

Schools Forum

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Paper

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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) forecast outturn position at the end of February 2025.

Recommendation

This report is for information only.

REPORT

1. The overall 2024-25 outturn against centrally retained DSG is forecast to be £11.873m in deficit as at the end of February. 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 deficit position of £14.178m.

Centrally Controlled Early Years Budget

2. The forecast outturn position for the Early Years Block is showing a £1.363m overspend against a provisional budget of £29.490m.
3. 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.
4. 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.
5. 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.



6. It is the time lag in the funding above that explains the majority of the £1.363m overspend with £1.307m relating to the free entitlements paid out to providers.
7. £0.804m of this overspend relates to the Under 2's entitlements, where the indicative allocation is £4.085m based on 727.58 PTEs and an hourly rate of £9.85, however the sum total of payments paid out to providers for the Autumn and Spring term equals £4.889m indicating an increase in numbers since the initial allocation.
8. Similarly, there is a £0.336m overspend relating to the universal and additional 15 hours entitlements for 3 and 4 year olds against a provisional allocation of £17.642m and a £0.166m overspend relating to the entitlements for 2 year olds against a provisional allocation of £7.400m
9. 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.
10. In addition to 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 is a forecast overspend of £0.056m against this budget reflecting the increased staffing costs associated with administering the new funding.

Centrally Controlled High Needs Budget

11. The centrally controlled High Needs Block for 2024-25 is £32.189m. This budget excludes the place funding element of the High Needs Block totalling £10.161m. 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 forecast outturn position for the High Needs Block is an in-year deficit of £10.403m against a centrally controlled High Needs Budget of £32.189m.

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 is a forecast overspend of £6.441m.

Top Up funding - Mainstream Schools

15. Within this £6.441m forecast overspend, an overspend of £3.930m 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. There is currently a £0.279m 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

18. In addition to the figures mentioned in paragraph 15 there is a £2.790m 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. 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 and Spring Terms compared to the Summer Term.
22. 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 and significantly reduce the numbers of pupils placed in independent special school settings.
23. Another explanation for the increase in overspend in this budget line is the planned increase in numbers at Keystone Special School, where up to 120 pupils are now able to be placed from September 2024.
24. These increases in funding have resulted in forecast expenditure of £8.842m in relation to top-up funding to state-funded, special schools. This accounts for 21% 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. 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.

Line 1.2.2 - Post 16 Further Education Colleges

25. There is a budget of £2.159m allocated for Post 16 funding at further education colleges and sixth form colleges.
26. The 2023-24 outturn position reported actual expenditure of £1.685m and therefore an underspend of £0.475m against the 2023-24 budget.
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. There is a forecast increase in expenditure of £0.146m compared to 2023-24 outturn position, however despite this increase there is still a significant forecast underspend of £0.328m being reported.
29. 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.

30. 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

31. The 2024-25 budget of £12.715m for Independent Providers has been increased by £2.732m 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 £12.715m, while increasing the budget by £2.732m still results in a budget that is £1.176m 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.
32. Forecast expenditure for 2024-25 is £15.895m, resulting in a forecast overspend of £3.180m.
33. 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.
34. A positive factor is that the £15.895m only represents a 14% 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.
35. 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

36. There is a forecast overspend of £1.263m 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.

Overall position

37. The Council's DSG financial position of a forecast cumulative deficit of £14.178m 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.
38. The cumulative DSG forecast position also reflects a pressure on the Early Years Block DSG, however we anticipate that the majority of the £1.307m identified pressure on the Early Years

Block DSG will be offset by the anticipated increase in Early Years Block DSG allocation for 2024-25 (final allocation) following the January 2025 census headcount.

39. 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.
40. A representative from the DfE has contacted the Council to arrange a meeting to focus on addressing the DSG deficit and offering support around financial management, a DSG management plan and sharing good practice. This meeting is set to go ahead in April or May and officers will report back to Schools Forum with any developments in this area.