 against the allocated Growth Fund of £0.366m resulting in a £0.083m in year underspend. This underspend is effectively carried forward in to 2023-24 as part of the overall DSG surplus carried forward. As Paper E highlights, the call on the Growth Fund in 2023-24 requires that both the £0.083m underspend carried forward from 2022-23 plus the 2021-22 growth fund underspend of £0.282m are required to support anticipated Growth Fund expenditure in 2023-24. It is therefore important to note that £0.285m of the overall DSG surplus of £2.695m is earmarked for this purpose in 2023-24.

### **Overall position**

32. The Council's DSG financial position is healthy in reporting a cumulative surplus of £2.695m as at the end of the 2022-23 financial year.
33. £0.285m of this £2.695m surplus relates to the 2021-22 and 2022-23 surplus carried forward on the Schools Growth Fund. This value is earmarked for the Schools Growth Fund in 2023-24 where the Council's Schools Growth fund needs "topping-up" to meet 2023-24 expenditure requirements.
34. The High Needs Block DSG 3 year forecasting exercise undertaken earlier in the year demonstrates that future expenditure growth is likely to outstrip future growth in High Needs Block DSG allocations, specifically from 2024-25 and beyond so while the position looks healthy now, this level of carry forward may well be required to support future year's spending as the increase in High Needs Block DSG funding nationally diminishes.

35. It is also important to note that a small proportion of high-cost, low incident cases can disproportionately impact the High Needs Block DSG financial position. We know that many young people have been adversely impacted over the past 3 years and this is no different for SEND children, and may well be even more pronounced. The impact over this period has the potential to see the number of vulnerable children and young people presenting with complex mental health and behavioural needs requiring provision increasing and this will have a knock on effect on the High Needs Block DSG as we meet the needs of this cohort.