

Schools Forum

Date: 23 January 2025

Time: 8.30 to 10.30

Venue: Via Microsoft (MS)
Teams

Paper

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Public

Dedicated Schools Grant Monitoring 2024-25**Responsible Officer**Stephen Waters email: Stephen.a.waters@shropshire.gov.uk I: 01743 258952**Summary**

This report outlines to Schools Forum members the centrally retained Dedicated Schools Grant (DSG) forecast outturn position at the end of December 2024.

Recommendation

This report is for information only.

REPORT

1. The overall 2024-25 outturn against centrally retained DSG is forecast to be £9.174m in deficit as at the end of December. It should be noted that this figure is the in-year deficit and needs to be added to the £2.304m deficit carried forward from 2023-24 in order to give an overall cumulative DSG surplus position of £11.479m.

Centrally Controlled Early Years Budget

2. The forecast outturn position for the Early Years Block is showing a £0.056m overspend against a provisional budget of £29.490m. This variance relates to the £0.396m centrally retained budget relating to staffing. There are no variances to budget forecast relating to the large budgets for universal free entitlement for 3-4 year olds or 2 year olds entitlement. Officers will be working to ensure that the Council remains within the remaining budget for these entitlement allocations throughout the Spring Term.

Centrally Controlled High Needs Budget

3. The centrally controlled High Needs Block for 2024-25 is £32.415m. This budget excludes the place funding element of the High Needs Block totalling £9.936m. 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.

4. In January 2024, Schools Forum members confirmed that the National Funding Formula should be applied with minimal adjustment 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.
5. Overall, the forecast outturn position for the High Needs Block is an in-year deficit of £9.033m against a centrally controlled High Needs Budget of £32.415m.

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

6. On budget lines 1.2.1 and 1.2.2, shown in the Appendix, there is a forecast overspend of £6.023m.

Top Up funding - Mainstream Schools

7. Within this £6.023m forecast underspend, an overspend of £2.790m 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, with the average monthly top-up paid to mainstream settings totalling £0.696m in the Summer Term, but increasing to £0.809m in the Autumn Term.
8. 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.
9. There is currently a £0.121m underspend 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 up to a year in arrears.

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

10. In addition to the figures mentioned in paragraphs 10 and 11, there is a £3.336m overspend on top-up funding to special schools.



11. 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 Council special schools as reported to Schools Forum in the June meeting.
12. With Severndale Specialist School, an annual review process was undertaken over the Summer 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.
13. As well as the one-off payment, the revised banding levels have resulted in an increase in top-up funding paid to Severndale School in the Autumn Term (£0.509m per month) compared to £0.295m per month in the Summer Term.
14. This review of, and subsequent increase in, banding levels across the Council's special schools aligns with the strategy to build capacity in these settings where appropriate.
15. Another explanation for the increase in overspend in this budget line is the increase in capacity at Keystones Special School, where the average top-up funding per month has increased from £0.084m in the Summer Term to £0.146m in the Autumn Term.
16. These increases in funding have resulted in forecast expenditure of £9.389m in relation to top-up funding to state-funded, special schools. This accounts for 22% of expenditure within the High Needs Block DSG budget of £42.350m, and this aligns with the strategy to appropriately fund the Council's special schools.

Line 1.2.2 - Post 16 Further Education Colleges

17. There is a budget of £2.159m allocated for Post 16 funding at further education colleges and sixth form colleges.
18. The 2023-24 outturn position reported actual expenditure of £1.685m and therefore an underspend of £0.475m against the 2023-24 budget.
19. 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.

20. There is a forecast increase in expenditure of £0.043m compared to 2023-24 outturn position, however despite this increase there is still a significant forecast underspend of £0.431m being reported.
21. Despite the 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.
22. 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.

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

23. The 2024-25 budget of £12.941m for Independent Providers has been increased by £2.958m 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 £12.941m, while increasing the budget by £2.958m still results in a budget that is £0.951m 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.
24. Forecast expenditure for 2024-25 is £15.519m, resulting in a forecast overspend of £2.578m.
25. There are several explanations for the large increase in forecasted 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 where capacity has been increased. 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.



26. A positive factor is that the £15.519m only represents a 12% increase in expenditure on Independent Special School placements relative to the 2023-24 financial year. This is much lower percentage increase than the previous year's increase and indicates that increasing funding to Council's special schools and SEND hubs has helped to decrease the acceleration of expenditure in this area.
27. 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 £0.970m against the SEN Support Service budget of £2.121m. Similarly to 2022-23 and 2023-24, the overspend in 2024-25 relates to 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. There is also an increase in the use of external Speech and Language Therapists.

Overall position

29. The Council's DSG financial position of a forecast cumulative deficit of £11.479m 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.
30. 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.

