

**Schools Forum**

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Paper

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Public

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**Summary**

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) final outturn position for the 2023-24 financial year.

**Recommendation**

That Schools Forum:

- note the report and approve that the £4.486m in-year overspend is added to last year's surplus carried forward of £2.181m with the remaining balance of £2.304m representing the cumulative deficit to be carried forward into 2024-25 financial year.

**REPORT**

1. The overall 2023-24 outturn against centrally retained DSG is a £4.486m deficit. It should be noted that this figure is the in-year deficit and needs to be added to the £2.181m revised surplus carried forward from 2022-23 in order to give an overall cumulative DSG deficit position of £2.304m.
2. The outturn position for the High Needs Block is an in-year deficit of £4.128m. This is largely caused by the £3.910m overspend on the budget for Independent providers where expenditure was 64% higher than last year's outturn. This percentage increase is explained by a large increase in demand for Independent Special School placements.
3. In previous years, Schools Forum members approved a transfer of 0.5% from the Schools Block to the High Needs Block to support growth pressures within the High Needs Block. In 2023-24 no surplus funding was available within the Schools Block once schools had been funded at the NFF rates. Schools Forum members agreed to prioritise funding for schools and no transfer from the Schools Block to the High Needs Block DSG was made.



## **Centrally Controlled Early Years Budget**

4. In July 2023, the provisional Early Years Block DSG allocation was updated based on the number of part time equivalents (PTEs) taking up the entitlements as recorded on the January 2023 PTE census numbers. Shropshire's provisional Early Years Block DSG allocation for 2023-24 is £17.868m, an increase of £0.729m compared to the final allocation for 2022-23.
5. The outturn position for the Early Years Block is a £0.087m overspend against a provisional budget of £17.868m.
6. The main reason for this overspend was a £0.287m overspend on SEND Support against a budget set of £0.600m. 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 could change once the final 2023-24 Early Years DSG allocation is published in July 2024.

## **Centrally Controlled High Needs Budget**

8. The centrally controlled High Needs Block for 2023-24 is £28.997m. This budget excludes the place funding element of the High Needs Block totalling £9.515m and the additional high needs funding allocation of £1.644m. The total High Needs Block DSG allocation (before deductions) is £40.156m. It is important to note that Shropshire's 2023-24 High Needs Block DSG has increased by £4.413m compared to the £35.743m allocation in 2022-23. In 2022-23, the total High Needs Budget was £36.693m following the transfer of £0.949m from the Schools Block to the High Needs Block. In 2023-24, as there is no 0.5% transfer, the 2023-24 total High Needs Budget is £3.463m higher than in 2022-23.
9. Overall, the outturn position for the High Needs Block is an in-year deficit of £4.128m against a centrally controlled High Needs Budget of £28.997m.

## **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 was an overall underspend of £0.566m. Within this £0.566m underspend there is a £0.258m overspend relating to top-up funding paid to mainstream schools where expenditure totalled £5.943m, representing an 18% increase compared to 2022-23. An increase in demand for top-up funding in mainstream settings 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.
11. The above figures include the Graduated Support Pathway (GSP) 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.
12. An underspend of £0.921m relates to recoupment of top-up funding between local authorities. In 2023-24, expenditure was lower than anticipated and there were a few invoices raised that related to previous financial years and consequently more income was recouped than budgeted for by £0.373m.

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

13. Of the £0.566m underspend on these 2 budget lines, the remaining balance which is an overspend of £0.097m relates to top-up funding paid to Shropshire's special schools. 3 Special Schools have received significantly more top-up funding since the start of the academic year. In the case of 2 schools this was due to an increase in top-up banding levels agreed and implemented from September 2023. In the case of the new special school this was due to a planned increase in the number of places from September. The total expenditure of £6.347m is 14% higher than the 2022-23 expenditure figure of £5.588m explained by the increases above.

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

14. There is a budget of £2.159m allocated for Post 16 funding at further education colleges and sixth form colleges.
15. For 2023-24, despite the overall increase in High Needs Block DSG allocation, a decision was made to decrease the budget for Post 16 Further Education Colleges to £2.159m to reflect the decrease in spend on this type of placement in the last 2 financial years.
16. Expenditure in 2023-24 totalled of £1.685m which is only a £0.023m increase compared to the 2022-23 outturn position. This resulted in a underspend of £0.475m.
17. 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 EHC Plans.
18. A review last financial year 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**

19. The 2023-24 budget for Independent Providers is £9.983m. £9.681m of this value relates to a combination of Independent Special School placements and Independent Alternative Provision. This budget has been increased by £2.296m compared to the 2022-23 budget level of £7.687m. The large increase in budget reflects that Shropshire experienced a significant increase in expenditure in this budget area in 2022-23, highlighted by actual expenditure totalling £8.466m.
20. Increasing the budget to £9.983m reflected anticipated growth of 30% compared to last year's budget figure of £7.687m.
21. Expenditure for 2023-24 totalled £13.892m, reflecting a large increase of 64% relative to last year's outturn figure, resulting in an overspend of £3.910m.
22. There are several explanations for the large increase in expenditure in 2023-24. Firstly, the Council has experienced a sharp increase in demand for Independent Special School placements as evidenced by the number of new placements. This is a trend that was identified in 2022-23 but the increase has been even more pronounced in 2023-24 and particularly from the start of the 2023-24 academic year.
23. Another trend that came to light in 2022-23 financial year, was the much more frequent use of independent alternative providers, particularly in relation to children who are post 16. This trend has continued in 2023-24 and partly explains the overspend as well as the underspend on the Post 16 Further Education College placements budget.

24. The average termly cost of a placement has also increased in 2023-24 reflecting price inflationary pressures. This has occurred as providers have increased fees in response to the increase in the national minimum living wage and Consumer Price Index (CPI) inflation rate.
25. The other trend which explains the overspend is that the value of, and number of contributions to complex, joint funded placements with social care and the Shropshire Clinical Commissioning Group (CCG) has increased in 2023-24 relative to 2022-23 levels reflecting an increase in complexity.
26. In 2023-24, the Council has established a SEND Commissioning and Procurement Panel to review requests and make decisions on high needs funding for Independent Special Schools and Mainstream Special Schools. The panel also acts as a forum to ratify and respond to fee up-lifts from all settings in conjunction with and accounting for decisions made at the West Midlands Price Review Panel on behalf of the 14 local authorities including Shropshire.

### **Lines 1.2.5 – SEN Support Services**

27. There is an overspend of £1.610m against the SEN Support Service budget of £1.898m. Similarly to 2022-23, the majority of the overspend in 2023-24 relates to staffing overspends where additional staff have been employed, sometimes as agency workers to support the wider increase in demand in the service. Some of these employees are working with the Educational Psychology Service to address increasing demand for preventative services.

### **Lines 1.2.8 – Inclusion Services**

28. A budget for £1.260m was set for “Support for Inclusion”. This budget was increased by £0.062m in 2023-24 using the growth in High Needs Block DSG allocation. While the budget was increased in 2023-24, actual expenditure on Support for Inclusion has decreased resulting in an underspend of £0.322m. This is the case for 6<sup>th</sup> Day Provision where total expenditure only totalled £0.298m in 2023-24 against a budget of £0.400m resulting in a £0.112m underspend, which follows the work completed with TMBSS and the school sector to reduce permanent exclusions and ensure any permanently excluded pupils are placed with TMBSS, rather than on other alternative packages. An explanation for the remaining £0.210m underspend is the receipt of a few central government grants which are not budgeted for but do offset the expenditure in this area as they relate to pupils in alternative provision.

### **Central Schools Services Block**

29. An in-year overspend was incurred in 2023-24 of £0.268m. An overspend of £0.274m relates to the Ongoing Duties budget as per line 1.5. in the Appendix. This budget covers “Asset Management” and contributions to “Central Support Services”. The overspend occurred as the result of one-off budget monitoring pressures in relation to statutory repairs and maintenance on school buildings.

### **Schools Block Growth Fund**

30. Significant changes in the formula characteristics for Shropshire for 2023-24 meant that, while ensuring that the NFF is fully delivered for the county’s schools, the ‘headroom’ available for transferring funding out of the Schools Block and/or meeting the requirements for growth funding was significantly reduced.
31. A “Growth Fund” budget of £0.303m was set for 2023-24, using £0.285m School’s Growth fund “underspend” carried forward from 2022-23 as part of the Council’s overall DSG Surplus, plus £0.018m funding available or growth funding within the Schools Block DSG.

32. The call on the growth fund in 2023-24 has exceeded this value significantly with expenditure totalling £0.654m. This £0.654m consisted of 1 payment to Bowbrook Primary School for pre-opening costs plus a number of payments to qualifying primary and secondary schools based on £40,000 per primary school and £48,000 per secondary school.

### **Overall position and 2024-25 Provisional High Needs Block DSG Allocation**

33. The Council's DSG financial position is the movement from a cumulative surplus carried forward figure of £2.181m at the start of this financial year to a cumulative deficit of £2.304m as at the end of the 2023-24 financial year. The in-year position has changed significantly during the course of the financial year and reflects an increased demand for Independent Special School placements, top-up funding to the county's special schools as well as SEN Support Services.
34. The 2024-25 provisional High Needs Block DSG allocation (before deductions) has been published. Shropshire's allocation is £42.188m representing a 5% increase compared to the 2023-24 allocation of £40.156m. Given that expenditure in 2023-24 on the High Needs Block increased by 26% or £9.048m compared to the 2022-23 figure of £34.854m, it can be seen that future expenditure growth is likely to outstrip future growth in High Needs Block DSG allocations.
35. The High Needs Block DSG 3 year forecasting exercise undertaken in early 2023 forecasted that the Council would move to a DSG deficit position due to this shortfall in funding relative to increase in expenditure. There is an ongoing review of this 3 year forecast exercise to assess the extent by which future expenditure is likely to exceed future High Needs Block DSG income. This exercise will explore the plans that can be put in place to mitigate this, and the timescale for delivery of these mitigations.