

16 March 2022

FINANCE UPDATE

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

Recommendations

It is recommended that Schools Forum:

- a) Note month 10 DSG monitoring position as set out in this report sections 1 to 4
All to note

Budget Monitoring Report - Month 10 (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 £39.9 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 £88.9 million.
- The High Needs Block has seen a further increase of £850,000 since month 8 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 to £700,000 due to delays in projects not starting until the start of the new academic year (September 2022) and where the children are being supported not being realised until the new financial year (April 2022).
- The in-year increasing DSG deficit 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 Management Plan

Table 1: DSG Adjustment Account

	£'000
DSG Adjustment Account	48,998
DSG High Needs 21/22 deficit	40,633
Management Plan Action	(700)
Total DSG Deficit Reserve	88,931

- 1.1. The DSG Adjustment Account, which shows the cumulative DSG Deficit as per government guidance, is projected to rise to just over £88.9 million by the end of 2021/22. This is due to the funding pressure identified of £40.6 million (broken down in Table 2) and after management actions of £700,000.
- 1.2. Devon is currently in negotiations with the DfE as part of the 2nd tranche of the Safety Valve Intervention Programme.
- 1.3. Work has continued during January and February with the interim SEND Strategic Director and Finance updating the plan with amended and new management actions.
- 1.4. Conversations have been had with the DfE over the past few weeks and it is hoped that an agreement will be signed off by the Secretary of State early in the new financial year.

2. Schools

- 2.1. The November DSG settlement after recoupment for academies and direct funded places totals, £290.4 million. This is based on pupil numbers as at the October 2020 Schools census and January 2020 Early Years census. The working budget includes other school grants of £26.2 million.

Table 2: Summary of Month 10 forecast position and significant variations

	Net Budget	Net spend Mth 10	Forecast at Mth 10	Deficit / (Surplus) Balance	Movement from Mth 8	Ringfenced C/Fwd included in forecast
	£'000	£'000	£'000	£'000	£'000	£'000
Schools delegated budget	207,329	154,079	207,329	0	0	0
Academy Grants	2,687	25	2,687	0	0	0
DSG and School funding	(317,123)	(265,340)	(317,123)	0	0	0
Total DSG	(107,107)	(111,236)	(107,107)	0	0	0
De-delegated budgets	5,680	2,639	5,680	0	0	2,680
Central School Services Block	4,235	3,151	4,236	1	(1)	0
Early Years & Childcare Services	39,750	31,969	39,750	0	0	400
Total DSG central budgets	49,665	37,759	49,666	1	0	3,080
High Needs Budget	117,963	100,051	124,608	6,645	(498)	1,222
DSG High Needs 21/22 deficit budget prep	(33,988)	0	0	33,988	0	0
Management Plan Actions	0	0	(700)	(700)	1,350	0
Total High Needs budget	83,975	100,051	123,908	39,933	852	1,222
Overall Net DSG budget	26,533	26,574	66,467	39,934	851	4,302

3. High Needs

- 3.1. The High Needs Block has seen a further increase of £850,000 since month 8 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 to £700,000 due to delays in projects not starting until the start of the new academic year (September 2022) and where the children are being supported not being realised until the new financial year (April 2022).

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

	Budget £'000	Mth 10 Forecast £'000	Deficit / (Surplus) Balance £'000	Movement Previous Mth 8 £'000
Alternative Provision	3,302	3,296	(6)	(52)
Children in Care and Exclusions	1,623	1,623	0	0
Closing the Gap	1,500	1,500	0	0
Inclusion	334	334	0	0
Nursery Plus	1,164	1,164	0	0
Safeguarding Every Learner	144	144	0	0
SEN Mainstream	19,177	21,238	2,061	45
FE Colleges	3,032	3,136	104	(59)
SEN Services	932	912	(20)	(20)
SEN 100 Project	1544	1544	0	0
Maintained & Academy Special Schools	37,034	37,919	885	(30)
Hospital Education Services	406	406	0	0
Recoupment	1,397	1,397	0	0
Other Special School Fees	44,395	48,218	3,823	(294)
Support Centre Funding	1,979	1,777	(202)	(88)
Total High Needs Funding	117,963	124,608	6,645	(498)
DSG High Needs 21/22 deficit budget prep	(33,988)	0	33,988	0
Management Plan Actions	0	(700)	(700)	1,350
Total High Needs budget	83,975	123,908	39,933	852

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

Alternative Provision £6,000 underspend

- 3.4. AP Medical Placement budget sees a net shortfall of £307,000 as actual places of 131 compared to 110 planned places, whilst there is £66,000 unbudgeted Medical Plus Diabetes support in schools with alternative options being considered in supporting these pupils in schools.
- 3.5. This is offset by an underspend of £354,000 from the main Alternative Provision (AP) contract as forecasting 132 average AP placements on the 160 planned places.

SEN Mainstream £2 million overspend

- 3.6. SEN Mainstream covers personalised education packages, EHCPs and the SLAs which support them. Since month 8 the position remains unchanged.
- 3.7. 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.

- 3.8. Mainstream EHCPs (pre-16) is reporting an overspend of £1.2 million due to an increased demand for shortfall funding of £802,000 and EHCPs and Plus Packages forecasting a pressure of £356,000 (which includes the agreement of interim payments to Schools where an EHCP has not been issued within 20 weeks).
- 3.9. Children Educated Other than at School (EOTAS) which includes Personalised Budgets and Tutoring Specialist Provision, are reporting an overspend of £793,000. Appendix A details the price/volume variance analysis.

FE Colleges £104,000 overspend

- 3.10. The current overspend of £104,000 is due to a rise in the forecast number of pupils to 737 from 707, but there has been a small reduction for the average cost to £4,256.
- 3.11. The forecast has improved by £1,000 compared to month 6 following the budget revision with the new academic year data.

Maintained Special Schools £885,000 overspend

- 3.12. The average numbers on roll including Plus Packages and Exceeded places are currently forecast at 1,550 (vs 1,509 budgeted) resulting in additional costs of £1 million.
- 3.13. These pressures have been partially offset by savings of £201,000 from an increase in joint funded residential placements income.

Independent Special Schools £3.8 million overspend

- 3.14. The Independent budget is reporting an overspend of £3.8 million based on the projected planned growth and inflationary price increase within the settings. No reported change for month 10 due staff focused on pulling together the Safety Valve submission for the DfE.
- 3.15. SOLE Funded placements have seen 240 starters for this academic year, a 211 increase over budget, most new starters coming from mainstream schools and maintained special schools.
- 3.16. 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.
- 3.17. 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).

Support Centres £202,000 underspend

- 3.18. Support centres are forecasting an underspend of £202,000 due to a delay in opening the additional centres from September 2021 to January 2022.
- 3.19. This is offset by additional costs to current placements for Element 3, Lump Sum and Exceeded Place funding totalling £61,000.

4. Risks

- 4.1. The SEN Placement continue 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 continues to be unable to contain costs within the allocated budget.
- 4.4. The management action plan identified for 2021/22 has seen slippage due the pandemic and delayed some projects getting 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:

Schools Forum is asked to note the month 10 DSG update as set out above in section 1 to 4.

All to note

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Education & Health Care Plans – Cost and Volume Analysis

High Needs EHCP Analysis	No of FYE Pupils				Budget 21/22	Forecast outturn	Variation		Budgeted Unit cost	Forecast Unit cost	Variation	Month 10			Month 9		Change to Mth 9		Month 9 No of FTE Pupils	Change to Mth 9 Pupils
	Budgeted	Month 10	Variation	%			£'000	£'000				£'000	%	£	£	£	Price Var	Vol Var		
	21/22	Month 10	Variation	%	£'000	£'000	£'000	%	£	£	£	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Mainstream Provision (pre 16)	2,857	2,532	(325)	(12.8%)	9,608	8,587	(1,021)	(10.6%)	3,363	3,391	28	71	(1,093)	(1,022)	74	(983)	(3)	(110)	2,565	(33)
Mainstream Provision (pre 16) Plus Packages	524	637	113	17.7%	5,332	6,648	1,316	24.7%	10,176	10,437	261	167	1,150	1,316	134	1,119	32	31	634	3
Mainstream	3,381	3,169	(212)	(6.7%)	14,940	15,235	295	2.0%	13,539	13,828	289	238	57	294	209	136	29	(79)	3,199	(30)
Resource Bases	80	58	(22)	(37.9%)	560	560	0	0.0%	7,000	9,655	2,655	154	(154)	0	154	(154)	0	0	58	0
Personalised Packages	70	95	25	26.6%	800	1,215	415	51.9%	11,429	12,746	1,317	126	290	415	187	229	(61)	61	90	5
Home Tutoring	80	104	24	23.1%	573	951	378	66.0%	7,163	9,100	1,938	202	172	373	221	158	(19)	14	102	2
Educated Other than at School	150	199	49	24.8%	1,373	2,166	793	57.8%	18,591	21,846	3,254	327	462	789	407	386	(80)	75	192	7
Top Ups	1,490	1,492	2	0.2%	17,741	18,257	516	2.9%	11,907	12,234	327	488	28	516	490	53	(2)	(25)	1,494	(2)
Exceeded Places	0	24	24	100.0%	0	238	238	100.0%	10,000	10,000	0	0	238	238	0	247	0	(8)	25	(1)
Plus Packages	19	34	15	44.1%	253	527	274	108.3%	13,316	15,498	2,182	74	200	274	72	183	2	17	33	1
Maintained & Academy Special Schools	1,509	1,550	41	2.7%	17,994	19,022	1,028	5.7%	35,223	37,732	2,510	562	466	1,028	562	482	0	(16)	1,552	(2)
Sole Funded	916	971	55	5.6%	43,591	45,551	1,960	4.5%	46,916	46,503	(413)	(401)	2,561	2,160	(401)	2,561	0	0	971	0
Joint Funded	24	25	1	2.4%	2,073	2,217	144	6.9%	98,030	113,686	15,656	385	57	442	385	57	0	0	25	0
Adults	15	12	(3)	(22.4%)	851	757	(94)	(11.0%)	56,733	57,761	1,028	13	(156)	(143)	13	(156)	0	0	12	0
Virtual School	2	1	(1)	(244.8%)	20	10	(10)	(50.0%)	10,000	10,000	0	0	(14)	(14)	0	(14)	0	0	1	0
Independent Special Schools	957	1,008	51	5.1%	46,535	48,535	2,000	(5.9%)	211,679	227,950	16,271	(3)	2,447	2,444	(3)	2,447	0	0	1,008	0
Further Education	712	737	25	3.4%	3,032	3,136	104	3.4%	4,258	4,256	(2)	(2)	106	105	(7)	145	5	(38)	746	(9)
Top ups	160	132	(28)	(21.2%)	2,024	1,715	(309)	(15.3%)	12,650	12,992	342	45	(354)	(309)	37	(342)	9	(13)	133	(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	41	21	51.2%	370	677	307	83.1%	18,500	18,000	(500)	(21)	389	368	(21)	389	0	0	41	0
Alternative Provision	270	263	(7)	(2.7%)	4,014	4,012	(2)	(0.0%)	49,150	48,992	(158)	25	34	59	16	47	9	(13)	264	(1)
Reported Forecast Outturn 2021/22	6,979	6,927	(52)	(0.8%)	87,888	92,107	4,219	4.8%											6,960	(34)
General Fund - School Transport																				
Home to School	12,549	12,526	(23)	(0.2%)	13,878	14,974	1,096	8%	1,116	1,263	147	1,841	(26)	1,816	1,740	(36)	101	10	12,517	9
Home to College	84	104	20	19.2%	0	172	172		964	2,650	1,686	175	19	195	192	21	(17)	(2)	106	(2)
Personalised Transport	2,107	1,989	(118)	(5.9%)	19,125	20,812	1,687	9%	9,113	10,653	1,540	3,063	(1,075)	1,988	3,157	(1,121)	(93)	46	1,984	5
Home to School Transport	14,740	14,619	(121)	(0.8%)	33,003	35,958	2,955	17%	11,193	14,566	3,373	5,080	(1,082)	3,998	5,089	(1,135)	(9)	54	14,607	12