

22 June 2022

FINANCE UPDATE

REPORT OF THE DIRECTOR OF FINANCE & PUBLIC VALUE 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 5
- c) Approve Early Years surplus carry forwards as set out in Section 7, table 5
- d) Note the Individual School Balances carry forwards as set out in Section 7, table 6
- e) Note the DSG Deficit Reserve transfer as set out in Section 7, table 7

DEDICATED SCHOOLS GRANT AND SCHOOLS FUNDING OUTTURN REPORT (2021/22)

Executive Summary

- The draft outturn position for the Dedicated Schools Grant (DSG) is an overspend £7.7 million prior to transfers to the DSG Deficit Reserve and ringfenced balances.
- This is made up of Individual school balances of £24.7 million, ringfenced balances of £5.1 million and transfer to the DSG Deficit Reserve of just over £37.5 million.
- Although this is an improvement of £2.3 million from month 11 position the continued demand on High Needs and on SEN placements within the independent sector continues to drive the pressure which remains extremely concerning.
- The deficit balance will be transferred to the DSG adjustment account. 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

	£'000
DSG Adjustment Account 31 March 2021	48,998
High Needs Deficit 2021/22	37,531
DSG Adjustment Account 31 March 2022	<u>86,529</u>

- 1.1 In 2020/21 we reported the HNB deficit of £49 million, carried forward a deficit as per government guidance. This year there has been an increase to the deficit of £37.5 million after achieving £700,000 Management Action savings, making the DSG Adjustment Account a cumulative deficit of £86.5 million.
- 1.2 Devon have been invited by the DfE to take part in the 2nd tranche of the Safety Valve Intervention Programme. Our proposals around the deficit management and move to in year balance have been discussed with DfE and subsequently revised to accelerate

savings trajectory. At present Devon is still awaiting a response from the DfE regarding the outcome of these discussions and the possible Capitalisation Direction.

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 £290.6 million 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 £11.3 million; School Sixth Form Post 16 funding £1.3 million and other Schools Grant £11 million.

Table 2: Summary of Outturn forecast position and significant variations

	Final Approved Net Budget £'000	Net Spend £'000	Variations (under) / over £'000	Grants c/fwds in 2021/22 £'000	DSG Adjustment Account £'000	Final Outturn Variance £'000
Schools delegated budget	206,781	184,204	(22,577)	21,353	1,221	(3)
Academy Grants	67	66	(1)	0	0	(1)
DSG and Schools funding	(314,242)	(314,289)	(47)	0	0	(47)
Total DSG	(107,394)	(130,019)	(22,625)	21,353	1,221	(51)
De-delegated budgets	5,688	3,134	(2,554)	0	2,554	0
Central School Services block	4,235	4,210	(25)	0	21	(4)
Early Years block	40,038	38,722	(1,316)	0	249	(1,067)
Total DSG central budgets	49,961	46,066	(3,895)	0	2,824	(1,071)
High Needs Budget	117,954	118,943	989	3,327	1,049	5,365
DSG High Needs 21/22 deficit budget prep	(33,988)	0	33,988	0	(37,531)	(3,543)
Management Plan Actions	0	(700)	(700)	0	0	(700)
Total High Needs budget	83,966	118,243	34,277	3,327	(36,482)	1,122
Overall Net DSG and School Funding	26,533	34,290	7,757	24,680	(32,437)	0

- 2.3 Carry forward balances for Schools totals £24.4 million. This is allocated in the Schools Block for maintained mainstream schools of £21.4 million and the High Needs Block for maintained special schools of £3 million. Table 3 provides a comparison to the previous financial year balances.

Table 3: Schools carry forward balances adjusted for comparison to 2020/21 (excluding Hospital school)

	2021/22		2020/21	
		£		£
B/fwd Balances		21,003,560		15,981,997
Schools converted to Academies	5	(401,533)	2	(233,576)
Schools that have closed / merged	3	(200,287)	1	(237,806)
Schools with Decreasing Balances	50	(1,832,999)	31	(1,304,638)
	37.6%		22.0%	
Schools with Increasing Balances	83	5,857,739	110	6,797,584
	62.4%		78.0%	
Carry Forward Balances		24,426,481		21,003,560

- 2.4 In addition to these individual school balances there is a carry forward within the High Needs Block for the Hospital School of £253,000
- 2.5 The Growth budget for 2021/22 was £2 million with 9 schools receiving a total of £1.1 million for growth within their Schools Budget Shares (budget moved in year to the Schools Block). Whilst 31 schools received a total of £772,000 from the growth fund for one off classroom and growth general, resulting in an underspend of £1.2 million.

3 De-delegated budget

- 3.1 De-delegated budgets are forecasting an underspend of £2.5 million due to savings against Schools contingency and exceptional events

4 Central Provision within Schools

- 4.1 Ring fenced carry forwards to 2022/23 are being requested for Schools Forum and Admissions totalling £21,000.

5 High Needs

Table 4: Summary of High Needs 2021/22

	Final Approved Budget £'000	Net Spend £'000	Variations (under) / over £'000	Grants c/fwd in 2021/22 £'000	DSG Adjustment Account £'000	Final Outturn Variance £'000
Alternative Provision inc. Hospital school	3,709	3,382	(327)	253	0	(74)
LDP Inclusion & Safeguarding	3,601	3,571	(30)	0	30	0
Nursery Plus	1,164	1,176	12	0	0	12
SEN Mainstream	19,177	20,945	1,768	0	50	1,818
SEN Services	932	890	(42)	0	0	(42)
SEN 100 Project	1,544	575	(969)	0	969	0
Independent Special Schools & Recoupment	45,792	48,520	2,728	0	0	2,728
Maintained Special Schools	37,036	34,862	(2,174)	3,074	0	900
Mainstream FE Colleges	3,032	3,247	215	0	0	215
Support Centres	1,967	1,775	(192)	0	0	(192)
Total High Needs Funding	117,954	118,943	989	3,327	1,049	5,365
DSG High Needs 21/22 deficit budget prep	(33,988)	0	33,988	0	(37,531)	(3,543)
Management Plan Actions	0	(700)	(700)	0	0	(700)
Total High Needs budget	83,966	118,243	34,277	3,327	(36,482)	1,122

Alternative Provision £74,000 underspend

- 5.1 The budget includes the main AP contract for 160 planned places, actual average number of top ups paid was 130, saving £437,000. Offset by payments of £63,000 for AP plus packages.
- 5.2 The average AP Medical placements paid were 130 compared to 110 planned resulting in an overspend of £326,000. Whilst AP Other and Post 16 Medical placements were underspent by £45,000 however, this is net of Pandemic and Early Help for Mental Health funding of £160,000.

Hospital School

- 5.3 Hospital school has underspent by £253,000 which will be ring-fenced and carried forward to 2022/23.

SEN Mainstream £1.8 million overspend

- 5.4 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.
- 5.5 Mainstream EHCPs (pre-16) has overspent by £1.1 million due to an increased demand in shortfall funding of £532,000, additional costs for EHCPs and Plus Packages of £357,000 and interim payments for EHCPs not being issued within 20 weeks for 64 children along with prior year funding adjustments totalling £186,000.
- 5.6 Children Educated Other than at School (EOTAS) have a combined overspend of £707,000 and includes Home Educated Personalised budgets and Tutoring Specialist provision. Appendix A details the price/volume variance analysis.
- 5.7 The Multi-Sensory Impairment contract (MSI) has seen a small underspend due to staff recruitment and retention of £63,000 and offset in part by increased other therapy costs of £55,000.

FE Colleges £215,000 overspend

- 5.8 The FE Colleges budget is based on 712 pupils at an average cost of £4,258 per pupil. Outturn reflects an additional 36 pupils to 748 at an average cost of £4,341, resulting in an overspend of £215,000. This includes a further reduction to the DSG of £78,000 by the DfE for Devon pupils being educated by other local.

SEN Services £42,000 underspend

- 5.9 £42,000 underspend for the Early Years Complex Needs Service running cost and travel costs, along with staff turnover.

Recoupment £202,000 overspend

- 5.10 There is an overspend £202,000 within Recoupment. As a net exporter Devon has seen an increase in its exports this year and a reduction in imports. The outturn includes outstanding import charges which are in dispute by Torbay, Somerset and Plymouth totalling £187,000.

Other Independent Special Schools £2.5 million overspend.

- 5.11 The independent budget is reporting an overspend of £2.5 million. The budget included £2.2 million Management Action for 2021/22, only £413,000 has been realised. These savings have been achieved through the planned cessation of 3-5 year post-16 placements in July. Of the 58 placements identified to end 29 have ceased, with a further 2 placements with no end date and 27 placements being extended until 2022/23 (some of these are due to the impact of Covid).
- 5.12 Overall, there were an average of 1,003 placements in the independent sector delivering a pressure of £2.9 million, consisting of £722,000 price variance and £2.2 million volume variance.
- 5.13 This pressure has been offset largely by savings of £1.5 million for miscellaneous costs due to securing reimbursements of refunds for element 1 and 2 funding, placements costs for students on part time timetables along with leaving part way through the term and 2020/21 year-end adjustments not all being realised. Other additional income came from COVID-19 pandemic funding of £160,000; Pupil Premium and Recovery Pupil Premium totalling £293,000, Teachers Pay and Pension Grant of £285,000.

5.14 Included in the above price/volume analysis to note are the Children's Joint funded placements which are a fraction higher than originally budgeted and the average placement cost have risen during the year resulting in £500,000 overspend. Also Adult joint funded placements are reporting an underspend of £164,000, due to placements being 2.9 below budgeted. Outturn includes £280,000 income agreed for residential CIC placements.

Maintained Special Schools £900,000 overspend

5.15 The average numbers on roll including Plus Packages and Exceeded places are at 1,548 (vs 1,509 budgeted). There are 29 vacant special school places, of which 13 are in 1 setting (Ace Academy). This is resulting in a volume variance of £454,000 and pupil placement price variance of £596,000

5.16 An uplift of 2.75% in the top funding rate resulted in a further cost of £492,000 along with £61,000 for enhanced offer payments.

5.17 These pressures have been partially offset by savings of £211,000 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.

Support Centres £192,000 underspend

5.18 The planned opening of Resource Bases was delayed from September 2021 until January 2022 and a reduction from 10 to 3 new bases, resulting in an underspend of £213,000. With savings of £31,000 due to the change in the costing of budgeted versus actual occupied and unoccupied places and £17,000 funding from the NHS for part funding of the Improving Access to Communication Services and Support (Speech and Language) post.

5.19 This is offset by additional costs to current placements for Element 3, Lump Sum and Exceeded Place funding totalling £68,000

6 Early Years £1.1 million underspend

6.1 Early Years has an underspend of £1.1 million of which the following is a ring fenced surplus for Early Years Pupil Premium £149,000 and Disability Access Fund (DAF) £100,000. The remained is being used to reduce the DSG Deficit.

6.2 In order to support providers in 2022/23 with recruitment and retention Early Years investigating applying for Covid grant funding to meet the costs of the proposal as part of the economy recovery grants.

6.3 External Private, Voluntary and Independent (PVI) settings for 3 & 4 year olds saw an underspend of £872,000 whilst for 2-year-olds an overspend of £88,000 reflecting the variances in uptake.

6.4 Early Years Inclusion budget has supported 441 children and the demand for SEN support has resulted in an overspend of £376,000. At the Spring Panel there were 125 new applications.

6.5 The variance since month 11 is made up of the final Spring term and adjustment payments to providers calculated and paid at the end of March, £237,000 net favourable variances. The ringfenced carry forward for DAF has been reduced, with the £300,000 brought forward from 2020/21 now used to fund SEN Action Plus payments and just this year's budget underspend ringfenced for 2022/23 demand.

7 Carry Forwards

- 7.1 The total DSG is an overspend of £7.7 million. This is made up of ringfenced carry forwards of £5.1 million, Individual school balances of £24.7 million, and the DSG Deficit in year of just over £37.5 million. 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 5: Surplus budget carry forward requests

Budget Line	Amount £'000	Notes
Growth Fund	1,221	Rolled forward 2021/22 underspend
Phase Associations – Schools Forum	8	Rolled forward to fund Schools Forum arrangements in 2021/22
Other DSG Services	13	Rolled forward 2021/22 underspend
Total Central Provision	1,221	
Schools and DSG Contingency	2,121	Rolled forward to fund contingency agreements in 2022/23 onwards
	318	Rolled to fund School Improvement Grant reduction of 50% by the DfE (DEF/22/05 minute 39, 16 Mar 2022)
Invest to save projects	96	Rolled forward for payments linked to projects from 2020/21
Maternity	22	Rolled forward 2021/22 underspend
Facilitation and representation	18	Rolled forward 2021/22 underspend
Total De-delegated budgets	2,575	
Virtual School	30	Ringfenced grants from 2021/22
SEND 100	50	Project support funding for SEN 100 (DEF/21/06 minute 194, 17 Mar 2021)
SEN 100 Projects	969	Rolled forward to fund SEND 100 projects (DEF/21/04 minute 183, 20 Jan 2021)
Total High Needs	1,049	
Early Years	249	Ringfenced grants from 2021/22
Total Early Years	249	
Total Carry forward requested	5,115	

- 7.3 The maintained nursery, primary, secondary, special and hospital school balances will be automatically carried forward to 2022/23 in individual budgets. The balances have been set out in the table below.

Table 6: Individual School Balances carry forward

Budget Line	Amount £'000	Notes
Mainstream School balances	21,353	Automatically carried forward as Individual School budgets
Special School Balances	3,074	
Hospital Education	253	
Total Individual School Balances	24,680	

- 7.4 In line with DfE guidance set out within the statutory instrument the DSG Deficit Reserve will see a further £37.5 million added for 2021/22 bringing the cumulative DSG Deficit Reserve to just over £86.5 million to the 31 March 2022.

Table 7: DSG Deficit Reserve transfer

Budget Line	Amount £'000	Notes
DSG Deficit Reserve as at 31 March 2021	(48,998)	Deficit Balance of DSG funding pressure to be allocated to DSG Adjustment Account
HNB Deficit in 2021/22	(37,531)	
Total DSG Deficit Reserve	(86,529)	

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 5
All to Note
- c. Approve Early Years surplus carry forwards as set out in Section 7, table 5.
All to Vote
- d. Note the Individual School Balances carry forwards as set out in Section 7, table 6
All to Note
- e. Note the DSG Deficit Reserve transfer as set out in Section 7, table 7
All to Note

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