

FINANCE UPDATE

REPORT OF THE COUNTY TREASURER AND CHIEF OFFICER FOR CHILDREN'S SERVICES

RECOMMENDATIONS

It is recommended that DEF:

- a) Note DSG Deficit as at month 6 as set out in section 1
- b) Note month 6 DSG monitoring position as set out in section 2.

Budget Monitoring Report - Month 6 (2020/21) – Dedicated Schools Grant

Executive Summary

- The Month 6 forecast for the Dedicated Schools Grant (DSG) is a net overspend of £27.8millions, this is the in-year position.
- The approved deficit reserve for the Dedicated Schools Grant (High Needs Block) has increased to £47.74millions. This will be offset by £175,000 additional income for the prior year which has been received in the July settlement and will be applied to the deficit at outturn
- The in-year High needs block overspend of £5.1million can be summarised as:
 - £2.47millions mainstream EHCPs,
 - £2.29millions increase demand for Independent schools,
 - £632,000 estimated increase in cost of FE provision (to be reviewed in autumn term).
 - £216,000 increase in maintained and academy special school provision and plus package top upsOffset by savings in Alternative provision of £382,000 and Nursery Plus £133,000.
- There has been an adverse variance of £915,000 since month 5 which is due to revised costings on the new academic year data: £557,000 increase in mainstream EHCPs; £142,00 in independent school provision; £48,000 new nurture unit; £90,000 maintained and academy special school provision and other smaller variations in high needs and central services.
- The demand wave profiling related to the impact of the Covid-19 pandemic on the mental health of students has identified potential additional costs of £307,000 for this financial year, these costs are currently not included in the forecast.

1. DSG Deficit Recovery Plan

	£'000
Deficit High Needs Budget Reserve	19,772
Identified funding gap (Recovery Plan yr 2)	22,848
In-year deficit 20/21	5,123
Total DSG Deficit Reserve	47,743

- 1.1. In 2019/20 we reported the HNB deficit of £19.7millions, carried forward as a deficit reserve as per government guidance. This year we are predicting an increase to the deficit of £27.9millions, this will be carried forward to 2021/22.
- 1.2. The Authority is locked in a cycle where a lack of affordable Special School provision creates reliance on the more costly Independent sector to meet demand and parental preference. This leaves the budget under pressure and therefore unable to support and provide investment in the mainstream schools general SEN provision, which is required in order to avoid the initial demand for Education, Health and Care Plans (EHCPs) as a route to accessing funds and the consequential costs of children leaving mainstream for Special school provision.
- 1.3. We are currently working on the management plan for the overall DSG deficit as per DfE guidance and template.
- 1.4. **Recommendation**
That DEF note the DSG Deficit as at month 6 as set out in section 1
All to Note

2. Schools

- 2.1. In July the DfE confirmed the revised DSG settlement allocation of £540millions including Early Years (before recoupment for academies), based upon pupil numbers as at the October 2019 Schools census and January 2019 Early Years census.
- 2.2. The working budget is now inclusive of recoupment adjustments totalling £272.6millions plus other school grants of £29.7millions. The budget includes the 2019/20 carry forwards of £19.8millions approved by cabinet.

Table 1: Summary of Month 6 forecast position and significant variations

	Net Budget £'000	Net spend Mth 6 £'000	Forecast at Mth 6 £'000	Variance £'000	Deficit / (Surplus) Balance £'000	Movement from Previous Mth £'000	Ringfenced CF included in forecast £'000
Schools delegated budget	197,386	92,135	197,386	0	0	0	1,740
Academy Grants	314	199	314	0	0	0	0
DSG and School funding	(302,811)	(155,651)	(302,986)	(175)	(175)	(175)	0
Total DSG	(105,111)	(63,317)	(105,286)	(175)	(175)	(175)	
De-delegated budgets	5,969	1,640	5,970	1	1	0	2,962
Central School Services Block	4,189	521	4,194	5	5	5	0
High Needs Funding Early Years & Childcare Services	97,702	49,821	102,825	5,123	5,123	910	0
	39,859	19,816	39,859	0	0	0	0
Total DSG central budgets	147,719	71,798	152,848	5,129	5,129	915	
Identified funding gap (Recovery Plan year 2)	(22,848)	0	0	22,848	22,848	0	0
Overall Net DSG budget	19,760	8,481	47,562	27,802	27,802	740	

De-delegated Schools Budget

- 2.3. Currently showing as breakeven for 2020/21 with potential carry forward of £2.9millions at month 6. As per Devon Education Forum (DEF) any surplus will be ring-fenced for the maintained schools and carried forward to 2021/22 to meet future costs/commitments within these budget lines. Any deficit will be carried forward and met from adjusting the 2021/22 allocations of the maintained schools.

Central School Services Block (CSSB)

- 2.4. The budget is projected to breakeven. The CSSB continues to provide funding for local authorities to carry out central functions on behalf of maintained schools and academies, comprising two distinct elements:
- ongoing responsibilities
 - historic commitments

High Needs

- 2.5. The High Needs Block remains under significant pressure and is reporting an in-year deficit of £5.1millions in addition to the DSG deficit reserve of £22.8millions for this financial year.

Table 2: Summary of High Needs budgets and forecast position as at Month 6

	Budget £'000	Mth 6 Forecast £'000	Deficit / (Surplus) Balance £'000	Variance £'000	Movement Previous Mth £'000
Alternative Provision	3,282	2,900	(382)	(382)	52
Children in Care and Exclusions	1,367	1,367	0	0	0
Closing the Gap	1,500	1,500	0	0	0
Inclusion	334	334	0	0	0
Nursery Plus	1,164	1,031	(133)	(133)	31
Safeguarding Every Learner	144	144	0	0	0
SEN Mainstream	12,969	15,434	2,465	2,465	557
FE Colleges	1,318	1,950	632	632	0
SEN Services	871	914	43	43	(10)
Maintained & Academy Special Schools	35,635	35,851	216	216	90
Hospital Education Services	443	443	0	0	0
Recoupment	760	760	0	0	0
Other Special School Fees	36,486	38,776	2,290	2,290	142
Support Centre Funding	1,429	1,421	(8)	(8)	48
TOTAL	97,702	102,825	5,123	5,123	910

Alternative Provision £382,000 underspend

- 2.6. The budget includes the main AP contract for 160 planned places, forecast assumes 139 average AP placements, removal of additional Medical commissioning saves £183,000 (after allowing for planned rise from new academic year) plus savings in other commissioning of £75,000 giving a total contract saving of £436,000. This is offset in part by the £34,000 for Diabetes funding in School costs for the summer term and £20,000 overspend on Post 16 medical support.

Nurse Plus £133,000 underspend

2.7. Expenditure based on last financial year and assumes redundancy clawback of £116,000. Settings were originally advised in February 2020 and formally written to in September 2020. This is a reduction of £31,000 as settings have seen increases to staffing costs since the previous estimate was made.

SEN Mainstream £2.46millions overspend

2.8. This covers personalised education packages and Education, Health and Care Plans (EHCPs) as well as the central SLAs which support them. There is an adverse variance on Mainstream EHCPs in total is £2.1millions.

Service Area	Price variance			Volume variance			Total Over/(under) spend
	Budget	Actual Average	Total price forecast variance	Budget	Actual Average	Total volume forecast variance	
EHCP	£3,259	£3,304	£112,815	2,486	2,507	£68,439	£181,254
Plus Packages	£9,595	£10,005	£122,180	210	298	£844,360	£966,540
Mainstream EHCPs			<u>£234,995</u>			<u>£912,799</u>	<u>£1,147,794</u>

2.9. The mainstream pre-16 EHCP forecast includes lump sums £89,000; prior year payments of £41,000; prior period growth £164,000; invoices paid direct £32,000 as well as the more significant shortfall for element 2 funding at £640,000 overspend. Many schools have surplus element 2 but there are EHCPs in schools where there is insufficient AEN, this is difficult to predict at budget prep and has increased by £218,000 since month 5 with the new term's data now available.

2.10. Post 16 overspend of £47,000 relates to shortfall of element 2 funding for maintained schools and element 3 funding in maintained and academies compared with demand.

2.11. Home Education personal budget has been based on 68 pupils at an average cost of £6,779, actual average cost increased to £11,473 resulting in an overspend of £340,000.

2.12. Tutoring -specialist provision budget based on 49 pupils, average cost £5,880, is forecasting 62 pupils with an average cost of £5,724 resulting in an overspend of £160,000.

2.13. SEN Therapies budget will save £213,000 after the MSI contract hourly rate was negotiated lower plus reduced commissioning but has been offset by £15,000 of additional resources.

2.14. Since month 5 the EHCP cost forecast was increased by £542,000 (net) due to increases in average costs and volume of £265,000 plus £51,000 lump sums, £218,000 in element 2 shortfall and £15,000 hearing device contract increase.

FE Colleges £632,000 overspend

2.15. The top up commitments exceed budget by £1.047million on summer data. Budgeted savings of £726,000 are assumed achievable but FYE so have been pro-rated to £423,500. £20,000 relates to 2019/20 Learn Devon additional cost.

SEN Services £43,000 overspend

2.16. £53,000 overspend relates to agreement reached after budget prep that the contribution to the Employment and Skills team would continue for a further year and is offset by £10,000 saving in EYCNS running costs.

Maintained Special Schools £216,000 overspend

2.17. Maintained Special Schools are reporting to overspend of £216,000. Place funding was increased as part of 2020/21 budget prep to guarantee funding into our Maintained Special Schools, alongside this the actual places also increased with the majority now at full capacity.

2.18. Numbers on roll currently 1,409 (vs 1,418 budgeted). Forecast assumes further growth of 16 placements for the academic year and that some of those may well attract additional base payments as they would exceed planned numbers. The following table shows the price and volume variances to budget:

Service Area	Price variance			Volume variance			Total over/(under) spend
	Budget	Actual Average	Total price forecast variance	Budget	Actual Average	Total volume forecast variance	
Special School top ups	£11,787	£11,775	(£26,232)	1,381	1,374	(£76,616)	(£102,848)
Exceeded places				0	21	£175,000	£175,000
Plus Packages	£11,295	£13,539	£44,877	12	20	£90,360	£135,237
Maintained and Academy Special Schools			<u>£18,645</u>			<u>£188,745</u>	<u>£207,389</u>

2.19. The Core Offer was increased by 2% for Top up payments for all maintained special schools as part of 2020/21 budget prep, however since budget prep it has been agreed that a 2% increase will also be awarded to residential funding resulting in a forecast overspend of £49,000. There are enhanced offer payments £27,000 which were not budgeted.

2.20. There has been an increase to joint funded residential placements identified since budget prep and further income is expected and included in forecast of £60,252 and prior year savings adjustment of £5,000.

2.21. There has been an increase of £90,000 since month 5 due to the updated autumn term numbers on roll which have been higher than estimated and 3 new plus packages agreed costing £18,400 this financial year.

Recoupment

2.22. Net export pressure identified of £96,000 (includes element 2 and 3) according to latest import/export reports from ONE system and analysis of the proposed top slice of element 2 by the ESFA (we are a net exporter, an increase since last year of 30 pupils).

2.23. The summer schedules are still awaited from other LAs which will confirm if our export top up commitment data is accurate. Estimate allows for £150,000 spend on Tier 4 beds.

2.24. The budget allowed for £385,000 growth in element 2 top slice for net exports, this has been advised as £183,000 for 2020/21 so the balance will cover the £96,000 overspend and balance vired back towards the recovery plan for 2020/21 and used towards 2021/22 growth next year.

Independent Special Schools £2.29millions overspend

2.25. The independent budget is reporting an overspend of £2.29millions, this is due to the total average placement numbers at 788 compared to 720 budgeted.

2.26. Overall there are currently 784 placements in the Independent sector, set to rise to 892 by the end of the Spring term. There have been 116 new starters (plus 5 placements extended from last month) for the new academic year which is an increase of 45.4% from 2019/20 academic year. Of the 116 known new starters, 60 are leaving a mainstream school and entering specialist provision.

Service Area	Price variance			Volume variance			Total Over/(under) spend
	Budget	Actual Average	Total price forecast variance	Budget	Actual Average	Total volume forecast variance	
Sole Funded	£49,891	£48,343	(£1,161,000)	673	750	£3,841,607	£2,680,607
Joint Funded	£85,680	£103,574	£375,774	25	21	(£342,720)	£33,054
Adults	£52,345	£68,282	£239,055	17	15	(£104,690)	£134,365
Virtual School	£10,000	£11,099	£2,198	5	2	(£30,000)	(£27,802)
Independent Schools			(£543,973)			£3,364,197	£2,820,224

2.27. There are currently 81 post 18 pupils who are being funded in their 3rd to 6th year of education which is costing Devon £3.7millions in 2020/21.

2.28. A task and finish group has been set up to review Independent Schools and Colleges to ensure commissioning is happening effectively and efficiently. The group have met and tasks and actions have been compiled and agreed. Procurement and Finance are sitting on this group and also a sub task group to look at the core offer for Independent Schools. Work is currently being undertaken to analysis each of the Independent Schools core offers and benchmark this against a set of agreed KPI's.

2.29. A further review is being undertaken of the top 12 independent providers who Devon commission with, the group have been asked to produce a specific action plan focusing on negotiation with top 12 independent settings with whom placements are being commissioned with at the moment and where costs are over and above £1 million with the Provider. The aim is to achieve cost savings on placements to help to manage the overspend projected on the High Needs Funding Block.

2.30. Since month 5, average placement numbers have risen by 14 resulting in £708,000 volume variance and a favourable price variance of £566,000. Within the price variance we have seen our miscellaneous costs reduce by £100,000 due to a review of the outstanding creditors for 2019/20 and no longer being required.

2.31. There are some additional costs for Independent Schools in relation to Covid-19 these are in relation to placements which have been extended for either a further term or an academic year due to the impact of learning for some individuals during Covid-19 (see table below)

NCY	No of pupils	20/21 forecast
16	3	75,674
17	2	91,812
18	3	89,480
19	3	74,329
20	1	26,225
Grand Total	12	357,521

Support Centres £8,000 underspend

2.32. Savings in element 1 base funding of £50,000 and £28,000 due to reduced commissioning for language support (budgeted to commission from Babcock) along with prior year savings of £10,000 have been offset by additional exceeded place and top up funding of £32,000 and new unit for September 2020 costing £48,000 this financial year.

Early Years

2.33. Summer EYEF data in and take up of all age groups was noticeably lower due to the pandemic. Protection funding is in place for autumn so should not cause budget pressure.

2.34. SEND applications for funding for autumn term is 50% lower than requests previously but this could be offset by SEND children deferring their school start date.

2.35. There are savings on training and venue hire budgets due to cancelled courses. In year savings plus transitional funding budget will be used to support settings through the recovery period. Financial support may be required for long term sustainability due to the loss of fee paying income in settings where they either have temporary closure or send bubbles home due to Covid-19.

Impact of Covid-19 Pandemic

2.36. The DfE have provided numerous documents on financial support and expectations for schools during coronavirus (Covid-19). The impact of the Covid-19 pandemic on special educational needs of younger people which may offset depending on the length of the delay.

2.37. As part of the recovery phase as children returned to school there has been a strategy put in place for children's mental health and their anxieties with appropriate resources made available to schools for them to signpost to relevant agencies.

2.38. The impact of the pandemic on the mental health of students and the support they require for the new academic year have been considered and costed.

	£'000
AP Medical (10% Rapid rise in demand)	72
Home Education	17
Tutoring & specialist provision	10
Yr0 – Yr11 5% increase in Mental Health EHCP provision (Rapid rise scenario)*	193
Yr12 – Yr19 5% increase in Mental Health EHCP provision (flatter rise scenario)*	15
TOTAL:	307

*Growth has been seen in EHCPs and the service need to review if this is seeing an impact from Covid-19 in requests or applications started before the pandemic only.

Risks / Notes

2.39. The impact of the Covid-19 pandemic on the demand on the High Needs block is uncertain and does not form any part of the pressure reported. It has been modelled under different scenarios and the above assumes the 10% rise in demand but will remain on review as placements settle.

2.40. The autumn term 2020 for Early Years will be based on January 2020 census (normally would be January 2021). Need to consider if we would expect our January 2021 census to be higher. 2-year-old uptake may increase with unemployment yet equally the entitlement to 30 hours may reduce.

- 2.41. Budgeted assumptions and short-term growth assumptions for Independent placements continue to fall short of the growing actual demand for placements so need to look carefully at future projections and ensure they are realistic.
- 2.42. Continued demand will be put on the funding over the coming months along with the need to produce the management plan to bring the High Needs Block to a balanced budget in the coming years and over time bring down the deficit reserve per government guidance.
- 2.43. **Recommendation**
That DEF note month 6 DSG monitoring position as set out in section 2
All to Note

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