



Date: Thursday, 19 June 2025

Time: 8.30 am

Venue:

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SCHOOLS FORUM

TO FOLLOW REPORT (S)

- 7 Dedicated School Grant Monitoring 2024-2025**
Outturn (Stephen Waters) (Pages 1 - 8)
Paper D attached.

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(MS) Teams**D**

Public

DEDICATED SCHOOLS GRANT MONITORING

Responsible Officer Stephen Waters

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Summary

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) final outturn position for the 2024-25 financial year.

Recommendation

That Schools Forum:

- note the report and approve that the £15.097m in-year overspend is added to last year's deficit carried forward of £2.542m with the remaining balance of £17.639m representing the cumulative deficit to be carried forward into 2025-26 financial year.

REPORT

1. The overall 2024-25 outturn against centrally retained DSG is a £15.097m deficit. It should be noted that this figure is the in-year deficit and needs to be added to the £2.542m revised deficit carried forward from 2023-24 in order to give an overall cumulative DSG deficit position of £17.639m.

Centrally Controlled Early Years Budget

2. In 2024/25, the DfE introduced two new expanded childcare entitlements. From April 2024, they introduced the expanded annual free entitlement of 570 hours of early years education and childcare for 2 year olds from 'working families' from the start of the term after their second birthday. From September 2024, the expanded annual FE of 570 hours of early years education and childcare for 9 month olds from 'working families' from the start of the term after they turn 9 months old.
3. For existing entitlements, the indicative allocation of the EY block has been determined by applying an hourly rate per hour per child and multiplying this by the number of children on roll within the LA at the time of the EY census in the previous January. The level of funding is then adjusted using the data gathered in the EY census in the following January (2024) and again based on census in the following January (2025) with the final figure published in July 2025 being based 5/12ths on January 2024 and 7/12ths on January 2025 census.



4. For the new entitlements, the indicative allocations are updated following new termly headcounts in the summer 2024 and autumn 2024 terms, and the January 2025 census, with the final allocation published in July 2025 using the January 2025 census headcounts.
5. On 31st March 2025, the provisional Early Years Block DSG allocation was updated based on the number of part time equivalents (PTEs) taking up the new entitlements as recorded on the latest termly headcount. This resulted in a £1.849m increase in the overall Early Years Block DSG Allocation from £29.490m as published in January to £31.339m. The outturn position, for the Early Years Block reflecting expenditure of £31.098m, is a £0.240m underspend against a provisional budget of £31.339m. Please note that this is a large movement to the Early Years DSG forecast position presented at March's Schools Forum as the forecast expenditure at that time was showing a large forecast overspend of £1.363m against January's previous allocation level of £29.490m.

	Hourly rate (£ / hr)	21 January 2025 - DSG Allocation		31 March 2025 - DSG Allocation		Increase in Allocation (£s)
		Number (part-time equivalent)	Funding allocation (£s)	Number (part-time equivalent)	Funding allocation (£s)	
3 and 4 year old entitlements	5.47	3,681.37	11,478,144	3,681.37	11,478,144	-
3 and 4 year old additional 15 hours entitlement for eligible working parents	5.47	1,976.81	6,163,496	1,976.81	6,163,496	-
2 year old disadvantaged entitlement	7.26	476.36	1,971,273	476.36	1,971,273	-
2 year old entitlement for working parents	7.26	1,311.87	5,428,781	1,394.62	5,771,217	342,436
Under 2s entitlement	9.85	727.58	4,084,998	993.43	5,577,613	1,492,615
Early years pupil premium for 3 and 4 year olds	0.68	392.07	151,967	392.07	151,967	-
Early years pupil premium for 2 year olds	0.68	102.94	39,900	145.12	56,249	16,349
Early years pupil premium for Under 2's	0.68	14.05	5,446	7.98	3,094	- 2,352
Disability Access Fund	910 per annum	182.00	165,620	182.00	165,620	-
Total			29,489,625		31,338,673	1,849,048

6. There was an underspend of £0.677m relating to the Under 2's entitlements, where the allocation is £5.578m based on 993.43 PTEs and an hourly rate of £9.85, however the sum total of payments paid out to providers equalled £4.900m indicating less take up compared to the allocation.
7. There was an underspend of £0.167m relating to the 2 year old funding, where the allocation is £7.742m across disadvantaged 2 year old entitlement and 2 year old children of working parents, however the sum total of payments paid out to providers equalled £7.576m, again indicating slightly less take up compared to the allocation.
8. Partly offsetting the underspends above, there is a £0.111m overspend relating to the £0.250m budget held for early years sustainability payments which most local authorities hold so that we can continue to offer provision in those areas of the county where numbers of children alone will not generate sufficient funding to cover basic costs for providers.
9. In addition to the above funding that goes out directly to providers, a budget of £0.395m was centrally retained within the Early Years Block DSG allocation to cover the costs of employment for those staff supporting EY provision, administration of the funding system and associated core costs of the provision of our service. The DfE stipulate that no more than 5% of each element of the EY block can be retained by LAs. There was an overspend of £0.059m against this budget reflecting the increased staffing costs associated with administering the new funding.
10. It is important to note that this position on the Early Years budget is provisional and once the Early Years Block DSG final allocation is published in July, we will report back to Schools Forum with the overall in-year surplus or deficit for the 2024-25 financial year.

Centrally Controlled High Needs Budget

11. The centrally controlled High Needs Block for 2024-25 was £31.776m. This budget excludes the place funding element of the High Needs Block totalling £10.574m. The total High Needs Block DSG allocation (before deductions) is £42.350m. It is important to note that Shropshire's 2024-25 High Needs Block DSG has increased by £2.194m compared to the £40.156m allocation in 2023-24. This 5.5% increase is a smaller percentage increase than the previous year's increase.
12. In January 2024, Schools Forum members confirmed that the National Funding Formula should be applied to funding factors. This meant that there was no further funding available to enable up to a 0.5% transfer from the schools block to the High Needs Block DSG. This is the second consecutive financial year where no transfer has been applied.
13. Overall, the outturn position for the High Needs Block is an in-year deficit of £15.464m.

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

14. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there was an overall overspend of £7.066m.

Top Up funding - Mainstream Schools

15. Within this £7.066m overspend, an overspend of £3.318m relates to the top-up funding paid to mainstream schools. As anticipated, there has been a large increase in top-up funding to mainstream schools reflecting increasing requests for EHC Needs Assessment and issuing of EHC plans. The increase has been particularly pronounced since the start of the 2024-25 academic year. This mirrors the increased numbers of requests for assessment seen during 2023 and 2024 calendar years.
16. It is important to note that the top-up funding to SEND hubs attached to mainstream settings is coded to this budget so some of the increase will relate to an increase in capacity in SEND hubs.
17. This figure of £3.318m includes an underspend of £0.701m against the net recoupment budget of £0.250m which represents recoupment of top-up funding between local authorities. This is due to the recoupment income exceeding recoupment expenditure by £0.451m in 2024-25.

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

18. There is a £3.748m overspend on top-up funding to special schools.
19. Total expenditure on top-up funding to special schools has increased significantly in 2024-25, due by changes to top-up funding levels payable to 2 Shropshire special schools as reported to Schools Forum in the June 2024 meeting.
20. With Severndale Specialist School, an annual review process was undertaken to review each pupil's needs and therefore the appropriate banding level. The banding levels were increased and pupils allocated to appropriate banding levels and the resulting changes backdated to the start of the 2023-24 academic year. As a result, a one-off payment of £2.274m was made to the school which accounts for much of the budget pressure on this budget line.
21. A similar review was undertaken for Woodlands Schools, and the value of top-up funding agreed for the 2023-24 academic year was £1.520m meaning a one-off back payment was made for £0.458m.
22. As well as the one-off payments, the revised banding levels have resulted in an ongoing increase in top-up funding paid to Severndale School and Woodlands School in the Autumn Term and Spring Terms compared to the Summer Term 2023.

23. This review of, and subsequent increase in, banding levels across the state-funded special schools aligns with the strategy to ensure these settings are operating at full capacity, increasing capacity where appropriate, and significantly reduce the numbers of pupils placed in independent special school settings over the next few years.
24. In addition, the overspend in this budget line is due to the planned increase in numbers at Keystone Special School, where up to 120 pupils are now able to be placed from September 2024.
25. These increases in funding have resulted in expenditure of £9.799m in relation to top-up funding to state-funded, special schools. This increase in expenditure aligns with the strategy to appropriately fund the state-funded special schools. However, work now remains to realise the financial benefits to the DSG High Needs Block by being able to transfer pupils from independent special schools to our state funded special schools, from special schools to SEND Hubs and Hubs to mainstream schools. This is a complicated process that involves the view of parent carers, pupils, schools and the Local Authority but does provide the opportunity to deliver a more sustainable financial position for the DSG overall. This is being progressed by Officers and features in the DSG Management Plan that will be reviewed by the DfE in early July.

Line 1.2.2 - Post 16 Further Education Colleges

26. There is a budget of £2.159m allocated for Post 16 funding at further education colleges and sixth form colleges. The 2024-25 outturn position is an underspend of £0.543m.
27. For 2024-25, despite the overall increase in High Needs Block DSG allocation, a decision was made to keep the budget for Post 16 Further Education Colleges at the same level of £2.159m to reflect the decrease in spend on this type of placement in the last 3 financial years.
28. Despite the 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.
29. We understand that 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. This also provides opportunity to realise cost reduction whilst ensuring high quality of provision by enabling more young people to be placed in further education colleges than in independent special schools or independent alternative provision.

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

30. The 2024-25 budget of £12.302m for Independent Providers has been increased by £2.319m compared to the 2023-24 budget level of £9.983m. The large increase in budget reflects that Shropshire experienced a significant increase in expenditure in this budget area in 2022-23 and 2023-24, highlighted by actual expenditure totalling £13.892m in 2023-24, an overspend of £3.910m in that year. Increasing the budget to £12.302m, while increasing the budget by £2.319m still resulted in a budget that is £1.589m less than last year's outturn figure. This emphasises the need to bring down expenditure in this area and not only reduce the increase in expenditure.
31. Expenditure for 2024-25 totalled £18.259m, resulting in a overspend of £5.956m.
32. There are several explanations for the large increase in expenditure in 2024-25. Firstly, the Council has experienced a sharp increase in demand year on year for Independent Special School placements as evidenced by the number of new placements, particularly at one SEMH provider who have also increased their capacity. There also continues to be a more frequent use of independent alternative providers, particularly in relation to children who are post 16.

This trend has continued in 2024-25 and partly explains the overspend as well as the underspend on the Post 16 Further Education College placements budget.

33. A positive factor is that the £18.259m represents a smaller increase in expenditure on Independent Special School placements relative to the 2023-24 financial year. This indicates that increasing funding to Council's special schools and SEND hubs has helped to decrease the acceleration of expenditure in this area.
34. 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

35. There is an overspend of £2.844m against the SEN Support Service budget of £2.121m. Similarly to 2022-23 and 2023-24, the overspend in 2024-25 relates to staffing where additional staff have been employed, sometimes as agency workers to support the wider increase in demand. Some of these employees are working with the Educational Psychology Service to address increasing demand. There is also an increase in the use of external Speech and Language Therapists to ensure provision outlined in an EHCP is delivered.
36. This £2.844m also includes £0.500m of expenditure relating to the Council's Inclusion Development Fund. This fund was allocated to Shropshire secondary schools with the objective of supporting the development of school based alternative provision and reducing the number of permanent exclusions and suspensions.

Overall position

37. The Council's DSG financial position of a cumulative deficit of £17.639m as at the end of the 2024-25 financial year reflects a continuing pressure on the total High Needs budget as expenditure continues to increase sharply year on year. This increase has been particularly pronounced over the last 2 financial years; 2023-24 and 2024-25, reflecting the continued increased demand for EHC Needs Assessments and the subsequent issuing of EHC plans.
38. As it stands, there is a DSG Deficit statutory override in place until March 2026. This means that any deficit associated with the DSG is kept off the councils' balance sheet due to the statutory override set out in The Local Authorities Capital Finance and Accounting (England) Regulations. Nationally, there is concern that no announcement has been forthcoming on whether this override will be extended. If the override is not extended, the High Needs deficit will have an impact on the council's overall financial position and this risk will need to be addressed through the council's medium term financial strategy.
39. Council Officers are meeting with representatives of the DfE on 7th July to focus on addressing the DSG deficit. This meeting will focus on the current position and officers will seek an update on what support the DfE can provide to support the establishment of a sustainable DSG position. Following this meeting, officers will report back to Schools Forum with any developments and updates in this area.

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APPENDIX

CENTRALLY RETAINED DEDICATED SCHOOLS GRANT FUNDING PERIOD (2024-25)

	2024-25 Budget £	2024-25 Spend £	2024-25 Variance £
DEDELEGATED ITEMS			
1.1.1 Contingencies	53,710	14,501	- 39,209
1.1.2 Behaviour Support Services	-	-	-
1.1.3 Support to UPEG and bilingual learners	-	-	-
1.1.4 Free school meals eligibility	-	-	-
1.1.5 Insurance	-	-	-
1.1.6 Museum and Library Services	-	-	-
1.1.7 Licences/subscriptions	-	-	-
1.1.8 Staff costs Maternity supply cover	266,950	329,468	62,518
1.1.9 Staff costs Trade Union Duties	27,800	26,445	- 1,355
1.1.10 School Improvement	158,430	158,430	-
DEDELEGATED ITEMS SUB TOTAL	506,890	528,845	21,955
CENTRALLY CONTROLLED EARLY YEARS BUDGET			
1.3.1 Central Expenditure on Children under 5	395,250	454,468	59,218
1.0.1 Individual Schools Budget - Early Years PVI's and Maintained Nursery Provision	30,943,420	30,644,017	- 299,403
CENTRALLY CONTROLLED EARLY YEARS SUB TOTAL	31,338,670	31,098,486	240,184
CENTRALLY CONTROLLED HIGH NEEDS BUDGET			
1.2.1 Top Up funding - Maintained Providers	3,703,720	3,823,413	119,693
1.2.2 Top Up funding - Academies, Free Schools and Colleges - Excluding FE College Placements	9,804,680	16,750,781	6,946,101
1.2.2 Top Up funding - Academies, Free Schools and Colleges - FE College Placements	2,159,300	1,616,771	- 542,529
1.2.3 Top Up funding - Non-Maintained and Independent Providers	12,302,460	18,258,570	5,956,110
1.2.4 Additional High Needs Targeted Funding for Maintained Schools and Academies	400,000	454,833	54,833
1.2.5 SEN Support Services	2,121,150	4,964,821	2,843,671
1.2.6 Hospital Education Services	170,190	143,858	- 26,332
1.2.7 Other Alternative Provision Services	143,500	189,812	46,312
1.2.8 Support for Inclusion	971,140	1,037,367	66,227
1.2.9 Special Schools and PRUs in Financial Difficulty	-	-	-
1.2.10 PFI / BSF Costs at Special Schools and AP / PRUs	-	-	-
1.2.11 Direct Payments (SEN and Disability)	-	-	-
1.2.12 Carbon Reduction Commitment Allowances (PRUs)	-	-	-
CENTRALLY CONTROLLED HIGH NEEDS BUDGET SUB TOTAL	31,776,140	47,240,226	15,464,086
CENTRAL SCHOOL SERVICES BLOCK			
1.4.1 Contribution to combined budgets	-	-	-
1.4.2 Schools Admissions	308,150	312,442	4,292
1.4.3 Servicing of Schools Forums	10,000	6,944	- 3,056
1.4.4 Termination of employment costs	756,330	756,330	-
1.4.5 Falling Rolls Fund	-	-	-
1.4.6 Capital Expenditure from Revenue (CERA)	-	-	-
1.4.7 Prudential Borrowing Costs	295,350	295,350	-
1.4.8 Fees to independent schools without SEN	-	-	-
1.4.9 Equal Pay - Back Pay	-	-	-
1.4.10 Pupil growth / Infant Class sizes	-	-	-
1.4.11 SEN Transport	-	-	-
1.4.12 Exceptions agreed by Secretary of State (Deficit)	-	-	-
1.4.13 Other Items (Copyright Licensing Agency fee)	276,700	275,521	- 1,179
1.5. Ongoing duties	786,400	727,841	- 58,559
CENTRAL SCHOOL SERVICES BLOCK BUDGET SUB TOTAL	2,432,930	2,374,428	58,502
TOTAL CENTRAL DSG	66,054,630	81,241,984	15,187,354
SCHOOLS BLOCK GROWTH FUNDING (PART OF ISB)	350,000	259,291	- 90,709
TOTAL CENTRAL DSG + SCHOOLS BLOCK GROWTH FUNDING	66,404,630	81,501,275	15,096,645

	£
DSG DEFICIT CARRIED FORWARD FROM PREVIOUS YEARS	2,304,440
2023-24 EARLY YEARS DSG ADJUSTMENT	237,429
REVISED DSG SURPLUS CARRIED FORWARD FROM 2023-24	2,541,869
2024-25 IN YEAR DEFICIT	15,096,645
CUMULATIVE CENTRAL DSG DEFICIT	17,638,514

Breakdown of total DSG:

TOTAL CENTRAL DSG	66,404,630
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High Needs Budget - Place Funding	
Post 16 FE Colleges	1,080,000
Pre and Post 16 SEN Places - Special Academies	4,967,500
Pre-16 Special Free Schools	1,075,000
Pre and Post 16 SEN Places - Resourced Provisions	479,840
Total deduction to 2024-25 High Needs Block for direct funding of places by ESFA	7,602,340
TMBSS	1,560,000
Maintained School SEND Hubs	382,000
Additional Commissioned Place Funding at Special Academies	356,667
Additional Commissioned Place Funding at SEND Hub Academies	345,000
Teachers Pay/Pension for Special Academies	328,020
Total deduction to 2024-25 High Needs Block for central funding of places	2,971,687
HIGH NEEDS BUDGET - Place Funding	10,574,027

INDIVIDUAL SCHOOLS BUDGET SHARES (Excluding De-delegated Items and transfer to Growth Fund)	208,578,836
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TOTAL DSG Allocation (Updated March 2025)	285,557,493
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Early Years Block		31,338,670
High Needs Block		42,350,167
CSSB		2,432,930
Schools Block		209,435,726
TOTAL DSG Allocation (Updated March 2025)		285,557,493

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