

16 June 2021

## FINANCE UPDATE

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

#### Recommendations

It is recommended that Schools Forum:

- a) Note the DSG Draft Outturn position (subject to Statement of Accounts sign off) as set out in sections 1-6.
- b) Note the surplus budget carry forwards for Schools, de-delegated, central school services and High needs as set out in Section 7, table 3
- c) Approve Early Years surplus carry forwards as set out in Section 7, table 3
- d) Note the Individual School Balances carry forwards as set out in Section 7, table 4
- e) Note the DSG Deficit Reserve transfer as set out in Section 7, table 5

### DEDICATED SCHOOLS GRANT AND SCHOOLS FUNDING OUTTURN REPORT (2020/21)

#### Executive Summary

- The draft outturn position for the Dedicated Schools Grant (DSG) is an overspend of £22.5millions. This is made up of Individual school balances of £21.1millions, ringfenced balances of £5.4millions and the cumulative DSG Deficit of just under £49millions.
- Although this is an improvement of £740,000 from month the 11 position the continued demand on High Needs and the growing demand on SEN placements within the independent sector continues to drive the pressure which remains extremely concerning.
- The overspend on the High Needs Block was expected to be £22.8millions at the start of the year but has worsened by £6.8millions in year to an overspend of £29.6millions.
- In line with government requirements the DSG Deficit balance of £49millions will be transferred to a DSG adjustment account

#### 1 DSG Deficit Management Plan

	£'000
Deficit High Needs Budget Reserve b/fwd	19,772
High Needs Deficit 2020/21	29,226
<b>Total DSG Adjustment Account</b>	<b>48,998</b>

- 1.1 In 2019/20 we reported the HNB deficit of £19.7millions, brought forward deficit as per government guidance. This year there has been an increase to the deficit of £29.2millions, making the cumulative deficit £49millions which will be carried forward to 2021/22 to a DSG Adjustment Account.
- 1.2 For outturn there is a government requirement to show DSG surplus and deficit balances (excluding individual school balances) as a DSG adjustment account, per the statutory instrument. **This does not mean that the surplus balances cannot be accessed, but it will come from a ringfenced unusable reserve on the balance sheet.**

1.3 A more comprehensive management plan is being developed. This is intended to make use of a DfE provided template to capture the impact of this plan.

## 2 Dedicated schools grant

2.1 The 2020/21 DSG schools block budget is based upon pupil numbers as at the October 2019 census. This is adjusted in year for existing and newly converted Academies as well as including deductions for high needs places that are directly funded by the ESFA (to academies and non-maintained special schools).

2.2 The final budget of £272.1millions reflects in year adjustments for recoupment of direct funded placements, existing and newly converted academies, and Early Years census numbers. The Pupil Premium Grant is £11.2millions; School Sixth Form Post 16 funding £1.1millions and other Schools Grant £20.5millions.

**Table 1: Summary of Outturn forecast position and significant variations**

	Final Approved Net Budget £'000	Net Spend £'000	Variations (under) / over £'000	Grants c/fwd in 2020/21 £'000	DSG Adjustment Account £'000	Final Outturn Variance £'000
DSG	(272,092)	(272,268)	(176)	0	174	(2)
Pupil Premium	(11,168)	(11,168)	0	0	0	0
Other Schools Grants	(20,487)	(20,487)	0	0	0	0
Post 16 Funding (mainstream)	(1,161)	(1,161)	0	0	0	0
<b>Total Schools Grant Funding</b>	<b>(304,908)</b>	<b>(305,084)</b>	<b>(176)</b>	<b>0</b>	<b>174</b>	<b>(2)</b>
Schools delegated budget, including maintained nursery units	199,083	179,428	(19,655)	17,930	1,726	1
De-delegated budgets	5,969	3,042	(2,927)	0	2,927	0
Academy Grants	388	387	(1)	0	0	(1)
Central Provision within School's block	4,189	4,103	(86)	0	88	2
High Needs block, including maintained special schools	98,209	101,745	3,536	3,161	(6,697)	0
Early Years block	39,678	38,832	(846)	0	846	0
DSG Adjustment Account	(42,620)	0	42,620	0	(42,620)	0
<b>Overall Net DSG and School Funding</b>	<b>(12)</b>	<b>22,453</b>	<b>22,465</b>	<b>21,091</b>	<b>(43,556)</b>	<b>0</b>

2.3 The balances to be carried forward into 2021/22 for schools totals £21millions. This is allocated for maintained mainstream schools in the Schools Block totalling £17.9millions and for maintained special schools in the High Needs Block totalling £3.1millions.

2.4 In addition to these individual school balances there is a carry forward within the High Needs Block for the Hospital School of £88,000.

2.5 The Growth Fund for 2020/21 had a budget of £2.4millions. 23 schools received a total of £673,000 for one off classroom and census pupil growth, resulting in an underspend of £1.7millions.

## 3 De-delegated budget

3.1 De-delegated budgets have an underspend of £2.9millions, Schools Contingency is underspent by £2.4millions, and £556,000 underspend within the Maternity fund.

## 4 Central Provision within Schools

4.1 Ring fenced carry forwards to 2021/22 are being requested for Phase Associations, Schools Forum and Managed Moves (MFEP) totalling £88,000.

## 5 High Needs

**Table 2: Summary of High Needs 2020/21**

	Final Approved Budget	Net Spend	Variations (under) / over	Grants c/fwds in 2020/21	DSG Adjustment Account	Final Outturn Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Alternative Provision	3,286	2,753	(533)	0	0	(533)
Hospital School	443	355	(88)	88	0	0
LDP Inclusion & Safeguarding	3,448	3,448	0	0	0	0
Nursery Plus	1,164	971	(193)	0	0	(193)
SEN Mainstream	12,969	15,908	2,939	0	70	3,009
Mainstream FE Colleges	1,318	2,820	1,502	0	0	1,502
SEN Services	876	839	(37)	0	0	(37)
Maintained Special Schools	36,001	33,199	(2,802)	3,073	0	271
Independent Special Schools & Recoupment	37,275	40,079	2,804	0	0	2,804
Support Centres	1,429	1,373	(56)	0	0	(56)
	<b>98,209</b>	<b>101,745</b>	<b>3,536</b>	<b>3,161</b>	<b>70</b>	<b>6,767</b>
<b>Transfer to DSG Adjustment Account</b>					<b>(6,767)</b>	<b>(6,767)</b>
<b>TOTAL</b>	<b>98,209</b>	<b>101,745</b>	<b>3,536</b>	<b>3,161</b>	<b>(6,697)</b>	<b>0</b>

### Alternative Provision £533,000 underspend

- 5.1 The budget includes the main Alternative Provision (AP) contract for 160 planned places, the average number of top ups paid was 134, saving £324,000. This is partially offset by payments of £86,000 for AP plus packages.
- 5.2 Reintegration costs for 2020/21 have not be paid resulting in savings of £75,000 to the AP budget and Medical commissioning has seen savings of £216,000. This has been offset in part by AP provision of £27,000 for a child in care in Kent and £78,000 for Diabetes funding in School as funding from Health has yet to be agreed.
- 5.3 AP Other placements has underspent by £156,000 in 2020/21 this is net of Pandemic funding of £72,000.
- 5.4 The underspend has grown from month 11 by £73,000. This is due to lower than expected AP other Provision and AP Plus payments totalling £178,000 and has been offset in part by increased costs for Medical Plus and AP SEN placements £104,000.

### Hospital School

- 5.5 Hospital school has a surplus balance of £88,000 which is ring-fenced and will be carried forward to 2021/22.

### Nursery Plus £193,000 underspend

- 5.6 A clawback of redundancy contingency has taken place of £96,000 where schools have funding balances exceeding the agreed limit of £25,000. Reduction in travel and development has seen an underspend of £35,000 and 2019/20 creditors not being realised totalling £73,000.

### SEN Mainstream £3.0millions overspend

- 5.7 SEN Mainstream covers personalised education packages and EHCPs for Pre and Post 16 students in mainstream settings as well as the central SLAs which support them.

- 5.8 There are currently 2,590 EHCPs with an average cost of £3,320 seeing an overspend of £299,000. Plus Packages have seen a total of 439 students with an average package of £9,488. There is an overspend of £1.4millions against plan, but this is a managed strategy to prevent escalation to more costly specialist independent placements.
- 5.9 Shortfall funding is paid to schools to recognise a higher than budgeted demand for EHCPs within the school, 92 schools have received shortfall (additional element 2) funding to the value of £1.36millions. Prior year costs have added £92,000 to the overspend along with unbudgeted lump sums totalling £85,000 and Post 16 mainstream (non-FE) has overspent by £62,000.
- 5.10 High Needs Contingency has seen an underspend of £70,000. The SEN 100 project consultancy report recommendations have been approved by Schools Forum (DEF/21/06 minute 194, 17 Mar 2021) and will see this underspend carried forward to 2021/22 to fund a project manager post.
- 5.11 SEN Therapies -The Multi-Sensory Impairment (MSI) contract from 2020/21 has come back in house to DCC from Virgin Care and support has been commissioned from Babcock. The hourly rate was reduced and due to the pandemic, the number of hours delivered were lower, achieving savings of £242,000.
- 5.12 The Home Education Personal budget for 2020/21 of £460,000 has seen 78 pupils with an average cost of £8,723 giving an overspend of £203,000 and Tutoring Specialist provision budget saw 99 pupils with an average cost of £6,877 giving an overspend of £390,000.
- 5.13 The £393,000 improvement since month 11 relates to the MSI contract invoices and hours agreed in March 2021 and various costs not realised across mainstream top up funding, personalised budgets and specialist tutoring.

#### **FE Colleges £1.5millions overspend**

- 5.14 Current student levels are 112 higher than the 574 budgeted for 2020/21. Outturn compared to budget has seen over 100% increase in expenditure. Total overspend is £1.5millions made up of a volume variance of £102,000 and price variance of £1.4millions.

#### **SEN Services £37,000 underspend**

- 5.15 A £90,000 underspend for the Early Years Complex Needs Service has been delivered against running cost and travel costs, along with staff turnover. This has been offset by £53,000 overspent for the Employment and Skills team recharge.

#### **Maintained Special Schools £271,000 overspend**

- 5.16 Individual School Balances for maintained special schools is a surplus carry forward of £3.1millions. The average number on roll for 2020/21 has been 1,377 pupils compared to 1,381 budgeted seeing a favourable volume variance of £139,000.
- 5.17 Top up funding received has resulted in an underspend of £90,000, the average price paid per place was £66 below the budgeted level of £11,879. In addition to the above a 2% inflationary increase to the residential top up was agreed, and prior year top up payments have also been issued totalling £48,000. Excess place funding has seen an adverse variance of £198,000 covering 20 placements.
- 5.18 Lump sums and Plus Packages are supporting payments going into Maintained Special Schools, these support young people with additional needs to stay in a setting. This was not built into the budget and has cost £302,000 but are often cheaper than the cost of an alternative placement was found in the Independent sector.

- 5.19 Further income of £149,000 has occurred from Joint funded residential placements that have been identified since the budget prep process.
- 5.20 Since Month 11 there has been an improvement of £65,000. This reflects additional Plus Packages and lump sum payments of £40,000 offset by savings in enhanced offers and top up £105,000.

### **Recoupment £351,000 overspend**

- 5.21 Devon is a net exporter of placements and we have seen an increase in our exports this year and a reduction in imports resulting in an overspend £351,000 within Recoupment. The export increases are mainly within special schools with significantly higher rates per place compounding this. The outturn includes costs of £126,000 for the Hospital Tier 4 beds.

### **Other Independent Special Schools £2.5millions overspend.**

- 5.22 As of March 2021 there are 929 placements in the Independent sector. The average placement numbers paid for 2020/21 total 796 compared to a budgeted 720 resulting in £3.8millions volume variance.
- 5.23 The cost per placement saw a saving of £1.5millions which came from £196,000 COVID-19 pandemic funding; Pupil Premium and FSM funding totalling £207,000 and in year credit notes of £1.1millions.
- 5.24 Children's Joint funded placements (included in the above price/volume analysis) are slightly lower than originally budgeted, however the average placement cost has risen during the year resulting in £251,000 overspend. The outturn includes £280,000 agreed income for residential Children in Care (CiC) placements; however, the majority of joint funded placements are agreed on a 50/50 split between Children and Education with Education picking up non educational costs.
- 5.25 Adult joint funded placements (included in the above price/volume analysis) are reporting an underspend of £145,000, after allowing for £196,000 COVID-19 pandemic funding.
- 5.26 Since Month 11 there has been a reduction in the overspend of £359,000. There has been a reduction in miscellaneous costs of £266,000 and £196,000 pandemic funding received. This has been offset in part by a rise in average pupil numbers resulting in additional costs of £114,000.

### **Support Centres £56,000 underspend**

- 5.27 There has been a net saving of £56,000 within Support Centres. Savings have been achieved from Element 1 base funding £31,000 and reduced Babcock commissioning £28,000. A new support centre for September 2020 has cost £60,000 and has been funded by savings in exceeded place funding.

## **6 Early Years**

- 6.1 Overall the Early Years has ring fenced surplus funds of Early Years grants for Private, Voluntary and Independent (PVI) settings £214,000, Disability Access Fund £300,000 and £331,000 support for providers.
- 6.2 External PVI settings have an overspend of £115,000 due to the commitment for Autumn term top up funding requested by DfE. The actual take up for 3 & 4 year olds for 2020/21 was 96% for the financial year against a budgeted level of 98%. External PVI payments for 2-year-old has an underspend of £294,000.

- 6.3 The early years inclusion budget for SEN has supported 382 children which is an increase in the demand and seen an overspend for the year of £393,000.
- 6.4 The variance since month 11 is due to the January 2021 census data checks, completed in March, informing the provider funding for the period September 2020 to March 2021 (7/12th of the income).

## 7 Carry Forwards

- 7.1 The total DSG is an overspend for 2020/21 is made up of ringfenced carry forwards of £5.4millions, Individual school balances of £21.1millions, and the cumulative DSG Deficit of just under £49millions. The tables below set out each of these elements.
- 7.2 The carry forward requests have been identified as part of the year end process and confirm the balances that were agreed, in principle, previously at Schools Forum.

**Table 3: Surplus budget carry forward requests**

Budget Line	Amount £'000	Notes
Growth Fund	182	Rolled forward 2020/21 underspend to fund ongoing growth fund
	1,544	Rolled forward to fund SEND 100 projects (DEF/21/04 minute 183, 20 Jan 2021)
<b>Total Schools</b>	<b>1,726</b>	
Maternity	556	Rolled forward 2020/21 underspend to fund ongoing maternity cover
Schools and DSG Contingency	2,300	Rolled forward to fund contingency agreements in 2020/21 onwards
Invest to save projects	78	Rolled forward for payments linked to projects in 2020/21
Facilitation and representation	(7)	Rolled forward overspend to be funded from 2021/22
<b>Total School De-delegated</b>	<b>2,927</b>	
Phase Associations – Devon SLS	55	Rolled forward to fund phase association agreements in 2021/22 onwards
Phase Associations – Schools Forum	5	Rolled forward to fund Schools Forum arrangements in 2021/22
Other DSG Services	28	Money Following Excluded Pupil (MFEP) rolled forward to 2021/22
<b>Total Central School Services</b>	<b>88</b>	
SEND 100	70	Project support funding for SEN 100 in 2021/22 (DEF/21/06 minute 194, 17 Mar 2021)
<b>Total High Needs</b>	<b>70</b>	
Early Years	300	Disability Access Fund
Early Years	116	Rolled forward 2019/20 underspend to review one-off Summer Term financial support
Early Years Other Early Years Grants	215	PVI Pupil Premium and Teachers Pay Grant arrangements in 2020/21
<b>Total Early Years</b>	<b>631</b>	
<b>Total Carry forward requested</b>	<b>5,442</b>	

- 7.3 The maintained nursery, primary, secondary, special and hospital school balances will be automatically carried forward to 2021/22 in individual budgets. The balances have been set out in the table below.

**Table 4: Individual School Balances carry forward**

Budget Line	Amount £'000	Notes
Mainstream School balances	17,930	Automatically carried forward as Individual School budgets
Special School Balances	3,073	
Hospital Education	88	
<b>Total Individual School Balances</b>	<b>21,091</b>	

7.4 In line with DfE guidance set out within the statutory instrument the DSG Deficit Reserve will see a further £29.2millions added for 2020/21 bringing the cumulative DSG Deficit Reserve become just under £49millions to the 31 March 2021.

**Table 5: DSG Deficit Reserve transfer**

Budget Line	Amount £'000	Notes
HNB Deficit in 2019/20	(19,772)	Deficit Balance of DSG funding pressure to be allocated to DSG Adjustment Account
HNB Deficit in 2020/21	(29,226)	
<b>Total DSG Deficit Reserve</b>	<b>(48,998)</b>	

## 8 Recommendations

### Schools Forum to

- a. Note the DSG Outturn position (subject to Statement of Accounts sign off) as set out in sections 1-6.  
**All to Note**
- b. Note the surplus budget carry forwards for Schools, de-delegated, central school services and High needs as set out in Section 7, table 3  
**All to Note**
- c. Approve Early Years surplus carry forwards as set out in Section 7, table 3.  
**All to Vote**
- d. Note the Individual School Balances carry forwards as set out in Section 7, table 4  
**All to Note**
- e. Note the DSG Deficit Reserve transfer as set out in Section 7, table 5  
**All to Note**

**MARY DAVIS**  
County Treasurer

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

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