

17 March 2021

## FINANCE UPDATE

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

#### Recommendations

It is recommended that Schools Forum:

- a) Note the DSG Deficit as at month 10 as set out in section 1
- b) Note month 10 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 10 outturn forecast for 2020/21 sees the overall DSG having a significant overspend of £30.1 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 has seen an increase since month 9 of £204,000 to £30.1 millions. The cumulative deficit has increased to £50 millions.
- 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 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 £30.3 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	7,416
<b>Total DSG Deficit Reserve</b>	<b>50,036</b>

- 1.2.** Service and Finance colleagues are currently working on a management recovery plan. For endorsement by the County Treasurer and Director of Services.
- 1.3.** The DfE have extended the DSG conditions of grant to state that any local authority with an overall deficit on its DSG account, must co-operate with the department in handling that situation by:
- providing information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
  - providing information as and when requested by the department about pressures and potential savings on its high needs budget.
  - meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.

#### 1.4. Recommendation

That Schools Forum note the DSG Deficit as at month 10 as set out in section 1  
**All to Note**

## 2. Schools

- 2.1.** In November the revised DSG settlement allocation stands at £539.9 millions including Early Years (before recoupment for academies) based upon pupil numbers as at the October 2019 Schools census and January 2020 Early Years census. The working budget is now inclusive of recoupment adjustments totalling £272.3 millions plus other schools grants of £30.7 millions.
- 2.2.** The 2019/20 carry forwards total £19.8 millions 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 10 forecast position and significant variations**

	Net Budget £'000	Net spend Mth 10 £'000	Forecast at Mth 10 £'000	Variance £'000	Deficit / (Surplus) Balance £'000	Movement from Previous Mth £'000	Ringfenced C/Fwd included in forecast £'000
Schools delegated budget	197,275	151,526	197,275	0	0	0	1,689
Academy Grants	378	378	378	0	0	0	0
DSG and School funding	(302,989)	(256,760)	(303,164)	(175)	(175)	0	0
<b>Total DSG</b>	<b>(105,336)</b>	<b>(104,856)</b>	<b>(105,511)</b>	<b>(175)</b>	<b>(175)</b>	<b>0</b>	<b>2</b>
De-delegated budgets	5,969	2,525	5,969	0	0	0	2,887
Central School Services Block	4,189	2,654	4,189	0	0	0	2.4
High Needs Funding	97,924	85,040	105,340	7,416	7,416	205	2.5
Early Years & Childcare Services	39,862	31,435	39,861	(1)	(1)	(1)	2.6
<b>Total DSG central budgets</b>	<b>147,944</b>	<b>121,654</b>	<b>155,359</b>	<b>7,415</b>	<b>7,415</b>	<b>204</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>16,798</b>	<b>49,848</b>	<b>30,088</b>	<b>30,088</b>	<b>204</b>	

#### 2.3. De-delegated budgets

- 2.3.1.** The budget covers Copyrights and Licences, Contingencies and exceptional events funds, Babcock contracts budget, Maternity Fund and Trade Unions.

2.3.2. The Schools DSG contingency budget has a surplus of £2.2 millions 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.

## 2.4. Central School Services Block (CSSB)

2.4.1. 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

## 2.5. High Needs

2.5.1. The High Needs Block remains under significant pressure and is reporting an in-year deficit of £7.4 millions. This is in addition to the DSG deficit of £22.8 millions for this financial year resulting in a total deficit position of £30.5 millions. The table below explains the £7.4 millions.

**Table 2: Summary of High Needs budgets and forecast position as at Month 10**

	Budget £'000	Mth 10 Forecast £'000	Deficit / (Surplus) Balance £'000	Variance £'000	Movement Previous Mth £'000	Notes
Alternative Provision	3,290	2,896	(394)	(394)	6	2.5.2
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	1,071	(93)	(93)	0	2.5.3
Safeguarding Every Learner	144	144	0	0	0	
SEN Mainstream	12,969	16,270	3,301	3,301	86	2.5.4
FE Colleges	1,318	2,720	1,402	1,402	40	2.5.5
SEN Services	876	874	(2)	(2)	(45)	2.5.6
Maintained & Academy Special Schools	35,850	36,199	349	349	154	2.5.7
Hospital Education Services	443	443	0	0	0	
Recoupment	682	929	247	247	247	2.5.8
Other Special School Fees	36,558	39,218	2,660	2,660	(250)	2.5.9
Support Centre Funding	1,429	1,375	(54)	(54)	(34)	2.5.10
<b>TOTAL</b>	<b>97,924</b>	<b>105,340</b>	<b>7,416</b>	<b>7,416</b>	<b>204</b>	

### 2.5.2. Alternative Provision (AP) – Underspend £394,000

The budget includes the main AP contract for 160 planned places, the forecast assumes 134 average AP placements, giving a total contract saving of £324,000. Since month 9 there has been an increased pressure of £6,000 overall. Within AP Other Provision additional expenditure is due to specialist packages for 4 students with high complex needs costing £32,000, this is offset by Post 16 Medical Support savings of £25,000 from commitments no longer required.

### 2.5.3. Nursery Plus – Underspend £93,000

Forecast expenditure is based on the last financial year and assumes redundancy clawback from settings will occur where funding in schools exceeds £25,000. This is expected to see £96,000 returned from schools.

### 2.5.4. SEN Mainstream – Overspend £3.3 millions

This covers personalised education packages and Education, Health and Care Plans (EHCPs) as well as the central SLAs which support them. There is currently a forecast overspend outturn of £3.3 millions, which is an adverse change to forecast of £86,000 since month 9.

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	£3,318	£149,978	2,486	2,542	
Plus Packages	£9,595	£9,475	(£41,880)	210	349	£1,333,705	£1,291,825
<b>Mainstream EHCPs</b>			<b>£160,240</b>			<b>£1,516,209</b>	<b>£1,624,307</b>

The mainstream pre-16 EHCP forecast includes lump sums £113,000; prior year payments of £57,000; prior period growth £33,000; invoices paid direct £32,000 as well as the more significant shortfall for element 2 funding at £794,000 overspend. Since month 9 the EHCPs have decreased in volume resulting in a reduction in cost of £16,000, plus packages have a saving of £30,000 due to average cost reduction along with net funding pressure of £21,000 for ongoing shortfall element 2 funding.

Post 16 overspend of £68,000 relates to the shortfall of element 2 funding for maintained schools and element 3 funding in maintained and academies compared with demand.

The Home Education personal budget is forecast to overspend by £325,000. The budget forecast was based upon 68 pupils with an average cost of £6,779, the current forecast is 73 pupils with an average cost of £10,774. Increase in costs of £44,000 from month 9 as personal budgets have been updated and provision for a new starter of £20,000.

Tutoring -specialist provision budget is forecast to overspend by £410,000. The budget forecast was based on 49 pupils with an average cost of £5,880. The current forecast is 89 pupils with an average cost of £7,677.

The SEN Therapies budget is forecast to save £178,000 following renegotiation of the MSI contract hourly rate, this is partially offset by reduced commissioning costs.

### 2.5.5. FE Colleges – Overspend £1.4 millions

FE colleges is reporting an overspend of £1.4millions, this is an adverse shift of £39,000 from month 9 to the result of additional funding for South Devon college and Learn to live. Currently there are 683 students, which is 109 (19%) more than budgeted. Any savings that were considered to be achievable have been absorbed by students moving into a higher bandings.

## 2.5.6. SEN services – Underspend £2,000

Savings of £55,000 in Early Years Complex Needs Service have been identified through a review of staffing and running costs. This has been offset by £53,000 to continue the Employment and Skills team contribution for a further year.

## 2.5.7. Maintained Special Schools – Overspend £349,000

The maintained special schools currently have 1,431 pupils on roll compared to the budgeted number of 1,418. The forecast assumes further growth of 7 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/(under) spend
	Budget	Actual Average	Total price forecast variance	Budget	Actual Average	Total volume forecast variance	
Special School top ups	£11,789	£11,724	(£89,631)	1,381	1,379	(£18,665)	(£108,296)
Exceeded places				0	21	£205,000	£205,000
Plus Packages	£11,333	£13,361	£47,472	12	23	£129,389	£176,861
<b>Maintained &amp; Academy Special Schools</b>			<b>(£42,159)</b>			<b>£315,724</b>	<b>£273,565</b>

There has been an increase of £154,000 since month 9 primarily due to enhanced offer payments. The core offer and residential placements have seen a 2% increase for 2020/21 resulting in £50,000 increase in costs.

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 £146,000.

## 2.5.8. Recoupment – Overspend £247,000

Based on the latest schedules received from Plymouth and Torbay an overspend of £247,000 is forecast. This area is still under review and further changes are expected. The current estimate allows for £150,000 spend on Tier 4 beds

## 2.5.9. Other Independent Special Schools – Overspend £2.7 millions

The independent budget is reporting a forecast overspend of £2.7 millions, this an improvement of £250,000 since month 9. There are currently 883 placements in the Independent sector, set to rise to 902 by the end of the Spring term. There have been 180 new starters in September 2020, an increase of 134% from the level of starters in September 2019.

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	£49,611	(£210,840)	673	753	£3,991,280	£3,780,440
Joint Funded	£85,680	£95,420	£224,020	25	23	(£171,360)	£52,660
Adults	£52,345	£67,380	£225,525	17	15	(£104,690)	£120,835
Virtual School	£10,000	£10,000	£0	5	2	(£30,000)	(£30,000)
<b>Independent Schools</b>			<b>£238,705</b>			<b>£3,685,230</b>	<b>£3,923,935</b>

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.

There are £206,000 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.

The saving of £250,000 relates to a reduction of 3 placements with a favourable volume variance of £162,000 and price variance of £20,000. Joint funded changes and updates cost a further £13,000 net overall.

#### 2.5.10. Support Centres – Underspend £54,000

Savings of £61,000 in element 1 base funding, £40,000 in exceeded place funding along with reduced Babcock commissioning of £28,000 and prior year adjustment savings of £10,000 have been offset by extra element 3 funding of £25,000 and a new unit for September 2020 costing £60,000 this financial year.

Compared to Month 9 £34,000 cost savings identified: Exceeded Place Funding forecast not utilised £58,000 offset by Babcock Hearing Impairment anticipated saving of £15,000 not realised; Element 3 funding of £10,000.

#### 2.6. Early Years – Underspend £1,000

2.6.1. 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.

2.6.2. 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.

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

2.7.1. 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

2.7.2. £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.

2.7.3. 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.

## **2.8. Risk**

- 2.8.1. 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.
- 2.8.2. The SEND 100 projects 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.
- 2.8.3. The Management Plan is being completed in line with the DfE template and assumes average cost savings for the actions being undertaken.
- 2.8.4. 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.

## **2.9. Recommendation:**

Schools Forum is asked to note the month 10 DSG update as set out above in section 2.  
**All to note**

**MARY DAVIS**  
County Treasurer

**MELISSA CASLAKE**  
Chief Officer of Children's Services

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