



Schools Forum Date: 22 November 2018 Time: 8:30 am Venue: Shrewsbury Training and Development Centre	<u>Item</u> Public	<u>Paper</u> G
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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 October 2018.

Recommendation

This report is for information only.

REPORT

1. The overall outturn against centrally retained DSG is forecast to be £1.569m in deficit as at the end of October 2018. This is an increase in projected overspend of £0.158m compared to the position reported to Schools Forum as at the end of August.

Centrally Controlled High Needs Budget

2. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £18.537m of the £37.458m central DSG budget in 2018-19. The £18.537m budget excludes the place funding element of the High Needs Block totalling £7.336m but does include the transfer of £0.784m funding from the Schools Block to the High Needs Block as approved by Schools Forum in January 2018.
3. Overall, the High Needs Block forecast to be £1.618m in deficit as at the end of October 2018. Given that the £0.784m 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 £0.900m. This overspend reflects a pressure of £0.855m on top-up funding paid to mainstream schools where the budget is £3.535m. This shows that the forecast 2018-19 expenditure is £4.390m which is £0.477m more than last year's outturn figure of £3.913m which shows that spending is continuing to increase to meet the special educational needs of children placed in mainstream schools. The projected overspend of £0.855m is £0.085m more than projected as at end of August allowing for an increase in monthly top-up funding through the rest of the academic year which is historically the trend.
6. One explanation for this is the impact of the Graduated Supported Pathway, 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. It was understood that in the short term there will be a transitional period where additional funding is required to support this strategy, however more detailed analysis is required to understand the ongoing cost of this strategy for the remainder of the year.

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

7. An overspend of £0.588m is reported in this budget area. The key budget areas are detailed below:

Independent Special Schools

8. In 2017-18 the outturn figure was a £0.541m overspend against the Independent Special School budget of £4.186m. Despite this large overspend, the budget has only been increased by £0.140m to £4.326m in 2018-19.
9. Using the placement tracker spreadsheet that tracks costs of individual placements, the projected overspend against this budget is £0.636m. This is based on all summer term and most autumn term invoices paid on the Council's financial system and known projected placement end dates.
10. During the summer term there were 86 Education led placements. Of these, 52 children were placed in either one of 2 low cost non-residential settings where the average cost of placement is relatively low at £0.032m. The budget of £1.602m for these non-residential placements at these 2 settings was based on 50 placements at the cost of £0.032m and the resulting overspend against these placements is £0.159m due to these 2 additional placements in the Summer

Term. 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.

11. In addition to these non-residential placements at the 2 specific settings, there is an additional cohort of 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 of £2.150m was set based on 33 residential placements at a cost of £0.065m per placement. Based on the latest placement tracker, the projected cost of these placements is £0.207m less than budgeted.
12. 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. The projected overspend in relation to these placements is £0.685m.
13. These trends follow the national picture being reported by the f40 group of local authorities during a recent 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.

1.2.4 – Additional High Needs Targeted Funding for Maintained Schools and Academies

14. There is a forecast overspend of £0.101m relating to additional targeted funding for maintained schools and academies. This is a result of the introduction of the Graduated Supported Pathway strategy described earlier.

Central Schools Services Block

1.4.12 – Exceptions agreed by Secretary of State (Deficit Balance)

15. A cost of £0.168m is reported. As agreed by Schools Forum in 2014-15, this is the fifth and final year charge relating to a secondary school deficit balance incurred in 2014-15 at the point of conversion to a sponsored academy.

National Context and Next Steps

16. In September 2017, the Association of Directors of Children's Services (ADCS) issued a survey to all directors of children's services in order to develop a better understanding of the pressures on high needs funding. The survey aimed to quantify the financial pressures on high needs budgets while also identifying the key contextual drivers creating the demand for high needs funding. Across the 85 Local Authorities who responded to the survey, 68 reported an overspend on their 2016-17 high needs block budget.

17. Local authorities fed back that they had worked closely with their Schools Forum to agree how the overspend should be managed with medium term financial plans agreed by Schools Forum. Due to the introduction of a national funding formula, a number of local authorities reported a lack of clarity as to how the financial plans will be implemented given the schools block will be ringfenced with minimal flexibility to transfer funds between blocks.
18. In light of the extent of the overspend being forecast, 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 will be identified alongside any associated risks.