

**Schools Forum**

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Item

Public

Paper**C****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 August 2023.

**Recommendation**

This report is for information only.

**REPORT**

1. The overall 2023-24 outturn against centrally retained DSG is forecast to be £0.376m in deficit as at the end of August 2023. 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 surplus position of £1.806m.
2. Please note that this cumulative DSG surplus carried forward of £2.181m from 2022-23 has decreased by £0.514m from the £2.695m reported in the 2022-23 DSG monitoring outturn paper presented to Schools Forum in June. One explanation for this is the publication of the final Early Years Block DSG allocation for 2022-23 in July. The final allocation was £0.229m less than the provisional Early Years Block DSG allocation. The second reason is the allocation in 2023-24 of £0.285m towards the 2023-24 Schools Growth Fund budget of £0.303m. This allocation was required since there was only £0.018m available for growth funding within the Schools Block of the DSG for 2023-24 so the balance brought forward on previous Schools Growth Fund has been required to meet the shortfall in Schools Growth Fund expenditure requirements in 2023-24.
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 funding was available to transfer from the Schools Block to the High Needs Block DSG.



## **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 forecast outturn position for the Early Years Block is showing zero variance against a provisional budget of £17.868m. There are no variances to budget forecast at this stage in the year relating to the large budgets for universal free entitlement for 3-4 year olds or 2 year olds entitlement. Once officers have processed the invoices for the Autumn Term funding for 2 year olds and 3-4 year olds a more precise forecast will be made and this position will be reported to Schools Forum in November.

## **Centrally Controlled High Needs Budget**

6. The centrally controlled High Needs Block for 2023-24 is £28.897m. This budget excludes the place funding element of the High Needs Block totalling £9.537m and the additional high needs funding allocation of £1.644m. The total High Needs Block DSG allocation (before deductions) is £40.078m. It is important to note that Shropshire's 2023-24 High Needs Block DSG has increased by £4.335m 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 £3.385m higher than in 2022-23.
7. Overall, the forecast outturn position for the High Needs Block is an in-year deficit of £0.370m against a centrally controlled High Needs Budget of £28.897m.

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

8. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is a forecast underspend of £0.419m.

## **Top Up funding - Mainstream Schools**

9. Within this £0.419m forecast underspend, an underspend of £0.098m relates to the top-up funding paid to mainstream schools. There is a small increase in forecasted expenditure compared to last year's outturn figure of £5.034m. This figure includes the Graduation Support Pathway payments as well as top-up funding.
10. This forecast is based on the level of top-up funding and GSP payments in the Summer Term with some growth anticipated for the Autumn Term and Spring Term. The forecast



position will be clearer once the first Autumn Term top-up payments have been processed.

11. There is currently no variance forecast against the net recoupment budget which represents recoupment of top-up funding between local authorities. This budget is difficult to forecast accurately as top-up funding is recouped, in some cases a year in arrears.

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

12. In addition to the £0.098m forecast underspend on top-up funding to mainstream schools, there is a £0.321m underspend on top-up funding to special schools.
13. Total expenditure on top-up funding to special schools is forecast to increase significantly in 2023-24, partially explained by having a full year of top-up funding for the new Special School, Keystones but also explained by changes to top-up funding levels payable to 2 Shropshire Council special schools.
14. The reason for the forecast underspend is that the budget for 2023-24 anticipated growth for Keystones, however actual top-up funding incurred in the first few months of this financial year shows that the setting is not yet at full capacity so the underspend is more of a timing issue.
15. There has been a 25% increase in the number of special school places made available across the Council's special schools. This increase in capacity is in response to the increase in demand for special school places, particularly around SEMH.

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

16. There is a budget of £2.159m allocated for Post 16 funding at further education colleges and sixth form colleges.
17. The 2022-23 outturn position reported actual expenditure of £1.662m and therefore an underspend of £1.108m against the 2022-23 budget of £2.770m.
18. 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.
19. There is a forecast increase in expenditure of £0.187m compared to 2022-23 outturn position, however despite this increase there is still a significant forecast underspend of £0.310m being reported.
20. Despite the large forecast 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.

21. 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**

22. The 2023-24 budget of £9.813m for Independent Providers has been increased by £2.126m 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. Increasing the budget to £9.813m reflected anticipated growth of 16% compared to last year's outturn figure of £8.466m.
23. Forecast expenditure for 2023-24 is £10.954m, therefore reflecting a forecast increase of 29% relative to last year's outturn figure, resulting in a forecast overspend of £1.142m.
24. There are several explanations for the large increase in forecasted 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, particularly at one SEMH provider where capacity has been increased. One of the trends 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.
25. The average termly cost of a placement has increased in 2023-24 reflecting price inflationary pressures.
26. 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.
27. 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**

28. There is a forecast overspend of £0.161m against the SEN Support Service budget of £1.870m. This is similar to the 2022-23 outturn position when a £0.293m budget pressure was reported against this budget line. Similarly to 2022-23, the overspend in 2023-24 relates to one-off staffing overspends 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.

### **Overall position**

29. The Council's DSG financial position is relatively healthy in forecasting a cumulative surplus of £1.806m as at the end of the 2023-24 financial year. However, a forecasted in-year deficit against the High Needs Block DSG despite a £3.385m increase in total High Needs budget reflects that expenditure continues to increase sharply year on year.
30. 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. 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.
31. In the past several months, there have been a number of significant changes which will affect forecasted numbers and expenditure going forward. With this in mind, officers will present an updated High Needs Block DSG 3 year forecast in January 2024 to reflect these changes and update the forecast expenditure accordingly. Crucially, by January the 2024-25 provisional High Needs Block DSG allocation will be published to enable more accurate forecasting around income assumptions.

