

FINANCE UPDATE

REPORT OF THE DIRECTOR OF FINANCE & PUBLIC VALUE AND DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S FUTURES (INTERIM)

RECOMMENDATIONS

It is recommended that DEF:

- a) Note month 6 DSG monitoring position as set out in this report.
- b) Note current Safety Valve / DSG management plan position as set out in the report.

Budget Monitoring Report - Month 6 (2020/21) – Dedicated Schools Grant

Executive Summary

- The month 6 outturn forecast for 2022/23 sees an overspend in the overall Dedicated Schools Grant (DSG) of £36.9 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. This is an adverse change of £2.6 million since month 5 (£2.5 million from month 4).
- The Management Action of £10 million reflects the revised savings expected to be delivered in 2022/23 and are as per the Safety Valve submission to the DfE. To date, £3.4 million of Management Actions have been achieved since the start of the summer term.
- It's currently being forecast that £1.6 million of savings will not be achieved in this financial year due to 44 of the 77 planned 3-5 yr placements within the Independent Sector leaving at the end of the summer term and a delay in resource base provision placements being occupied / opened. This is projecting a cumulative DSG deficit to March 2023 of £123.8 million.
- The 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. We need all stakeholders to be working in partnership to be able to achieve this.

1. Schools

- 1.1. In March the revised DSG settlement allocation stands at £307.6 million (after recoupment for academies and direct funded places) based upon pupil numbers as at the October 2021 Schools census and January 2022 Early Years census.

Table 1: Summary of Month 6 forecast position and significant variations

	Net Budget £'000	Net spend Mth 6 £'000	Forecast Before FSP Savings at Mth 6 £'000	FSP Savings Mth 6 £'000	Variance Adv / (Fav) £'000	Ring fenced C/fwd £'000	Deficit / (Surplus) Balance £'000	Movement from Previous Mth £'000
Schools delegated budget	225,620	96,705	225,620	0	0	0	0	0
Academy Grants	4,007	29	4,007	0	0	0	0	0
DSG and School funding	(348,573)	(160,303)	(348,573)	0	0	0	0	0
Total DSG	(118,946)	(63,569)	(118,946)	0	0	0	0	0
De-delegated budgets	6,090	1,639	6,090	0	0	0	0	0
Central School Services Block	4,183	1,091	4,164	0	(19)	0	(19)	(16)
Early Years & Childcare Services	41,549	21,372	41,173	0	(376)	0	(376)	(268)
Total DSG central budgets	51,822	24,102	51,427	0	(395)	0	(395)	(284)
High Needs Budget	129,144	65,923	134,208	0	5,064	0	5,064	2,851
DSG High Needs 22/23 deficit budget prep	(32,225)	0	0	0	32,225	0	32,225	0
Total High Needs budget	96,919	65,923	134,208	0	37,289	0	37,289	2,851
Overall Net DSG budget	29,795	26,456	66,689	0	36,894	0	36,894	2,567

- 1.2. The working budget is inclusive of other schools grants of £40.9 million.
- 1.3. Central School Services block is reporting to underspend by £19,000 in relation to Surplus properties saving of £11,000 and £11,000 for Schools Forum offset by an increase ICT recharge of £7,000. £11,000 favourable change from month 5 due to identifying a saving within Schools Forum in relation to virtual meetings now being held rather than face to face.
- 1.4. There are no Financial Sustainability Programme (FSP) savings identified within the Dedicated Schools Grant due to this budget being 100% externally funded, however it should be noted that £11,000 of Schools Forum savings have now been recognised due to virtual meetings being held and not incurring any venue and refreshment costs which is in line with the 8 point plan.

2. DSG Deficit Management Plan

Table 2: DSG Adjustment Account

	£'000
DSG Adjustment Account	86,529
DSG High Needs 22/23 deficit	37,289
Total DSG Deficit Reserve	123,818

2.1. The DSG Adjustment Account, which shows the cumulative DSG Deficit as per government guidance, is projected to rise to £123.8 million by the end of 2022/23. This is due to the funding pressure identified of £36.9 million and after management actions of £8.4 million being achieved.

3. Early Years & Childcare services £376,000 underspend

- 3.1. The DSG allocation for Early Years' Summer term is based on January 2022 census (5/12ths) and will be received in the July settlement. Actuals spent have seen a summer term adverse variance of £21,000.
- 3.2. Funding for the period September 2022 to March 2023 (7/12ths) will be finalised in March 2023 and based on the January 2023 census. Payments for Autumn and Spring terms will be based on future headcounts and therefore we can only estimate variances as both funding (budget) and actuals (eligible children/take up) will change. Estimates are based on either summer term expenditure or budgeted demand as appropriate. In previous years there has been a favourable variance for the early part of the academic year as take up in the Autumn is often at its lowest.
- 3.3. Individual SEN payments for the summer term were £413,000, up 11% on the Summer 21 term. Autumn and Spring term forecasts is based on last years spend increased by 11%. The budget overall is forecast to overspend by £568,000 but savings under targeted deprivation, disability access fund and trajectory funding can all be used towards this pressure.
- 3.4. Ringfenced carry forwards from 2021/22 underspends of Pupil Premium and Disability Access Fund have now been included in the budgets and are being managed to ensure that all funds are utilised in this current financial year.
- 3.5. Since month 5, £268,000 favourable change. Final summer adjustment payments now made in October and deprivation and SEN for Summer paid out which allows us to better understand our summer position and how we may forecast for Autumn and Spring. Forecasts are still at risk to change at outturn however as income and take up will not be confirmed for these remaining 7 months until early April.

4. High Needs

- 4.1. The High Needs Block continues to remain under significant pressure and is forecasting to overspend by £37.3 million, which is an adverse change of £2.8 million since month 5.

Table 3: Summary of High Needs budgets and forecast position as at Month 6

	Budget	Mth 6	Deficit /	Ring fenced		Movement
	£'000	£'000	(Surplus)	C/fwd	Variance	Previous Mth
	£'000	£'000	Balance	£'000	£'000	£'000
Alternative Provision	3,650	3,748	98	0	98	88
Children in Care and Exclusions	1,763	1,763	0	0	0	0
Improved Outcomes Disadvantaged Children	1,685	1,548	(137)	0	(137)	(115)
Inclusion	211	211	0	0	0	0
Nursery Plus	1,164	1,201	37	0	37	4
Safeguarding Every Learner	203	220	17	0	17	16
SEN Mainstream	22,700	23,407	707	0	707	753
FE Colleges	3,410	3,410	0	0	0	0
SEN Services	933	902	(31)	0	(31)	2
SEN 100 Project	969	969	0	0	0	0
Maintained & Academy Special Schools	39,534	39,227	(307)	0	(307)	92
Hospital Education Services	827	827	0	0	0	0
Recoupment	2,231	2,231	0	0	0	0
Other Special School Fees	47,627	52,470	4,843	0	4,843	2,052
Support Centre Funding	2,237	2,074	(163)	0	(163)	(41)
Total High Needs Funding	129,144	134,208	5,064	0	5,064	2,851
DSG High Needs 22/23 deficit budget prep	(32,225)	0	32,225		32,225	0
Total High Needs budget	96,919	134,208	37,289	0	37,289	2,851

Alternative Provision

- 4.2. Alternative Provision (AP) is currently showing an overspend of £98,000 due to AP Other provision pressure of £222,000 which is mainly due to an increase in EHCP refusals leading to medical referrals.
- 4.3. The overspend has been offset in part by an underspend within the commissioning contract due to the number of pupils being at 146 compared to the 150 budgeted.

- 4.4. Additional 39 AP Medical commissioning placements were built into the 2022/23 budget (129 in total); however, pupil numbers are currently at 115 and will remain at this level. This is resulting in a combined contract underspend of £148,000.
- 4.5. Diabetes funding is reporting £24,000 overspend due to additional 4 children requiring support. Health contributions need to be explored to support this cost to the High Needs Block.
- 4.6. £88,000 adverse change due to increase in Diabetes funding being paid to schools and AP Wave main contract NOR increase from 141 to 146 for the financial year.

Improving Outcomes Disadvantaged Children

- 4.7. Improving outcomes for disadvantaged children are reporting an underspend of £137,000 due to staff vacancies within the SEND teams that have TUPE'd from Babcock.

Nursery Plus

- 4.8. Nursery Plus are reporting an overspend of £37,000 which is mainly in relation to increase in staffing costs across all settings.
- 4.9. Nursery Plus statistics have been requested for each setting to compare the running costs of each setting with the number of children being supported, this data is expected to be available for month 7.

SEN Mainstream

- 4.10. This covers personalised education packages and EHCPs as well as the central SLAs which support them.
- 4.11. Mainstream EHCPs (pre-16) are reporting an overspend of £744,000 and assumes remaining Management Action of £346,000 will be achieved in this financial year. EHCP numbers are currently below the budgeted average 2,425 (vs 2,593 budgeted), resulting in a saving of £395,000, however there is a backlog of funding requests which are currently being dealt with which may result in an increase in funding after allowing for growth within the budget.
- 4.12. Shortfall funding is reporting an overspend of £685,000 due to increased demand and the change in the 2022/23 AEN funding formula in School Budget Share for Academies not being realised until September 2022.
- 4.13. £262,000 overspend for interim payments where an EHCP has not been issued within 20 weeks and £202,000 other funding pressures for prior year funding.

- 4.14. SEN Therapy is reporting an underspend of £84,000; this is in relation to reduced forecast for direct therapy support costs of £158,000 offset by the Multi-Sensory Impairment (MSI) quarter 4 accrual for 2021/22 being lower than the actual invoice received and unbudgeted staffing costs totalling £73,000.
- 4.15. Children Educated Other than at School is reporting a combined overspend of £47,000 and includes Home Educated Personalised budgets and Tutoring Specialist provision. Appendix B details the price/volume variance analysis

Maintained and Academy Special Schools

- 4.16. The average numbers on roll including Plus Packages and Exceeded places are forecast at 1,632 (vs 1,637 budgeted). Plus Packages and Exceeded places are 14.33 above budget resulting in an overspend of £231,000, however this has been offset by a reduction in top up of 19 places and a saving of £239,000.
- 4.17. Place funding has been reduced by 14 due to capacity limitations at Southbrook and ACE Tiverton resulting in savings of £68,000.
- 4.18. An uplift of 2.75% in the top up funding rate has been budgeted for and has been agreed by SENTient.
- 4.19. A review of residential funding has been completed which has resulted in the number of placements reducing at Orchard Manor due to not being required and an increase in funding for Marland residential school for additional staffing, this has resulted in a net saving of £190,000.
- 4.20. Forecast assumes an increase in joint funding income of £69,000 and £1.5 million of Management Action will be achieved in this financial year.
- 4.21. Adverse change of £92,000 since month 5 is due to a reduction in top up funding offset by split site funding being agreed for The Promise School and overpayment by ESFA for ACE Tiverton.

Other Special Schools Fees

- 4.22. The Other Special Schools budget includes Safety Valve Management Action of £8.1 million of which £6.5 million is forecast to be achieved in this financial year (£3.2 million achieved to date). £1.6 million will not be achieved in this financial year and relates to; £878,000 delay in the additional 8 resource bases not opening in September 2022, forecast assumes these will now open in full from January 2023. £742,000 will not be achieved for Post 16 cessation of 3–5-year placements in the summer term, management action assumed 73 placements would end in July 2022 of which 44 have been identified.
- 4.23. The current placements forecast to March 2023 is 1,182 (after Management Action) which is 36 above budgeted for the year resulting in an adverse volume variance of £1.3 million, we are continuing to see rises in the average placement cost within SOLE funded placements resulting in an adverse price variance of £2.01 million.

- 4.24. There have been 207 new starters in this academic year compared 165 budgeted and the number of leavers are lower than budgeted (including those through Management action) resulting in continued growth in this sector. Of the new starters, 56% have come from mainstream settings 41% are within transitional years (Yr. 7 & Y 12), we have also seen 29 placements move between Independent Schools of which 15 are now in more expensive placements.
- 4.25. £200,000 pressure for Miscellaneous costs which is in relation to one off additional cost for placements.
- 4.26. The forecast includes Teacher Pay & Pension Grant of £285,000, which will not be distributed to settings as these costs are already included in the core offer and reflected in placement costs, resulting in a saving to the independent budget.
- 4.27. We are continuing to see increasing requests from providers for inflationary rise to their current placement costs, each of these are reviewed and where fee increases are over and above 2.75%, a letter has been sent to these providers explaining this will be the offer from the Local Authority. The forecast has allowed for an inflationary increase and forms part of the above price variance.

Support Centres

- 4.28. Support centres are forecasting to underspend by £163,000 which is due to the additional centres planned from September 2022 being delayed to at least January 2023. This cost reduction to the budget is offset in part by the increased top-up values from £7,000 to £9,000 per place. A review of how support centres will operate in the future is currently being undertaken which may result in a redirection of support centre funding.

5. Safety Valve Investment

Table 4: Safety Valve staffing investment

Workstream Team	No of Staff	22/23 Staffing Investment £'000	Appointments to date	Further Planned Appointments	22/23 forecast £'000	Current RAG rating
4.5 Prevention of more Complex Support						
Team Around the School	7	385	0	7	206	●
Special Teachers - Curriculum	21	1,228	0	21	652	●
Education Key Workers	9	281	4	5	157	●
SEN Caseworkers	12	495	8	4	542	●
4.6 Transition to Adulthood						
Transition to Adulthood	6	263	3	3	156	●
	55	2,652	15	40	1,713	

- 5.1. Forecasting to spend £1.7 million of the £2.7 million allocated as we are expecting to see most staff to be supporting workstreams by October 2022 for the new academic year and includes the one-off ICT costs.

- 5.2. Pay awards for both Teachers and NJC staff will need to be factored into the above forecast once agreed.
- 5.3. Team Around the School and Special Teachers are both expected to be starting in the new academic year from October 2022. Discussions are taking place around the staffing to be met from Babcock staff who have TUPE'd back into the authority. The costs reflect the part year affect.
- 5.4. Education Key Workers posts have been approved with funding identified, currently 4 posts have been appointed to with the remaining 5 in the process of being recruited to.
- 5.5. SEN caseworkers are being recruited by external agency companies, currently there are 8 caseworkers in post, two did start but have subsequently left, forecast assume there will be 12 caseworkers in post for a 6-month period. Costs have increased due to a combination of day rates increasing and realignment of level of staff required to manage teams and caseloads.
- 5.6. There is a risk of slippage of Management Action savings being achieved in this financial year if there are further delays in workstream teams being set up and posts recruited too.

6. Safety Valve Workstream Savings

Table 5: Management savings / Cost reductions

DSG Management Plan savings / Cost reductions Workstream / Management Action	profile of savings						22/23 Targeted Savings	22/23 Forecast Non Deliverable amount	22/23 Forecast Deliverable amount	Actual savings Achieved	Previous Delivery	Current Delivery
	Summer term Planned	Summer term Actuals	Autumn Term Planned	Autumn Term Actuals	Spring Term Planned	Spring term Actuals	£'000	£'000	£'000	£'000	RAG	RAG
1. New Specialist Provision	0	0	(1,132)	(968)	(160)	0	(1,292)	0	(1,292)	(968)	●	●
4.2 Support Centre Expansion	(720)	(150)	(1,120)	(228)	0	0	(1,840)	878	(962)	(378)	●	●
4.3 SEN 100 Project	(1,153)	0	0	(236)	(489)	0	(1,642)	0	(1,642)	(236)	●	●
4.4 Independent Sector	(1,849)	(1,107)	0	0	0	0	(1,849)	742	(1,107)	(1,107)	●	●
4.5 Prevention of more Complex Support requirements	0	0	(409)	0	(630)	0	(1,039)	0	(1,039)	0	●	●
4.6 Transition to Adulthood	0	0	(1,607)	0	0	0	(1,607)	0	(1,607)	0	●	●
4.7 Other	0	0	(750)	(700)	0	0	(750)	0	(750)	(700)	●	●
Total Management Plan Savings	(3,722)	(1,257)	(5,018)	(2,132)	(1,279)	0	(10,019)	1,620	(8,399)	(3,389)		

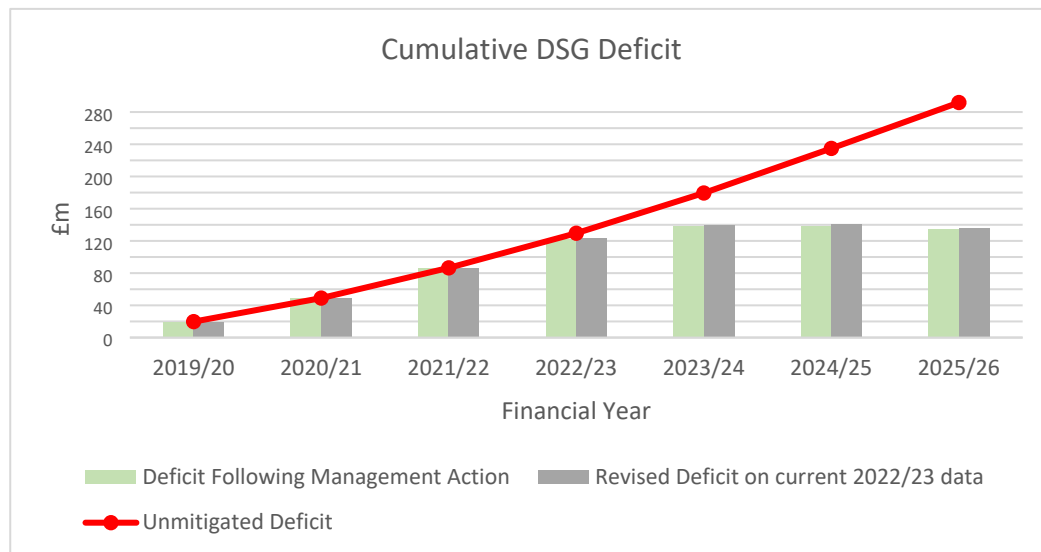
- 6.1. Pupil data has been provided by workstream leads to evidence those who have been supported either during the summer term or taken up a placement within the expanded Maintained and Academy special school places, this has achieved to date, £3.4 million of savings. We are still waiting to receive data from SEN 100 Special Schools workstream lead, therefore no savings have been reported to date against this project.

- 6.2. Of the £10 million savings budgeted, we are currently forecasting that £1.6 million of Management Action will not be achieved in this financial year (impact on Other Special Schools budget) this is due to the delay in the additional 8 resources bases due to open in September 2022 creating additional 64 places being delayed to January 2023 which has resulted in a cost reduction to the Support Centre budget of £331,000. Post 16 ceasing of 3–5-year placements at the end of the summer term, 44 placements have been identified as leaving compared to 73 built into management savings.
- 6.3. The number of children supported within the SEN 100 Specialist Support Assistants project have been higher than originally forecast resulting in additional savings in the Summer term of £82,000, consideration should be given to escalating this project at a faster pace than original profiled.
- 6.4. There is a risk of slippage within the New Specialist Provision and Maintained and Academy Special Schools additional capacity not being available as originally planned, this is due to delays in building works due to supply and demand of materials.
- 6.5. Savings are yet to be identified for both the Prevention of more Complex Support requirements and Transition to Adulthood, it is expected that savings will be realised in the Autumn and Spring term.
- 6.6. Finance meetings are being held monthly with the Interim Special Educational Needs and Disabilities (SEND) Strategic Director to review and discuss the progress of each of these workstreams and whether deep dive of any of the projects are required. It has also been agreed that monthly meetings will be held between the Interim SEND Strategic Director and each of the workstream leads.

7. Impact of cost reduction on overall Deficit

- 7.1. Table 6 shows in red the overall deficit as set out if no action is taken and the budget remains unmitigated. The orange columns show the mitigated position at budget prep and the green columns based on the month 6 position.
- 7.2. The revised deficit is now forecasting to be at £140.6 million by 2024/25 which is £1.6 million over that stated in the Safety Valve Programme.

Table 6: Cumulative DSG Deficit



8. Capital Investment

Table 7: SEN Capital investment – DfE funding

SEN Capital Programme	No of additional places	Investment £'000	22/23 Actual Spend £'000	22/23 Forecast spend £'000	Comments
Ace Tiverton Special School	30	810	613	790	pending approval request, needs budget uplift
Lampard School	60	4,200	513	2207	Roof shown separately under Strategic Schools
Marland Day	40	1,700	(11)	10	
Okehampton Special School	100	11,400	4043	6281	Bid includes DCC land contribution circa £450k value
Orchard Manor Special School, expansion	54	3,100	1041	1296	
South West Devon Special School	120	2,300	24	2296	
	404	23,510	6,223	12,880	

- 8.1. Total investment requirement is £23.5 million with £17 million being funded by the DfE and the remaining contributions being funded by LA contribution and High Needs Provision Capital Allocation. This will create additional 404 places over the next 3 years and is expected to see £6.7 million saving to the High Needs Block.

9. Risks

- 9.1. Changes in Senior Leadership - both within the Service and wider authority could see delays, advances or change in direction to current plans identified.
- 9.2. 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 reduce the call on independent placements is necessary to ensure that we remain within the funding envelope received.
- 9.3. Recruitment and Retention - SEN 0-25 team have 31 posts been agreed since 2021/22, however it has been difficult to recruit and retain these staff. Currently some of these vacancies are being met by agency staff, but this is insufficient for the demands being seen by the service.
- 9.4. Rising costs in fuel and energy may well result in additional charges being passported onto the local authority through higher independent placement costs.
- 9.5. Management actions delayed through increased volumes of requests and placements; new high-cost placements moving into the area; continuation of pandemic impact.

- 9.6. 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.
- 9.7. Quality data being held by the service needs to be made readily available to enable trend analysis and tracking of those placements that have an impact on the Management Plan.
- 9.8. Stakeholder Involvement is key. There is a need to get engagement from the schools and other providers to ensure the mitigation of the identified workstream / projects being achieved. In doing so the levels of EHCPs supported in mainstream settings will increase and therefore reduce the demand currently being seen within the independent sector.

10. Recommendation

- 10.1. It is recommended that DEF:
 - a) Note month 6 DSG monitoring position as set out in this report.
 - b) Note current Safety Valve / DSG management plan position as set out in the report.**All to Note**

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