

## FINANCE UPDATE

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

#### RECOMMENDATIONS

##### It is recommended that DEF:

- a) Note month 8 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 8 (2022/23) – Dedicated Schools Grant

##### Executive Summary

- The month 8 outturn forecast for 2022/23 sees an overspend in the overall Dedicated Schools Grant (DSG) of £40.6 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 £458,000 since month 7 (£3.7 million from month 6).
- 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, £3.9 million of Management Actions have been achieved since the start of the summer term, with a further £2.4 million expected to be achieved totalling £6.3 million in this financial year.
- £3.7 million of savings is currently identified not to be achieved in this financial year due to 55 of the 77 planned 3-5 year placements within the Independent Sector leaving at the end of the summer term, delay in resource base provision placements being occupied / opened, delay in the commencement of the Post 16 and reduction in the expected number of children being supported through the SEN100 Special Schools project. This is projecting a cumulative DSG deficit to March 2023 of £127.2 million increasing to just under £144 million by 2024/25 which is £4.9 million over what has been included in the Safety Valve.
- The Service are looking at projects to escalate or seeking alternative solutions to meet the £3.7 million that is currently deemed unachievable and reviewing all spend to mitigate the in year overspend.
- 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. Action is required now by all stakeholders 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 8 forecast position and significant variations**

Budget projections as at Month 08	Revised Budget for year £'000	Underlying outturn forecast £'000	Management Action pending		Net Outturn forecast £'000	Forecast outturn variance £'000	Analysis of outturn variance		Change from month 7		Change from month 6	
			FSP savings o/s £'000	Non FSP action o/s £'000			Total forecast FSP savings £'000	Underlying forecast outturn variance £'000	Total Forecast FSP savings £'000	Forecast outturn variance £'000	Total Forecast FSP savings £'000	Forecast outturn variance £'000
Schools delegated budgets	225,530	225,530			225,530	0	0	0	0	0	0	(90)
Academy Grants	4,064	4,064			4,064	0	0	0	0	0	0	57
DSG and School Funding	(349,044)	(349,044)			(349,044)	0	0	0	0	0	0	(470)
<b>Total DSG Funding</b>	<b>(119,450)</b>	<b>(119,450)</b>	<b>0</b>	<b>0</b>	<b>(119,450)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(503)</b>
De-delegated budgets	6,090	6,090	0	0	6,090	0	0	0	0	0	0	0
Central School Services Block	4,183	4,184	0	0	4,184	1	0	1	0	21	0	20
Early Years & Childcare Services	41,664	41,605	0	0	41,605	(59)	0	(59)	0	316	0	432
<b>Total DSG central budgets</b>	<b>51,937</b>	<b>51,879</b>	<b>0</b>	<b>0</b>	<b>51,879</b>	<b>(58)</b>	<b>0</b>	<b>(58)</b>	<b>0</b>	<b>337</b>	<b>0</b>	<b>452</b>
High Needs Budget	129,533	140,346	0	(2,403)	137,943	8,410	0	8,410	0	121	0	3,735
DSG High Needs 22/23 deficit budget prep	(32,225)	0	0	0	0	32,225	0	32,225	0	0	0	0
<b>Total High Needs budget</b>	<b>97,308</b>	<b>140,346</b>	<b>0</b>	<b>(2,403)</b>	<b>70,372</b>	<b>40,635</b>	<b>0</b>	<b>40,635</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>3,735</b>
<b>Total Dedicated Schools Grant</b>	<b>29,795</b>	<b>72,775</b>	<b>0</b>	<b>(2,403)</b>	<b>70,372</b>	<b>40,577</b>	<b>0</b>	<b>40,577</b>	<b>0</b>	<b>458</b>	<b>0</b>	<b>3,683</b>
<b>Total</b>								<b>40,577</b>				

1.2. The working budget is inclusive of other schools grants of £41.4 million.

1.3. Reporting a slight overspend, this budget heading includes Termination of Employment Costs, Admissions, Schools Forum, Devon SLS (Phase associations), Insurances and Surplus Properties.

## 2. DSG Deficit Management Plan

**Table 2: DSG Adjustment Account**

	£'000
DSG Adjustment Account	86,529
DSG High Needs 22/23 deficit	40,635
<b>Total DSG Deficit Reserve</b>	<b>127,164</b>

2.1. The DSG Adjustment Account, which shows the cumulative DSG Deficit as per government guidance, is projected to rise to £127.2 million by the end of 2022/23. This is due to the funding pressure identified of £40.6 million and after management actions of £6.3 million.

## 3. Early Years & Childcare services

- 3.1. The DSG allocation for Early Years' Summer term is based on January 2022 census (5/12ths) and was received in the July settlement. The actuals spent against the finalised saw little variation.
- 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 headcount payments have been made but the budget/settlement will change so only reporting £20,000 as offset by the net surplus between the autumn trajectory (contingency) and SEN overspend.
- 3.4. Ringfenced carry forwards from 2021/22 underspends of Pupil Premium and Disability Access Fund are included in the budgets and are being managed to ensure that all funds are utilised in this current financial year.
- 3.5. Since month 7 an adverse change of £316,000 as underspend identified previously should not have been assumed. 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 £40.6 million, which is an adverse change of £121,000 since month 7.
- 4.2. Table 3 sets out the high-level view within the High Needs Block.

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

	Budget £'000	Mth 8 Forecast £'000	Deficit / (Surplus) Balance £'000	Variance £'000	Movement Previous Mth £'000
Alternative Provision	3,650	4,205	555	555	130
Children in Care and Exclusions	1,832	1,832	0	0	0
Improved Outcomes Disadvantaged Children	1,685	1,546	(139)	(139)	(2)
Inclusion	211	211	0	0	0
Nursery Plus	1,164	1,200	36	36	(1)
Safeguarding Every Learner	203	229	26	26	8
SEN Mainstream	22,700	24,469	1,769	1,769	577
FE Colleges	3,410	3,590	180	180	122
SEN Services	933	890	(43)	(43)	(12)
SEN 100 Project	969	969	0	0	0
Maintained & Academy Special Schools	39,727	39,912	185	185	221
Hospital Education Services	827	827	0	0	0
Recoupment	2,231	2,341	110	110	110
Other Special School Fees	47,754	53,968	6,214	6,214	(714)
Support Centre Funding	2,237	1,755	(482)	(482)	(318)
<b>Total High Needs Funding</b>	<b>129,533</b>	<b>137,944</b>	<b>8,411</b>	<b>8,411</b>	<b>121</b>
DSG High Needs 22/23 deficit budget prep	(32,225)	0	32,225	32,225	0
<b>Total High Needs budget</b>	<b>97,308</b>	<b>137,944</b>	<b>40,636</b>	<b>40,636</b>	<b>121</b>

### Alternative Provision

- 4.3. Alternative Provision (AP) is currently showing an overspend of £555,000 due to AP Other provision pressure of £550,000 which is mainly due to an increase in EHCP refusals leading to medical referrals.
- 4.4. The main commissioning contract is overspending by £85,000 due to an increase in the number of special commissioned places totalling £191,000 this is in part is being offset by 144 pupils on roll compared to the 150 budgeted.
- 4.5. Additional 39 AP Medical commissioning placements were built into the 2022/23 budget (129 in total); however, pupil numbers are currently at 123 and will remain at this level. This is resulting in a combined contract underspend of £111,000.
- 4.6. Diabetes funding is reporting £30,000 overspend due to additional 4 children requiring support. Health contributions need to be explored to support this cost to the High Needs Block.

4.7. £130,000 adverse change due to increase in special commission places and AP Medical places within WAVE.

### **Improving Outcomes Disadvantaged Children**

4.8. Improving outcomes for disadvantaged children are reporting an underspend of £139,000 due to staff vacancies within the SEND teams that have TUPE'd from Babcock.

### **Nursery Plus**

4.9. Nursery Plus are reporting an overspend of £36,000 which is mainly in relation to increase in staffing costs across all settings.

4.10. 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 currently being reviewed and analysed.

### **SEN Mainstream**

4.11. This covers personalised education packages and EHCPs as well as the central SLAs which support them.

4.12. Mainstream EHCPs (pre-16) are reporting an overspend of £1.3 million and assumes remaining Management Action of £265,000 will be achieved in this financial year. Overall EHCP numbers are currently below the budgeted average 3,300 (vs 3,472 budgeted), resulting in a saving of £234,000 (after allowing for Management Action achieved), 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.

4.13. Shortfall funding is reporting an overspend of £725,000 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.

4.14. £598,000 overspend for interim payments where an EHCP has not been issued within 20 weeks and £236,000 other funding pressures for prior year funding.

4.15. SEN Therapy is reporting an underspend of £121,000; this is in relation to reduced forecast for direct therapy support costs of £146,000 offset by the Multi-Sensory Impairment (MSI) quarter 4 accrual for 2021/22 being lower than the actual invoice received.

4.16. Children Educated Other than at School is reporting a combined overspend of £558,000 and includes Home Educated Personalised budgets and Tutoring Specialist provision. The Tutoring Specialist Provision is reporting a £507,000 overspend due to the number of pupils now being supported (141 V's 105 budgeted) and the average cost has risen by £1,478.

### **FE Colleges**

4.17. FE Colleges is reporting a overspend of £180,000. The majority of FE Colleges have now submitted their new academic year placements, number of pupils are 14 above budgeted (799 V's 785 budgeted) average top up is £146 above the budgeted value resulting a volume variance of £60,000 and price variance of £116,000.

## Maintained and Academy Special Schools

- 4.18. The average numbers on roll including Plus Packages and Exceeded places are forecast at 1,652 (vs 1,637 budgeted). Plus Packages and Exceeded places are 25.5 above budget resulting in an overspend of £313,000, however this has been offset by a reduction in top up of 10 places and a saving of £113,000.
- 4.19. Place funding has been reduced by 14 due to capacity limitations at Southbrook and ACE Tiverton resulting in savings of £157,000.
- 4.20. An uplift of 2.75% in the top up funding rate has been budgeted for and has been agreed by SENTient.
- 4.21. 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.
- 4.22. Forecast assumes an increase in joint funding income of £24,000 and £1.1 million of Management Action will be achieved in this financial year. £332,000 of the SEN 100 Special Schools project will not be realised due to the reduced number of pupils being supported.
- 4.23. Adverse change of £221,000 since month 7 is due to a reduction Management Action savings of £332,000 offset by savings in top up funding and increase joint funding contribution.

## Other Special Schools Fees

- 4.24. The Other Special Schools budget includes Safety Valve Management Action of £8.1 million of which £4.6 million is forecast to be achieved in this financial year (£3.7 million achieved to date). £3.5 million will not be achieved in this financial year and relates to;
- £1.4 million current hold on additional resource bases which were due to open in Sept.
  - £347,000 Post 16 cessation of 3–5-year placements in the summer term, management action assumed 73 placements would end in July 2022 of which 55 have been identified.
  - £1.6 million Transition to Adulthood savings will not be realised in this financial year.
  - £268,000 Outreach Support – Special Schools, reduction in the number of children being supported
- 4.24.1.1. (£65,000) over achievement of Outreach Support - Babcock
- 4.25. The current placements forecast to March 2023 is 1,162 (after Management Action) which is 10 above budgeted for the year resulting in an adverse volume variance of £26,000, we are continuing to see rises in the average placement cost within SOLE funded placements resulting in an adverse price variance of £2.9 million.
- 4.26. There have been 220 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, 52% have come from mainstream settings and predominantly are within transitional years (Yr. 7 & Y 12).
- 4.27. £300,000 pressure for Miscellaneous costs which is in relation to one off additional cost for placements.

- 4.28. 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.
- 4.29. 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.
- 4.30. All spend is currently being reviewed within Other Special Schools to mitigate the growing demand in this sector.

### Support Centres

- 4.31. Support centres are forecasting to underspend by £482,000 which is due to the additional centres planned from September 2022 not opening in this financial year. 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. 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
<b>4.5 Prevention of more Complex Support</b>						
Team Around the School	7	385	0	7	173	●
Special Teachers - Curriculum	21	1,228	0	21	549	●
Education Key Workers	9	281	4	5	123	●
SEN Caseworkers	12	495	7	4	538	●
<b>4.6 Transition to Adulthood</b>						
Transition to Adulthood	6	263	3	3	156	●
	<b>55</b>	<b>2,652</b>	<b>14</b>	<b>40</b>	<b>1,540</b>	

- 5.1. Forecasting to spend £1.5 million of the £2.7 million allocated, there have been issues with recruiting staff into some of these roles and there could be further risks in appointments with the current recruitment freeze in place. Forecast costs include one-off ICT costs.

- 5.2. Team Around the School and Special Teachers have commenced with existing staff who have transferred in from Babcock being utilised, meetings have been held during November to progress these projects. The costs reflect the part year affect.
- 5.3. Education Key Workers posts have been approved with funding identified, currently 4 posts have been appointed to with one starting in January, there have been difficulties filling the remaining 5 roles with one of reason being the grade of the posts, it's not expected that these will be filled in this financial year.
- 5.4. SEN caseworkers are being recruited by external agency companies, currently there are 7 caseworkers in post, there are caseworkers which have been appointed to support the backlog team however, due to recruitment issues within the main 0-25 team they are being transferred to backfill vacant roles. Costs have increased due to a combination of day rates increasing and realignment of level of staff required to manage teams and caseloads.
- 5.5. 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. 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)	1,360	(480)	(378)	●	●
4.3 SEN 100 Project	(1,153)	0	0	(390)	(489)	0	(1,642)	364	(1,278)	(390)	●	●
4.4 Independent Sector	(1,849)	(1,502)	0	0	0	0	(1,849)	347	(1,502)	(1,502)	●	●
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)	1,607	0	0	●	●
4.7 Other	0	0	(750)	(700)	0	0	(750)	0	(750)	(700)	●	●
<b>Total Management Plan Savings</b>	<b>(3,722)</b>	<b>(1,652)</b>	<b>(5,018)</b>	<b>(2,286)</b>	<b>(1,279)</b>	<b>0</b>	<b>(10,019)</b>	<b>3,678</b>	<b>(6,341)</b>	<b>(3,938)</b>		

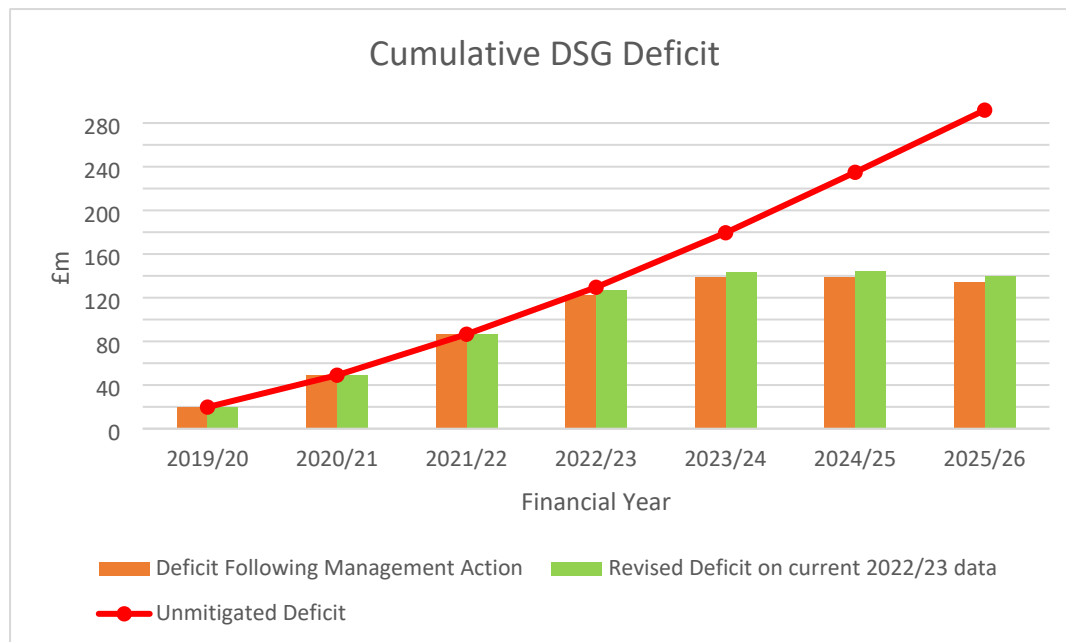
- 6.1. Pupil data has been provided by workstream leads to evidence those who have been supported either during the summer term or taken up a placement within the expanded Maintained and Academy special school places, this has achieved to date, £3.9 million of savings. We have received limited data from SEN 100 Special Schools workstream which suggests fewer children are being supported than originally planned, therefore a reduction in the anticipated savings is being reported against this project.



- 6.2. Of the £10 million savings budgeted, we are currently forecasting that £3.7 million of Management Action will not be achieved in this financial year which predominately impacts on Other Special Schools budget. There has been a delay in the additional 8 resources bases due to open in September 2022 creating additional 64 places. This whole workstream is currently being reviewed to determine the strategic direction of these bases. There has been a cost reduction to the Support Centre budget of £635,000. Post 16 ceasing of 3–5-year placements at the end of the summer term, 55 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 and Autumn term of £236,000, consideration should be given to escalating this project at a faster pace than original profiled.
- 6.4. Work is taken place within the Post 16 workstreams, however savings will not be realised in this financial year for the Transition to Adulthood.
- 6.5. 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.
- 6.6. Savings are yet to be identified for both the Prevention of more Complex Support requirements, it is expected that savings will be realised in the Autumn and Spring term.
- 6.7. 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. A project officer has now been appointed to provide support in monitoring the management plan.

## 7. Impact of cost reduction on overall Deficit

**Table 6: Cumulative DSG Deficit**



7.1. The graph above 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 8 position.

7.2. The revised deficit is now forecasting to be at £143.9 million by 2024/25 which is £4.9 million over that stated in the Safety Valve Programme.

## 8. Capital Investment

**Table 6: 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	653	765	pending approval request, needs budget uplift
Lampard School	60	4,200	787	2207	Roof shown separately under Strategic Schools
Marland Day	40	1,700	3	10	
Okehampton Special School	100	11,400	5202	6281	Bid includes DCC land contribution circa £450k value
Orchard Manor Special School, expansion	54	3,100	1107	1296	
South West Devon Special School	120	2,300	26	2296	
	<b>404</b>	<b>23,510</b>	<b>7,778</b>	<b>12,855</b>	

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 8 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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