

20 January 2021

## FINANCE UPDATE

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

#### Recommendations

It is recommended that Schools Forum:

- a) Note the DSG Deficit as at month 8 as set out in section 1
- b) Note month 8 DSG monitoring position as set out in section 2

All to note

### Budget Monitoring Report - Month 8 (2020/21) – Dedicated Schools Grant

#### Executive Summary

- The month 8 outturn forecast for 2020/21 sees the overall DSG having a significant overspend of £30.4 millions which is associated with the continued demand on High Needs and the growing demand on SEN placements within the Independent Sector despite creating more places within Devon's special schools.
- The Dedicated Schools Grant (DSG) deficit continues to increase and has grown by £2.6 millions since month 6 to £30.4 millions. The cumulative deficit has increased to £50.36millions.
- This could have a considerable impact on future education budgets within the DSG as well as impacting on the financial stability for Devon County Council. An urgent action is still required to reduce the call on EHCPs and Independent placements.
- 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 £297,000 for this financial year, these costs are currently not included in the forecast (see section 1.7).

## 1. DSG Deficit Management Plan

1.1. In 2019/20 we reported the High Needs Block (HNB) deficit of £19.7 millions, carried forward as a deficit reserve as per government guidance. This year we are predicting an increase to the deficit of £30.6 millions, this will be carried forward to 2021/22.

**Table 1: Summary of DSG Deficit**

|                                   | £'000         |
|-----------------------------------|---------------|
| Deficit High Needs Budget Reserve | 19,772        |
| Identified funding gap (year 2)   | 22,848        |
| In-year deficit 20/21             | 7,735         |
| <b>Total DSG Deficit Reserve</b>  | <b>50,355</b> |

1.2. Service and Finance colleagues are currently working on a more comprehensive management plan using the template for the overall DSG deficit produced by the DfE with the intention to have the initial draft completed for the end of January 2021, for sign off by the County Treasurer and Director of Services.

### 1.3. Recommendation

That Schools Forum note the DSG Deficit as at month 8 as set out in section 1  
**All to Note**

## 2. Schools

2.1. In July the revised DSG settlement allocation stands at £539.97millions including Early Years (before recoupment for academies) based upon pupil numbers as at the October 2019 Schools census and January 2019 Early Years census. The working budget is now inclusive of recoupment adjustments totalling £272.61millions plus other schools grants of £30.2millions.

2.2. The 2019/20 carry forwards total £19.76millions and have been approved by cabinet and included in the report. The Schools' Growth Fund underspends will be ring fenced and carried forward to 2021/22 to in part fund the SEN 100 project outcomes.

**Table 2: Summary of Month 8 forecast position and significant variations**

|                                  | Net Budget       | Net spend Mth 8 | Forecast at Mth 8 | Variance      | Deficit / (Surplus) Balance | Movement from Previous Mth |            | Ringfenced CF included in forecast |
|----------------------------------|------------------|-----------------|-------------------|---------------|-----------------------------|----------------------------|------------|------------------------------------|
|                                  | £'000            | £'000           | £'000             | £'000         | £'000                       | £'000                      |            | £'000                              |
| Schools delegated budget         | 197,386          | 121,053         | 197,386           | 0             | 0                           | 0                          |            | 1,740                              |
| Academy Grants                   | 314              | 362             | 314               | 0             | 0                           | 0                          |            | 0                                  |
| DSG and School funding           | (302,811)        | (210,105)       | (302,986)         | (175)         | (175)                       | 0                          |            | 0                                  |
| <b>Total DSG</b>                 | <b>(105,111)</b> | <b>(88,690)</b> | <b>(105,286)</b>  | <b>(175)</b>  | <b>(175)</b>                | <b>0</b>                   | <b>1.2</b> |                                    |
| De-delegated budgets             | 5,969            | 2,060           | 5,972             | 3             | 3                           | 3                          | <b>1.3</b> | 2,895                              |
| Central School Services Block    | 4,189            | 2,498           | 4,189             | 0             | 0                           | 1                          | <b>1.4</b> | 0                                  |
| High Needs Funding               | 97,702           | 63,971          | 105,437           | 7,735         | 7,735                       | 1,034                      | <b>1.5</b> | 0                                  |
| Early Years & Childcare Services | 39,859           | 24,234          | 39,857            | (2)           | (2)                         | (2)                        | <b>1.6</b> | 63                                 |
| <b>Total DSG central budgets</b> | <b>147,719</b>   | <b>92,763</b>   | <b>155,455</b>    | <b>7,736</b>  | <b>7,736</b>                | <b>1,036</b>               |            |                                    |
| Identified funding gap (year 2)  | (22,848)         | 0               | 0                 | 22,848        | 22,848                      | 0                          |            | 0                                  |
| <b>Overall Net DSG budget</b>    | <b>19,760</b>    | <b>4,073</b>    | <b>50,169</b>     | <b>30,409</b> | <b>30,409</b>               | <b>1,036</b>               |            |                                    |

### De-delegated budgets

2.3. The budget covers Copyrights and Licences, Contingencies and exceptional events funds, Babcock contracts budget, Maternity fund and Trade unions.

2.4. The Schools DSG contingency budget has a surplus of £2.2millions due to schools delaying planned redundancies due to COVID-19, whilst Maternity fund forecast to underspend by £700,000 as claims remain low. These balances will be ringfenced for carry forward to 2021/22.

### Central School Services Block (CSSB)

2.5. 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

2.6. The High Needs Block remains under significant pressure and is reporting an in-year deficit of £7.7millions. This is in addition to the DSG deficit of £22.8millions for this financial year resulting in a total deficit position of £30.5 millions. The table below explains the £7.7 millions.

**Table 2: Summary of High Needs budgets and forecast position as at Month 8**

|                                      | Budget<br>£'000 | Mth 8<br>Forecast<br>£'000 | Deficit /<br>(Surplus)<br>Balance<br>£'000 | Variance<br>£'000 | Movement<br>Previous<br>Mth<br>£'000 | Notes |
|--------------------------------------|-----------------|----------------------------|--------------------------------------------|-------------------|--------------------------------------|-------|
| Alternative Provision                | 3,282           | 2,872                      | (410)                                      | (410)             | 41                                   | 1.5.1 |
| 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           | 1,047                      | (117)                                      | (117)             | 20                                   | 1.5.2 |
| Safeguarding Every Learner           | 144             | 144                        | 0                                          | 0                 | 0                                    |       |
| SEN Mainstream                       | 12,969          | 15,968                     | 2,999                                      | 2,999             | 205                                  | 1.5.3 |
| FE Colleges                          | 1,318           | 2,637                      | 1,319                                      | 1,319             | (27)                                 | 1.5.4 |
| SEN Services                         | 871             | 914                        | 43                                         | 43                | 0                                    |       |
| Maintained & Academy Special Schools | 35,635          | 35,848                     | 213                                        | 213               | (8)                                  | 1.5.5 |
| Hospital Education Services          | 443             | 443                        | 0                                          | 0                 | 0                                    |       |
| Recoupment                           | 760             | 760                        | 0                                          | 0                 | 0                                    | 1.5.6 |
| Other Special School Fees            | 36,486          | 40,186                     | 3,700                                      | 3,700             | 807                                  | 1.5.7 |
| Support Centre Funding               | 1,429           | 1,417                      | (12)                                       | (12)              | (4)                                  |       |
| <b>TOTAL</b>                         | <b>97,702</b>   | <b>105,437</b>             | <b>7,735</b>                               | <b>7,735</b>      | <b>1,034</b>                         |       |

#### Alternative Provision – Underspend £410,000

2.7. The budget includes the main AP contract for 160 planned places, forecast assumes 134 average AP placements, giving a total contract saving of £489,000. Since month 6 there has been a favourable shift of £27,000 overall. Reductions in forecast placement numbers for the academic year offset by £41,000 additional costs built in for month 8 including one £27,000 out of county placement.

#### Nursery Plus – Underspend £117,000

2.8. Expenditure is based on last financial year and assumes redundancy clawback of £96,000 from settings will occur. Settings were notified in February 2020 and formally written to in September 2020. Since month 7 there has been an adverse £20,000 adjustment (£17,000 month 6) to the forecast following revision of the redundancy clawback estimate.

#### SEN Mainstream – Overspend £3 millions

2.9. This covers personalised education packages and Education, Health and Care Plans (EHCPs) as well as the central SLAs which support them. There is currently an overspend at outturn of £3millions, which is an adverse change to forecast of £534,000 since month 6

| Service Area            | Price variance |                   |                                  | Volume variance |                   |                                   | Total Over/<br>(under) spend |
|-------------------------|----------------|-------------------|----------------------------------|-----------------|-------------------|-----------------------------------|------------------------------|
|                         | Budget         | Actual<br>Average | Total price<br>forecast variance | Budget          | Actual<br>Average | Total volume<br>Forecast variance |                              |
|                         | EHCP           | £3,259            | £3,316                           | £145,008        | 2,486             | 2,544                             |                              |
| Plus Packages           | £9,595         | £9,585            | (£3,420)                         | 210             | 342               | £1,266,540                        | £1,263,120                   |
| <b>Mainstream EHCPs</b> |                |                   | <b>£141,588</b>                  |                 |                   | <b>£1,455,562</b>                 | <b>£1,597,150</b>            |

Adverse variance on Mainstream Pre-16 EHCPs in total is £2.6millions.

2.10. The mainstream pre-16 EHCP forecast includes lump sums £135,000; prior year payments of £59,000; prior period growth £44,000; invoices paid direct £32,000 as well as the more significant shortfall for element 2 funding at £752,000 overspend. Since month 7 the EHCPs have increased

in volume and cost by a total of £271,000, plus packages had a net increase of £43,000 after removal of 5 Libra students now mapped to Independent provision and all offset by reduction in the allowance that had been made for prior period costs of £120,000 and other minor adjustments for lump sums and prior years £14,000.

- 2.11. 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. Increase of £22,000 from Month 7.
- 2.12. Home Education personal budget was based on 68 pupils at an average cost of £6,779, actual average cost increased to £11,514 resulting in a projected overspend of £340,000.
- 2.13. Tutoring -specialist provision budget was based on 49 pupils, average cost £5,880. Forecast based on current 80 pupils with an average cost of £7,163 seeing an overspend of £283,000. This is a rise of £73,000 from month 7 due to an additional 5 placements and an increase to the average cost.
- 2.14. SEN Therapies budget will save £311,000 after the MSI contract hourly rate was negotiated lower plus reduced commissioning, increase of £98,000 savings from month 7. Additional resources spend of £15,000.

### FE Colleges – Overspend £1.32 millions

- 2.15. FE colleges is reporting an overspend of £1.3millions, which is an adverse shift of £687,000 from month 6 (a saving of £27,000 from month 7). Current there are 684 students, which is 110 (19%) more than budgeted with forecast costs seeing a 100% increase. Any savings that were considered to be achievable have been absorbed by students moving into a higher banding.

### Maintained Special Schools – Overspend £213,000

- 2.16. The maintained special schools currently have 1,416 on roll compared to the budgeted 1,418 budgeted. The 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.

| Service Area                                  | Price variance |                   |                                  | Volume variance |                   |                                   | Total Over/<br>(under) spend |
|-----------------------------------------------|----------------|-------------------|----------------------------------|-----------------|-------------------|-----------------------------------|------------------------------|
|                                               | Budget         | Actual<br>Average | Total price<br>forecast variance | Budget          | Actual<br>Average | Total volume<br>forecast variance |                              |
| Special School top ups                        | £11,787        | £11,769           | (£24,924)                        | 1,381           | 1,370             | (£99,207)                         | (£124,132)                   |
| Exceeded places                               |                |                   |                                  | 0               | 19                | £190,000                          | £190,000                     |
| Plus Packages                                 | £11,295        | £13,945           | £53,004                          | 12              | 20                | £90,360                           | £143,364                     |
| <b>Maintained and Academy Special Schools</b> |                |                   | <b>£28,080</b>                   |                 |                   | <b>£181,153</b>                   | <b>£209,232</b>              |

- 2.17. There has been a favourable variance of £8,000 since month 7. (£3,000 since month 6). The core offer and residential placements have seen a 2% increase for 2020/21 resulting in £50,000 along with £27,000 enhanced offer payments all which were not budgeted.
- 2.18. In addition, there has been an increase to joint funded residential placements identified since budget prep and further income is expected and included in forecast of £69,000.

### Recoupment

- 2.19. Budget is still expected to breakeven as the original base allowed for £385,000 growth in element 2 top slice for net exports. This has been revised to £183,000 to allow for the net export pressure of £96,000 to be covered and the balance vired to the recovery plan for 2020/21 and will be used towards 2021/22 growth next year.

### Other Independent Special Schools – Overspend £3.7 millions

- 2.20. The independent budget is reporting an overspend of £3.7 millions, which is a worsening of £807,000 since month 7 (£1.4 millions since month 6). There are currently 863 placements in the

Independent sector, set to rise to 908 by the end of the Spring term. There have been 174 new starters in September 20 which is an 126% increase from the level of starters in September 2019.

| Service Area               | Price variance |                   |                                  | Volume variance |                   |                                   | Total Over/<br>(under) spend |
|----------------------------|----------------|-------------------|----------------------------------|-----------------|-------------------|-----------------------------------|------------------------------|
|                            | Budget         | Actual<br>Average | Total price<br>forecast variance | Budget          | Actual<br>Average | Total volume<br>forecast variance |                              |
| Sole Funded                | £49,891        | £49,268           | (£471,611)                       | 673             | 757               | £4,190,844                        | £3,719,233                   |
| Joint Funded               | £85,680        | £96,015           | £227,370                         | 25              | 22                | (£257,040)                        | (£29,670)                    |
| Adults                     | £52,345        | £66,711           | £215,490                         | 17              | 15                | (£104,690)                        | £110,800                     |
| Virtual School             | £10,000        | £10,000           | £0                               | 5               | 2                 | (£30,000)                         | (£30,000)                    |
| <b>Independent Schools</b> |                |                   | <b>(£28,751)</b>                 |                 |                   | <b>£3,799,114</b>                 | <b>£3,770,363</b>            |

2.21. A task and finish group continues to meet with the top 12 independent sector providers. The aim is to achieve cost savings on placements to help to manage the overspend projected on the High Needs Funding Block.

2.22. There are £344,000 of costs identified for students aged 19+ in relation to COVID-19 where placements have been extended for either a further term or an academic year due to the impact of learning for some individuals during COVID-19.

2.23. There have been two new high cost sole funded placements this month, of which one placement was previously attending a Devon maintained special school at a top up rate of £11,172 per annum, a tribunal have ruled they should be placed in an independent setting which is now costing the LA £255,000 top up per annum.

2.24. The overspend includes £196,000 relating to 5 outreach placements with Libra school now included (previously under Mainstream as students remained on their school roll and funds passported through EHCP to school who commissioned the support) plus two high cost placements of £170,000 and £74,000 (financial year not FYE). Joint funded changes and updates cost a further £79,000 net overall.

### Early Years – Underspend £19,000

2.25. Take up of all age groups is noticeably lower in the first two terms of the financial year due to the pandemic. Protection funding is in place for autumn (income based on last year's January census) so should not cause budget pressure.

2.26. SEND applications for funding for Autumn Term is 50% lower than requests for Autumn 2020 but this could be offset by SEND children deferring their school start date.

2.27. 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 second wave and 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.

### Assumptions for the impact of COVID-19 on Mental Health demand (modelling)

2.28. 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.

| Budget |                                       | £'000 |
|--------|---------------------------------------|-------|
| G8224  | AP Medical (10% Rapid rise in demand) | 72    |
| G8280  | Home Education                        | 17    |
| G8281  | Tutoring & specialist provision*      | 0     |

|         |                                                                                 |            |
|---------|---------------------------------------------------------------------------------|------------|
| Various | Yr0 – Yr11 5% increase in Mental Health EHCP provision (Rapid rise scenario)    | 193        |
| Various | Yr12 – Yr19 5% increase in Mental Health EHCP provision (flatter rise scenario) | 15         |
|         | <b>TOTAL:</b>                                                                   | <b>297</b> |

\*Assume now in forecast as growth in forecast seen months 7 and 8

- 2.29. £72,000 has been identified for the demand and expected increases where it is assumed WAVE will not have capacity for the level of demand.
- 2.30. The impact on EHCPs has been costed and under the scenario of a rapid rise in demand of 5% for Year 0 – Year 11 Social, Emotional and Mental Health (SEMH) related EHCPs (plus 10% on Home Education). Whilst a flatter rise of 5% on post-16 was and is across settings so expected to occur from January – March 2021.

## Risk

- 2.31. The SEN placements continue to cause increase in the demand on the High Needs Block. Support from schools to take action to mitigate the growing demand and begin reducing the call on Independent placements is necessary to bring the DSG back in line over the coming years.
- 2.32. Progression of the SEND 100 projects will need to be agreed by Schools Forum in January to enable the projects to commence at the start of the new financial year and put in place for the beginning of the school academic year. Allocations to meet these projects will be taken from the surplus funds within the Growth Fund brought forward to 2021/22.
- 2.33. The Management Plan is being completed in line with the DfE template and assumes average cost savings for the actions being undertaken. Actual savings or reductions may be lower due to the higher cost placements not being removed from the system as actions may take longer to complete.
- 2.34. 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.
- 2.35. **Recommendation:**  
Schools Forum is asked to note the update as set out above.  
**All to note**

**MARY DAVIS**  
County Treasurer

**DAWN STABB**  
Deputy Chief Officer of Children's Services

Please ask for: Adrian Fox  
[Adrian.fox@devon.gov.uk](mailto:Adrian.fox@devon.gov.uk)