

22 March 2023

Finance Update

Report of the Director of Finance and Public Value and Interim 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 (2022/23) – Dedicated Schools Grant

Executive Summary

- The month 10 outturn forecast for 2022/23 sees an overspend in the overall Dedicated Schools Grant (DSG) of £41.1 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. This is an adverse change of £204,000 since month 9 (£564,000 from month 8).
- 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, £4.2 million of Management Actions have been achieved since the start of the summer term.
- £4.6 million of savings is currently identified not to be achieved in this financial year due to 58 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 £127.7 million which is £5.4 million over what has been included in the Safety Valve
- A SEND Day was held by Senior Leadership Team of the Authority on the 9th February to create a shared understanding and clarity on the strategic response to the current challenges in SEND and to share the understanding of the priorities for the next steps. A gold command team will be set up with initially weekly reporting.
- 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 10 forecast position and significant variations

Budget projections as at Month 10	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 8	
			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
Schools delegated budgets	221,794	221,794			221,794	0	0	0	0	0
Academy Grants	4,056	4,056			4,056	0	0	0	0	0
DSG and School Funding	(344,687)	(344,687)			(344,687)	0	0	0	0	0
Total DSG Funding	(118,837)	(118,837)	0	0	(118,837)	0	0	0	0	0
De-delegated budgets	6,086	6,084	0	0	6,084	(2)	0	(2)	0	(2)
Central School Services Block	4,183	4,184	0	0	4,184	1	0	1	0	0
Early Years & Childcare Services	41,647	41,647	0	0	41,647	0	0	0	0	59
Total DSG central budgets	51,916	51,915	0	0	51,915	(1)	0	(1)	0	57
High Needs Budget	128,941	139,048	0	(1,188)	137,860	8,919	0	8,919	0	507
DSG High Needs 22/23 deficit budget prep	(32,225)	0	0	0	0	32,225	0	32,225	0	0
Total High Needs budget	96,716	139,048	0	(1,188)	137,860	41,144	0	41,144	0	507
Total Dedicated Schools Grant	29,795	72,126	0	(1,188)	70,938	41,143	0	41,143	0	564
Total							41,143			

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	41,144
Total DSG Deficit Reserve	127,673

- 2.1. The DSG Adjustment Account, which shows the cumulative DSG Deficit as per government guidance, is projected to rise to £127.7 million by the end of 2022/23. This is due to the funding pressure identified of £41.1 million and after management actions of £5.4 million.
- 2.2. The management plan has been developed in conjunction with the DfE as part of the Safety Valve Intervention Programme. The DfE template is intended to capture the impact of this plan and to start to reduce the DSG deficit reserve.
- 2.3. Work is required to update the management plan to reflect the current in year pressures and revisit workstreams which are not performing as originally planned, this all needs to be completed in conjunction with Senior Leadership Team (SLT) Gold Command response to SEND.

3. High Needs

Table 3: Summary of High Needs budgets and forecast position as at Month 10

	Budget £'000	Mth 10 Forecast £'000	Variance £'000	Movement Previous Mth £'000
Alternative Provision	3,644	4,232	588	(92)
Children in Care and Exclusions	1,812	1,812	0	0
Improved Outcomes Disadvantaged Children	1,614	1,498	(116)	5
Inclusion	211	211	0	0
Nursery Plus	1,164	1,200	36	0
Safeguarding Every Learner	203	212	9	(1)
SEN Mainstream	22,688	24,577	1,889	(56)
FE Colleges	3,410	3,538	128	(52)
SEN Services	933	911	(22)	1
SEN 100 Project	969	969	0	0
Maintained & Academy Special Schools	39,724	40,406	682	497
Hospital Education Services	827	827	0	0
Recoupment	1,877	1,613	(264)	(374)
Other Special School Fees	47,628	54,102	6,474	260
Support Centre Funding	2,237	1,751	(486)	(2)
Total High Needs Funding	128,941	137,859	8,918	186
DSG High Needs 22/23 deficit budget prep	(32,225)	0	32,225	0
Total High Needs budget	96,716	137,859	41,143	186

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

Maintained and Academy Special Schools

- 3.2. The average numbers on roll including Plus Packages and Exceeded places are forecast at 1,645 (vs 1,637 budgeted). Plus Packages and Exceeded places are 28 above budget resulting in an

overspend of £359,000, however this has been offset by a reduction in top up of 20 places and a saving of £253,000.

- 3.3. Place funding has been reduced by 14 due to capacity limitations at Southbrook and ACE Tiverton resulting in savings of £157,000. A review of residential funding has resulted in a reduction at Orchard Manor, whilst there is a rise at Marland residential school for additional staffing, seeing a net saving of £190,000.
- 3.4. Forecast assumes an increase in joint funding income of £15,000 and £565,000 of Management Action will be achieved in this financial year. £816,000 of the SEN 100 Special Schools project will not be realised due to the reduced number of pupils being supported.
- 3.5. Since month 9 there has been a further overspend of £497,000 due to a reduction in Management Action savings of £483,000 and a delay to ceasing the exceeded place and top up funding of £106,000 savings to April 2023, this is offset in part by other savings in top up funding.

Recoupment

- 3.6. There has been a reduction in costs of £374,000 since month 9 due to the net movement in Other Local Authority recoupment and correction to Other Special Schools Fees for Somerset Independent exports.

Other Special Schools Fees

- 3.7. The Other Special Schools budget includes Safety Valve Management Action of £8.1 million of which £4.1 million is forecast to be achieved in this financial year (£3.8 million achieved to date). £4 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.
 - £259,000 Post 16 cessation of 3–5-year placements in the summer term, management action assumed 73 placements would end in July 2022 of which 58 have been identified.
 - £1.6 million Transition to Adulthood savings will not be realised in this financial year.
 - £647,000 Outreach Support – Special Schools, reduction in the number of children being supported
 - £248,000 Special School capacity – Lampard additional 32 places not available from January 2023
- 3.8. The overspend of £260,000 since last reporting comprises the removal of £628,000 Management Actions for Special School Capacity and Outreach Support not supporting as many as planned. This has been offset in part by a net reduction of 4 placements totalling £248,000 and additional £119,000 actions for additional cessation of 3-5 year placements and Outreach Support Babcock
- 3.9. A commissioning group is currently being set up with officers across the authority who have expertise in commissioning contracts to review the independent special school fees to ensure we are receiving value for money and that fees are in line with the EHCP of the young person placed at the school.
- 3.10. All spend is currently being reviewed within Other Special Schools to mitigate the growing demand in this sector with forward planning of placements for the academic year 2023/24.

4. Risks

- 4.1. Changes in Senior Leadership - both within the Service and wider authority could see delays, advances or change in direction to current plans identified.

- 4.2. 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.
- 4.3. Recruitment and Retention - SEN 0-25 team have had 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.
- 4.4. Rising costs in fuel and energy may well result in additional charges being passported onto the local authority through higher independent placement costs.
- 4.5. Management actions delayed through increased volumes of requests and placements; new high-cost placements moving into the area; continuation of pandemic impact.
- 4.6. 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.
- 4.7. 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.

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 22/23 £'000	Forecast outturn £'000	Variation		Budgeted Unit cost £	Forecast Unit cost £	Variation £	Month 10			Month 9		Change to Mth 9		Month 9	
	Budgeted 22/23	Month 10	Variation	%			£'000	%				Price Var £'000	Vol Var £'000	Total Var £'000	Price Var £'000	Vol Var £'000	Price Var £'000	Vol Var £'000	No of FTE Pupils	Change to Mth 9 Pupils
Top ups	150	144	(6)	(4.2%)	1,943	2,072	129	6.6%	12,953	14,389	1,436	207	(78)	129	205	(78)	2	0	144	0
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	39	33	(6)	(18.2%)	721	610	(111)	(15.4%)	18,487	18,485	(2)	(0)	(111)	(111)	(37)	(74)	37	(37)	35	(2)
AP WAVE Special Commission	13	27	14	51.9%	75	234	159	212.0%	5,761	8,667	2,906	78	81	159	90	69	(12)	12	25	2
AP Other [Non-WAVE]	92	147	55	37.4%	268	1,008	740	276.1%	2,913	6,857	3,944	580	160	740	569	64	11	96	114	33
Alternative Provision	384	441	57	12.9%	4,627	5,544	917	19.8%	58,115	66,398	8,283	865	52	917	827	(18)	38	71	408	33
Personalised Packages	91	87	(4)	(4.4%)	1,324	1,337	13	1.0%	14,577	15,368	791	69	(56)	13	93	(70)	(25)	15	86	1
Home Tutoring	105	180	75	41.7%	868	1,468	600	69.1%	8,267	8,156	(111)	(20)	620	600	(56)	653	36	(33)	184	(4)
Educated Other than at School	196	267	71	26.7%	2,192	2,805	613	28.0%	22,843	23,523	680	49	564	613	37	583	11	(18)	270	(3)
Mainstream Provision (pre 16)	2,593	2,417	(176)	(7.3%)	8,862	8,301	(561)	(6.3%)	3,418	3,434	17	41	(602)	(561)	39	(602)	1	0	2,417	0
Mainstream Provision (pre 16) Plus Packages	879	884	5	0.6%	9,342	9,480	138	1.5%	10,628	10,724	96	85	53	138	98	96	(13)	(43)	888	(4)
Mainstream	3,472	3,301	(171)	(5.2%)	18,204	17,781	(423)	(2.3%)	14,046	14,158	113	125	(548)	(423)	137	(506)	(12)	(43)	3,305	(4)
Further Education	785	820	35	4.3%	3,410	3,538	128	3.8%	4,344	4,315	(29)	(24)	152	128	116	60	(141)	93	799	21
Top Ups	1,611	1,590	(20)	(1.3%)	20,676	20,423	(253)	(1.2%)	12,838	12,842	5	8	(260)	(252)	14	(127)	(6)	(133)	1,601	(10)
Exceeded Places	0	12	11.83	100.0%	0	118	118	100.0%	10,000	10,000	0	0	118	118	0	108	0	11	11	1
Plus Packages	26	43	16.50	38.8%	372	613	241	64.8%	14,308	14,415	107	5	236	241	(6)	211	10	25	41	2
Maintained & Academy Special Schools	1,637	1,645	8	0.5%	21,048	21,154	106	0.5%	37,145	37,258	112	13	94	107	8	191	4	(97)	1,652	(8)
Sole Funded	1,115	1,126	11	1.0%	52,329	55,863	3,534	6.8%	46,413	49,128	2,715	3,058	530	3,588	3,244	1,021	(186)	(491)	1,137	(11)
Joint Funded	23	19	(4)	(23.2%)	2,736	1,728	(1,008)	(36.8%)	131,109	108,717	(22,392)	(418)	(568)	(986)	(493)	(535)	75	(33)	19	(0)
Adults	12	5	(7)	(143.9%)	633	516	(117)	(18.5%)	63,406	103,695	40,289	198	(449)	(251)	198	(449)	0	0	5	0
Virtual School	2	0	(2)	(1076.5%)	20	2	(18)	(90.0%)	10,000	10,000	0	0	(18)	(18)	0	(10)	0	(8)	1	(1)
Independent Special Schools	1,152	1,150	(2)	(0.2%)	55,718	58,109	2,391	(5.9%)	250,928	271,540	20,612	2,838	(505)	2,334	2,949	27	(111)	(532)	1,162	(12)
Resource Bases (Topup)	133	77	(56)	(72.2%)	933	811	(122)	(13.1%)	6,998	10,476	3,478	269	(391)	(122)	302	(391)	(33)	0	77	0
Reported Forecast Outturn 2022/23	7,625	7,624	(2)	(0.0%)	105,199	108,931	3,732	3.5%				3,866	(190)	3,676	4,075	336			7,596	28