



Schools Forum

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Item

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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) forecast outturn position at the end of December 2020.

Recommendation

This report is for information only.

REPORT

1. The overall 2020-21 outturn against centrally retained DSG is forecast to be £0.863m in deficit as at the end of December 2020. 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 £2.573m.
2. Please note that the cumulative DSG deficit reported to Schools Forum in June 2020 was £2.247m at the time, however there was some good news in July when the final Early Years Block DSG was published at a figure £0.537m higher than the provisional Early Years Block DSG allocation resulting in the cumulative DSG deficit reducing from £2.247m to £1.710m.
3. In December 2019, 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 2020-21, 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 £0.842m.

4. In November 2020, the Council's High Needs Block DSG allocation has been reduced from £28.196m to £28.016m. This was following a Local Authority review of the number of places accounted for in the Council's High Needs Block Import/Export adjustment. This is a net adjustment to reflect the difference between high needs pupils and students living in one local authority and attending a school or college in another. The review concluded that there were a further net 30 students that were placed in settings outside of the Local Authority area and therefore Shropshire's allocation was reduced by £6,000 per place or £0.180m in total.

Centrally Controlled Early Years Budget

5. The outturn position for the Early Years Block is forecast to be overspent by £0.145m on a provisional budget of £16.796m.
6. There is a £0.150m budget pressure reported against the Early Years Block of DSG as a direct result of the "double funding" of nursery placements due to Covid-19. There will be Early Years children who cannot access the free Early Years entitlement at the setting of their choice, either because it is still closed or because they have had to restrict places in order to operate safely within the current guidelines of Covid-19. In these instances the children will be attending other settings where they can be accommodated.
7. While in practice, Local Authorities have used a variety of different approaches towards this scenario, Shropshire Council has opted to double fund the child's place. This means funding the place at the setting that is closed or restricted and as well as the place at the new setting. While this approach has given some protection to those early years settings that have reduced capacity or taken on additional children, the Local Authority has not received any additional funding from the Government to adopt this approach of "double funding" so consequently a budget pressure of £0.150m has been estimated.
8. Please note that the position being reported against the Early Years Block has not changed since the last DSG monitoring paper in September.

Centrally Controlled High Needs Budget

9. The centrally controlled High Needs Block is the largest budget area within central DSG accounting for £21.103m of the £41.035m central DSG budget in 2020-21. The £21.103m budget excludes the place funding element of the High Needs Block totalling £7.756m but does include the transfer of £0.842m funding from the Schools Block to the High Needs Block as approved by Schools Forum.
10. Overall, the forecast outturn position for the High Needs Block is an in-year deficit of £0.765m. 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

11. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is an overspend of £0.997m.

Top Up funding - Mainstream Schools

12. This overspend reflects a forecast pressure of £0.282m on top-up funding paid to mainstream schools with total expenditure on top-ups and graduated support pathway payments to mainstream schools projected at £4.516m. Increase in demand for top-up funding mirrors the national picture. The Local Government Association reports that the number of children and young people with an Education Health Care (EHC) plan increased by 35% between 2013/14 and 2018/19.

13. 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. Further work is required to understand the ongoing cost and impact of this strategy on both the number of EHC plans and the level of expenditure on top-ups.

Top Up funding - Special Schools

14. There is a forecast overspend of £0.105m against the budget for the Council's expenditure on top-ups to its maintained special school. This is 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

15. 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 forecasted expenditure of £2.771m is an increase of £0.963m on the 2019-20 outturn figure and is responsible for a budget pressure of £0.582m.

16. The overspend is as a result of a large increase in numbers at 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.

17. 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

18. A forecast underspend of £0.303m is reported in this budget area.

Independent Special Schools

19. The budget for Independent Special School placement costs is 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.
20. As at the end of December 2020, the Council has not experienced the increase in expenditure anticipated at the start of the financial year. Consequently, a significant forecast underspend is being reported. It is important to note that for this reason the forecast underspend does not reflect a large decrease in expenditure, only that it is lower than the anticipated budget level.
21. 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.
22. 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.
23. 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.

Accounting for the DSG Deficit

24. The ESFA published their DSG guidance for 2020-21 in March 2020 and this removes the requirement for those local authorities overspent by more than 1% of their gross DSG budget to formally submit a DSG deficit recovery plan to the Department for Education by 30 June. Instead, the DSG guidance states further conditions relating to DSG deficits for those local authorities that have an overall deficit on their DSG as follows:
- Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
 - Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
 - Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
 - Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings
25. Given the large 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. As such, it is important that officers continue to work on these plans in collaboration with Schools Forum and report back to Schools Forum through the 2020-21 financial year. An update on the progress with Shropshire's DSG deficit management plan will be given verbally at this meeting.