

FINANCE UPDATE

REPORT OF THE DIRECTOR OF FINANCE AND CHIEF OFFICER FOR CHILDREN'S SERVICES

RECOMMENDATIONS

It is recommended that DEF:

- a) Note month 8 DSG monitoring position as set out in this report sections 1 to 4
All to Note

Budget Monitoring Report - Month 8 (2021/22) – Dedicated Schools Grant

Executive Summary

- The month 8 outturn forecast for 2021/22 sees a significant overspend in the overall Dedicated Schools Grant (DSG) of £39.1 million which is associated with the continued demand on High Needs and the growing demand on Special Educational Needs (SEN) placements within the Independent Sector despite creating more places within Devon's Special Schools.
- The cumulative DSG deficit has projected to March 2022 has therefore increased to £88.1 million.
- The High Needs Block has seen a further increase of £3.1 million since month 6 due to increased EHCP demand identified in SEN Mainstream, top-up funding uplift for Mainstream Special Schools and increased costs in Independent settings.
- The Management Action has reduced by £700,000 to £2 million due to recognising 50% of the Social Care and Health contributions for Independent placements. The remaining actions are expected to be delivered in 2021/22.
- The increasing DSG deficit in-year could have a considerable impact on future education budgets within the DSG as well as impacting on the financial sustainability for Devon County Council. An urgent action is still required to reduce the demand on Education Health Care Plans (EHCPs) and Independent placements.

1. DSG Deficit Recovery Plan

Table 1: DSG Adjustment Account

	£'000
DSG Adjustment Account	48,998
DSG High Needs 21/22 deficit	41,131
Management Plan Action	<u>(2,050)</u>
Total DSG Deficit Reserve	<u>88,079</u>

- 1.1. The DSG Adjustment Account, which shows the cumulative DSG Deficit as per government guidance, is projected to rise to just over £88.1 million by the end of 2021/22. This is due to the funding pressure identified of £41.1 million (broken down in Table 2) and after management actions of £2 million.
- 1.2. A management plan has been developed and submitted to the DfE and we have now been invited to take part 2nd tranche of the Safety Valve Intervention Programme. The initial meeting between the Chief Executive, Director of Children's Services and Director of Finance and representatives from the DfE is being held on the 14th December.
- 1.3. It is intended that follow up deep dive meetings with SEN and Finance will take place early 2022 and an initial proposal to be submitted by mid-February.

2. Schools

- 2.1. In November 2021 the DfE confirmed the DSG settlement allocation of £291.4 million (after recoupment for academies and the direct funded places). This is based upon pupil numbers as at the October 2020 Schools census and January 2020 Early Years census. The working budget includes other school grants of £25.2 million.
- 2.2. The High Needs Block has seen a further increase of £3.1 million since month 6 due to increased EHCP demand identified in SEN Mainstream, top-up funding uplift for Mainstream Special Schools and increased costs in Independent settings.

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

	Net Budget	Net spend Mth 08	Forecast at Mth 08	Variance	Movement from Mth 06
	£'000	£'000	£'000	£'000	£'000
Schools delegated budget	206,532	122,544	206,532	0	0
Academy Grants	2,682	15	2,682	0	0
DSG and School funding	(316,603)	(214,879)	(316,603)	0	0
Total DSG	(107,389)	(92,320)	(107,389)	0	0
De-delegated budgets	5,702	2,579	5,702	0	0
Central School Services Block	4,235	3,056	4,236	1	1
Early Years & Childcare Services	40,272	25,353	40,272	0	0
Total DSG central budgets	50,209	30,988	50,210	1	1
High Needs Budget	117,701	77,702	124,844	7,143	2,358
DSG High Needs 21/22 deficit budget prep	(33,988)	0	0	33,988	0
Management Plan Actions	0	0	(2,050)	(2,050)	700
Total High Needs budget	83,713	77,702	122,794	39,081	3,058
Overall Net DSG budget	26,533	16,370	65,615	39,082	3,059

3. High Needs

- 3.1. The total High Needs budget has seen the overall deficit increase by £2.4 million since month 6 due to increased EHCP demand identified in SEN Mainstream, top-up

funding uplift for Mainstream Special Schools and increased costs in Independent settings.

- 3.2. The Management Action has reduced by £700,000 to £2.0 million due to recognising 50% of the Social Care and Health contributions for Independent placements. The remaining actions are expected to be delivered in 2021/22.

Table 3 : Summary of High Needs budgets and forecast position as at Month 8

Description	Net Budget £'000	Forecast Outturn £'000	Variance to budget (fav) / adv £'000	Variance Month 6 £'000	Change from Month 6 £'000
Alternative Provision	3,300	3,346	46	37	9
Children in Care and Exclusions	1,512	1,512	0	0	0
Closing the Gap	1,500	1,500	0	0	0
Inclusion	334	334	0	0	0
Nursery Plus	1,164	1,164	0	0	0
Safeguarding Every Learner	144	144	0	0	0
SEN Mainstream	19,177	21,192	2,015	871	1,144
FE Colleges	3,032	3,195	163	21	142
SEN Services	932	932	0	0	0
SEN100 Projects	1,544	1,544	0	0	0
Maintained Special Schools	36,958	37,873	915	334	581
Hospital Education Services	406	406	0	0	0
Recoupmnt	1,397	1,397	0	0	0
Other Special School Fees	44,322	48,440	4,118	3,560	558
Support Centre Funding	1,979	1,865	(114)	(38)	(76)
Total High Heeds Funding	117,701	124,844	7,143	4,785	2,358
DSG High Needs 21/22 deficit budget prep	(33,988)	0	33,988	33,988	0
Management Plan Actions	0	(2,050)	(2,050)	(2,750)	700
Total High Needs budget	83,713	122,794	39,081	36,023	3,058

- 3.3. Cost and volume variances are shown in Appendix A

Alternative Provision £46,000 overspend

- 3.4. Alternative Provision (AP) budget sees a net shortfall of £307,000 as actual places of 128 compared to 110 planned places, whilst there is an unbudgeted cost of £66,000 for diabetes support in schools. This is offset by an underspend of £327,000 as forecasting 134 average AP placements for the main contract compared to 160 planned places.

SEN Mainstream £2 million overspend

- 3.5. SEN Mainstream covers personalised education package, EHCP and the SLAs which support them.
- 3.6. Since month 6 there has been an increase to the overspend of £1.1 million, primarily due to increased numbers of pupils eligible for EHCPs which has a knock-on effect of shortfall funding demand along with an increase in plus packages. In addition, SEN Therapy funding includes an unbudgeted MSI co-ordinator and a reduction in SEN therapy costs for children within school for both actuals and planned growth.

- 3.7. Mainstream EHCPs (pre-16) is reporting an overspend of £1.2 million due to an increased demand for shortfall funding of £651,000 and EHCPs and Plus Packages forecasting a pressure of £299,000. Other funding pressures are prior year funding adjustments of £157,000 and interim payments of £51,000 where an EHCP has not been issued within 20 weeks.
- 3.8. Children Educated Other than at School (EOTAS) which includes Personalised Budgets and Tutoring Specialist Provision, are reporting an overspend of £785,000. Appendix A details the price/volume variance analysis.

FE Colleges £163,000 overspend

- 3.9. The current overspend of £163,000 is due to a rise in the forecast number of pupils to 757 from 707, but there has been a reduction of £97 for the average cost to £4,221.
- 3.10. The forecast has worsened by £142,000 compared to month 6 following the budget revision with the new academic year data.

Maintained Special Schools £915,000 overspend

- 3.11. The average numbers on roll including Plus Packages and Exceeded places are currently forecast at 1,554 (vs 1,509 budgeted). This is resulting in a volume variance of £252,000 and pupil placement price variance of £296,000.
- 3.12. An uplift of 2.75% in the top funding rate is being proposed to the LA SENTient resulting in further cost of £493,000. Further pressures of £72,000 relate to enhanced offer payments and reduction in pooling following the academisation of Orchard Manor.
- 3.13. These pressures have been partially offset by savings of £198,000 from an increase in joint funded residential placements; the delay of the 16 places at Lampard from September 2021 to January 2022 and recoupment of prior year costs for backdated changes in attendance.

Independent Special Schools £4.1 million overspend

- 3.14. The budget includes £2.2 million Management Action to be achieved in 2021/22, to date £435,000 has been recognised with a further £1.8 million still to be achieved, although assumed in the forecast that this will not occur.
- 3.15. The savings of £435,000 have been achieved through the planned cessation of 3-5 year post-16 placements in July. We budgeted for 58 placements to end, to date 28 have been identified to end in this financial year, with a further 18 placements with no end date and 12 placements being extended until 2022/23 (some of these are due to the impact of Covid).
- 3.16. The current placements forecast to March 2022 is 1,009 placements which is 52 above that budgeted for the year, delivering a pressure forecast of £2.3 million, consisting of £178,000 favourable price variance and £2.5 million volume variance.
- 3.17. SOLE Funded placements have seen 236 starters for this academic year, a 207 increase over budget, most new starters coming from mainstream schools and maintained special schools. This is a worsening since month 6 of £558,000 in relation to increased price / volume variance

3.18. The forecast includes growth and inflationary price increases as agreed with the SEN team of £682,000. Represented by £363,000 profiled growth based on 2021/22 budget preparation and known December starters; £210,000 backdated fee increase for Belong (CMAS); and payments to be made to providers in relation to DfE grants of £109,000.

Support Centres £114,000 underspend

3.19. Support centres are forecasting an underspend due to a delay in opening the additional centres from September 2021 to January 2022 and offset in part by additional Element 3, Lump Sum and Exceeded Place funding of £62,000. These centres will offset the more expensive placements within independent special schools.

4. Risks

- 4.1. The SEN Placement continues to cause increase in the demand on the High Needs Block. Support from schools to take action to mitigate the growing demand and reduce the call on Independent placements is necessary.
- 4.2. Unexpected demand as new high cost children and young people move into the area.
- 4.3. Service unable to contain costs within the allocated budget.
- 4.4. The management action plan identified for 2021/22 slippage due the pandemic and delays in getting the projects underway.
- 4.5. Resource Bases do not open on time due to school withdrawal or approval not agreed for academies
- 4.6. Mitigation of the above risks can be achieved through support from schools and other providers to take action on the growing demand and reduce the call on independent placements.

5. Recommendation

- 5.1. That DEF note month 8 DSG monitoring position as set out in the report section 1 to 4.

All to Note

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Education & Learning - Education & Health Care Plan (EHCP) Cost & Volume Analysis

High Needs EHCP Analysis	No of FYE Pupils				Budget	Forecast	Variation		Budgeted	Forecast	Variation	Month 8			Month 6		Change to Mth 6		Month 6	Change
	Budgeted	Month 8	Variation	%	21/22	outturn	£'000	%	Unit cost	Unit cost	£	Price Var	Vol Var	Total Var	Price Var	Vol Var	Price Var	Vol Var	No of FTE	to Mth 6
	21/22				£'000	£'000	£'000	%	£	£	£	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Pupils	Pupils
Mainstream Provision (pre 16)	2,857	2,565	(292)	(11.4%)	9,608	8,699	(909)	(9.5%)	3,363	3,392	29	74	(983)	(909)	52	(804)	21	(179)	2,618	(53)
Mainstream Provision (pre 16) Plus Packages	524	629	105	16.6%	5,332	6,540	1,208	22.7%	10,176	10,406	231	145	1,063	1,208	(3)	326	148	738	556	73
Mainstream	3,381	3,193	(188)	(5.9%)	14,940	15,239	299	2.0%	13,539	13,798	260	219	80	299	50	(478)	169	558	3,174	19
Personalised Packages	70	90	20	22.2%	800	1,215	415	51.9%	11,429	13,508	2,080	187	228	415	150	166	37	62	85	5
Home Tutoring	80	104	24	23.2%	573	943	370	64.6%	7,163	9,057	1,895	197	173	370	159	(158)	38	330	58	46
Educated Other than at School	150	194	44	22.7%	1,373	2,158	785	57.2%	18,591	22,565	3,974	384	401	785	309	9	75	392	143	52
Top Ups	1,490	1,496	6	0.4%	17,741	17,816	75	0.4%	11,907	11,906	(1)	(2)	76	74	3	75	(5)	1	1,496	0
Exceeded Places	0	25	25	100.0%	0	253	253	100.0%	0	10,000	10,000	253	0	253	208	0	44	0	21	4
Plus Packages	19	32	13	40.9%	253	474	221	87.3%	13,316	14,731	1,415	46	175	221	26	141	19	34	30	3
Maintained & Academy Special Schools	1,509	1,554	45	2.9%	17,994	18,542	548	3.0%	25,223	36,637	11,414	296	252	548	238	216	58	35	1,547	7
Sole Funded	916	971	55	5.7%	43,591	45,924	2,333	5.4%	46,916	46,305	(611)	(593)	2,584	1,991	(78)	2,264	(515)	320	964	8
Joint Funded	24	25	1	2.4%	2,073	2,207	134	6.5%	98,030	114,416	16,386	403	57	460	331	155	71	(98)	26	(1)
Adults	15	12	(3)	(22.4%)	851	734	(117)	(13.7%)	56,733	57,761	1,028	13	(156)	(143)	(21)	(199)	33	43	12	1
Virtual School	2	1	(1)	(166.7%)	20	10	(10)	(50.0%)	10,000	10,000	0	0	(13)	(13)	0	(8)	0	(5)	1	(1)
Independent Special Schools	957	1,009	52	5.1%	46,535	48,875	2,340	(5.9%)	211,679	228,482	16,803	(178)	2,472	2,295	233	2,213	(411)	260	1,003	7
Further Education	712	757	45	5.9%	3,110	3,195	85	2.7%	4,368	4,221	(147)	(111)	197	85	(35)	(22)	(76)	218	707	50
Top ups	160	134	(26)	(19.4%)	2,024	1,697	(327)	(16.2%)	12,650	12,663	13	2	(329)	(327)	75	(253)	(73)	(76)	135	(1)
Medical Planned Places	90	90	0	0.0%	1,620	1,620	0	0.0%	18,000	18,000	0	0	0	0	0	0	0	0	90	0
Medical Planned Additional	20	38	18	46.9%	370	677	307	83.1%	18,500	18,000	(500)	(19)	326	307	121	186	(140)	140	30	8
Alternative Provision	270	262	(8)	(3.2%)	4,014	3,994	(20)	(0.5%)	49,150	48,663	(487)	(17)	(3)	(20)	196	(67)	(213)	64	255	7
Reported Forecast Outturn 2021/22	6,979	6,968	(11)	(0.2%)	87,966	92,004	4,038	4.6%											6,828	141