

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 3rd May 2018
 Subject: **Budget Monitoring Report 2017-18 DSG Services**
 Period: Period 2017/18 Year end outturn report May 2018

1) Background

The Council's corporate budget monitoring timetable requires each Group to report its forecast outturn position each month. This report is based on the actual year end information for 2017/18.

Although the DSG position is included in Corporate Management Team and Cabinet reports it is unlikely that elected members will be overly concerned as this is outside the SBC General Fund and is essentially an issue for the Head of Education and his leadership team to manage in consultation with the Finance Team and Schools Forum.

A summary of how the 2017-18 DSG has been allocated is provided below. The 30 hours implementation grant is now included in the budgets for the DSG allocation and 3 & 4 year old nursery entitlement.

Table 1 – DSG 2017-18 Overview

	£m	£m
<u>Delegated</u>		
Maintained Mainstream schools	43.164	
Maintained Specialist settings (Special Schools and SRP's)	7.854	
Maintained Specialist Settings - £0.510m ESFA Post 16 funding	(0.510)	
Academy Mainstream Recoupment	82.597	
Academy Specialist settings (Special Schools and SRP's) Recoupment	2.147	
Post 16 Transfer for FE Colleges	1.484	
Commissioned Services	1.034	
		137.769
<u>Centrally retained for provision</u>		
Disadvantaged 2 year old nursery places	2.059	
Free Nursery Entitlement 3 & 4 year olds (<i>incl. 30 hrs £1.351m</i>)	11.574	
In Year Pupil Growth	0.580	14.213
<u>High Need SEN</u>		
Portage, SEN equipment, Therapeutic services etc.	0.809	
SBC top ups – mainstream settings	11.882	
HN Contingency	0.065	
Tuition Service	0.881	
Out of Borough placements	2.407	
Post 16 provision (new responsibilities)	1.875	
Exclusions income	(0.335)	17.582
<u>Centrally retained to cover SBC and other costs</u>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	1.551	1.551
		33.346

Total DSG Allocation (including Early Years Pupil Premium of £0.128m)

171.115**2) High Risk Areas and Latest Projections**

Commentaries on all the main variances have been identified and those areas of the budget, which are inherently high-risk, and therefore have the potential to significantly affect the overall position, are provided below.

Table 2 – Latest Budget Monitoring Position				
Item	Notes	Budget 2017-18 £'000	Actual Variance for year £'000	Projected Variance Feb 18 £'000
<u>High-Risk Areas</u>				
2 year old nursery place funding	2	2,059	(222)	(180)
Free nursery education 3 & 4 year olds	3	11,574	(462)	(389)
High Needs Top ups	4	11,882	462	358
Notional SEN supplements (Mainstream)		400	0	0
External Placement Fees	5	2,407	(125)	0
HN Contingency	6	65	61	44
Post 16 HN Provision - New Responsibilities	7	1,875	(416)	(393)
School Exclusions / Dual registrations	8	(335)	(66)	(80)
Tuition Service	9	881	(114)	(63)
Schools Equal Pay Claims		31	0	0
Subtotal High Risk Areas		30,838	(882)	(703)
Other Low risk retained budgets	10	2,508	132	55
Total Retained Budgets		33,346	(750)	(648)
Maintained School Budgets (Mainstream)	11	43,164	(123)	(123)
Maintained School Budgets (Specialist Settings)		7,854	(5)	(5)
Commissioned Services		1,034	(0)	(0)
ESFA 6 th Form Place Funding		(510)	0	0
Total DSG School Budgets		51,541	(128)	(128)
Total DSG Expenditure Budgets		84,888	(878)	(776)
Mainstream Academy budgets for recoupment		82,597	0	0
ESFA direct funding of HN places	12	2,147	104	104
ESFA direct funding of Post 16 transfer FE Colleges		1,484	0	0
Total DSG Budget		171,116	(774)	(672)
DSG Funding allocation receivable	1	(84,888)	533	668
DSG Funding recouped ESFA for Academies		(82,597)	0	0
DSG Funding recouped ESFA for HN places	1	(2,147)	(104)	(104)
ESFA Post 16 transfer FE Colleges		(1,484)	0	0
Total DSG Funding Budgets		(171,116)	429	564

Total DSG Forecast		0	(345)	(108)
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The Leadership Team is asked to note the risk areas above and the actual outturn position, £0.345m below budget, will be reported to Corporate Management Team this month.

The main reasons for the variances from budget are provided below:

Note 1) DSG Funding Receivable
Budget allocation

£0.534m decreased funding

The budgeted DSG allocation is **£171.116m** including funding for Early Years Pupil Premium and an estimate of the DSG based on January 2017 and January 2018 census for 2 year olds and 3 & 4 year olds. As reported in previous years the LA budgets for the full DSG allocation from the Education and Skills Funding Agency (ESFA) but the actual cash received is the DSG allocation less Academy Recoupment, High Need places funded directly by the ESFA and ESFA Post 16 Transfer for Further Education Colleges, new for 2017-18. The budgeted DSG receivable is **£84.888m**.

Actual receipt

As reported previously and at **(A)** in table 3 below, after allowing for academy recoupment and ESFA Direct funding of HN places in Pre and Post 16 the 2017-18 DSG expected to be received is **£84.352m**, an overall variance in funding in 2017-18 of **£0.537m** when compared to budget. This reduction in funding is due to lower than anticipated census data for Early Years pupils for 2 year olds **£0.276m** (note 2) and 3 & 4 year olds **£0.468m** (note 3), which is partially offset by an increase in take up of 30 hour places (**£0.317m**) (note 3).

Included in the variance is **£0.104m** due to a late notification from the ESFA that the LA needs to fund the Element 2 for 26 places at a provision in a different local authority (note 12), which reduces the value of the DSG funding receivable.

The ESFA have finalised the January 2017 spring census and the final numbers for 2 year olds were slightly higher than anticipated and for 3 & 4 year olds were slightly lower than anticipated at year end leading to the receipt of an additional **£0.003m**. As shown at **(B)** in Table 3 below, the total DSG expected to be received is **£84.355m**, an overall adverse variance of **£0.534m** when compared to the DSG budget allocation.

<u>Table 3 – 2017-18 DSG receivable</u>			
Allocation	Budget £m	Expected £m	Variance £m
ESFA's DSG Allocation	(157.482)	(157.479)	0.003
ESFA DSG Early Years for 2 year olds	(2.059)	(1.783)	0.276
ESFA DSG Early Years for 3 & 4 year olds	(10.039)	(9.609)	0.430
ESFA DSG Early Years 30 Hours implementation	(1.351)	(1.668)	(0.317)
EFA DSG Early Years Disability Access Fund	(0.055)	(0.052)	0.004
ESFA DSG Early Years Pupil Premium	(0.129)	(0.093)	0.036
Total DSG allocation	(171.116)	(170.684)	0.433
Less Academy recoupment	82.597	82.597	0.000
Less ESFA Direct Funding of High Need places	2.147	2.251	0.104
Less ESFA Transfer for Post 16 FE Colleges	1.484	1.484	0.000
(A) DSG receivable 2017-18	(84.888)	(84.218)	0.537

Early Years Spring 17 Census 2 yr olds	0.000	(0.011)	(0.011)
Early Years Spring 17 Census 3 & 4 yr olds	0.000	0.009	0.009
Early Years Spring 17 census Pupil Premium	0.000	(0.001)	(0.001)
(B) DSG expected to be received in year 17-18	(84.888)	(84.355)	0.534

**Note 2 – Disadvantaged two year old nursery funding £0.222m Decreased expenditure
£0.276m Decreased funding**

The cost of the actual take up of 2 year old places was **£0.222m** lower than the budget of £2.059m in line with fewer places taken up overall than budgeted in the January 2018 pupil census.

The funding is based on the actual pupil numbers at the spring census 2017 (5/12ths) and spring census 2018 (7/12ths). The confirmed spring 2017 census numbers were lower than anticipated and in the draft spring 2018 census the numbers had decreased further so the funding forecast was recalculated for year end. The ESFA will not confirm the funding until July 2018 so the actual funding expected for 2017-18 is an estimate. Funding for early years is now calculated on the number of part time equivalents rather than full time equivalents.

Table 4 – Early Years 2 year old 2017-18 DSG Funding		
	2017-18 Budget	2017-18 Projection
January 2017 Census PTE (5/12) (confirmed)	679	600.00
January 2018 Census PTE (7/12)	679	579.32
Full Year Equivalent	679	587.94
2 year old funding rate per PTE	£3,032.40	£3,032.40
Total DSG receivable	£2,059,000	£1,782,860
Variance		(£276,139)

The estimated net decrease in 2 year old pupils of 91.06 PTE will also result in a **£0.276m** reduction of DSG.

**Note 3 – Free nursery education (3 & 4 year olds): £0.462m Decreased expenditure
£0.468m Decreased funding
£0.317m Increased funding 30 hours**

The 2017-18 actual position for 3 & 4 year olds is **£0.462m** lower than budget.

This element of DSG is based on participation and the LA anticipates that along with the decrease in expenditure there will also be a decrease in the amount of Dedicated Schools Grant receivable as the PTE numbers were lower than budgeted in the recent spring census, resulting in **£0.430m** reduced DSG.

The budget and actual expenditure for 3 & 4 year olds includes £1.351m for the 30 Hours Early Implementer scheme, the numbers of pupils taking up 30 hour places is higher than anticipated, increasing the expenditure but also the funding received for this element. The Pupil Premium expected to be paid through the 3 & 4 year olds budget is **£0.093m** which is £0.036m below budget.

At 17th January Schools Forum it was agreed that £0.350m of Early Years retained funding could be used to create places, this funding was not paid to providers by 31st March and therefore forms part of the underspend. It will be paid to providers during the 2018/19 financial year.

The ESFA will not confirm the funding until July 2018 so the funding projection is still provisional. Early Years DSG is calculated based on 5/12ths of the confirmed January 2017 census and 7/12ths of the January 2018 Early Years Census. The latest DSG calculation compared to the 2017-18 budget agreed by Schools Forum is summarised below.

Table 5 – Early Years 3 and 4 year old 2017-18 DSG Funding		
	2017-18 Budget	2017-18 Projection
January 2017 Census PTE (5/12) (confirmed)	3,880	3,733.20
January 2018 Census PTE (7/12)	3,880	3,700.56
Full Year Equivalent number of PTE	3,880	3,714.21
3 and 4 year old funding rate	£2,587.00	£2,587.00
Subtotal DSG receivable	£10,037,600	£9,608,666
Disability Access Fund	£55,300	£51,650
Early Years Pupil Premium	£128,500	£92,805
Total DSG receivable	£10,221,400	£9,753,121
Variance		(£468,279)

The estimated net decrease in early years' pupils of approximately 165.79 PTE will result in £0.429m reduction in DSG, when considered with the variances on the Disability Access Fund £0.004m and Early Years Pupil Premium £0.036m, the DSG funding is expected to be **£0.468m** less than budgeted.

Table 6 – Early Years 3 and 4 year old 30 hours 2017-18 DSG Funding		
	2017-18 Budget	2017-18 Projection
Prior to Sept 17 it was Early Implementer Grant	0.00	0.00
January 2018 Census (7/12)	895.48	1,105.51
Full Year Equivalent	522.36	644.88
3 and 4 year old funding rate	£2,587.00	£2,587.00
Total DSG receivable	£1,351,315	£1,668,306
Variance		£316,991

The take up of 30 hour places has increased by 210.03 places for the September to March period and this will result in the receipt of an additional **£0.317m** of DSG as per Table 6 above.

Note 4 – High Needs Top ups:

£0.462m Pressure

The expenditure for the year was **£0.462m** above budget. There have been a number of adjustments to both the bandings and number of pupils supported in mainstream and special provisions. There has also been additional expenditure with a psychological service and

additional Alternative Provision costs for permanently excluded pupils, resulting in a net increase of £0.073m in HN top ups since last month.

Note 5 – External placements:
budget

£0.125m

Below

The final position following adjustments to some placements and decisions about the share of costs for a small number of external placements was £0.125m below budget.

Note 6 – High Needs Contingency:

£0.061m Pressure

During the 2017-18 budget setting process Schools Forum agreed that a contingency of £0.065m would be held to cover additional high need top up and external placements costs. **£0.104m** was used to support a school in financial difficulty with Alternative Provision for some of its pupils and provide educational and leadership support. Schools Forum agreed £0.022m of support for this school and this is included in the pressure above. There is no remaining budget to offset the pressure in high Needs Top ups £0.462m (note 4) although the External Placement fees budget was £0.125m below budget (note 5). There is an overall pressure between the three budgets of £0.398m.

Note 7 – Post 16 HN Provision:

£0.416m Below budget

During the year there has been recoupment of bespoke funding from a provider. The final position for Post 16 provision has updated now that the impact of the new academic year intake has been assessed and the outturn position was **£0.416m** below budget.

Note 8 – School Exclusions:

£0.066m Above budget

As reported previously during the previous and current academic year Swindon has experienced a high rate of permanent exclusions and this has generated significantly higher levels of income than anticipated £0.153m, however short term placements are reducing (£0.087m), resulting in a favourable outturn position of **£0.066m** below budget.

Note 9 – Tuition Service:

£0.114m Below budget

Saving as project commitment reduced from full to part year **£0.012m** and an unspent contingency and reduced **£0.020m**. Reduction in demand for home tutors and agency staff combined with staff leavers increases the favourable position by **£0.082m**.

Note 10 – Low risk budgets:

£0.132m Above Budget

The main variances are pressures in The Oakfield Project for the 2017/18 academic year and historical deficit **£0.194m** as agreed by Schools Forum, pressure on Business Rates (NNDR) payable for nursery buildings that have been taken over by maintained schools **£0.017m** plus net minor variances **£0.071m** following the maintained schools year end. Partially offsetting the pressures are savings in Pupil Growth (Trigger Funding) payments **£0.057m**, the pooled equipment budget **£0.036m** and Admissions **£0.057m**.

Note 11 – School Budgets (Mainstream):

£0.123m Below Budget

The ESFA have confirmed the recoupment adjustment for pupil growth, a saving of **£0.123m**.

Note 12 – ESFA recoupment for academies and HN places:

£0.104m Pressure

The ESFA have recouped Element 2 funding to pay directly to a High Needs setting, the LA was informed of this in March 2017 **£0.104m**.

The Leadership Team is asked to note the actual out-turn position.

3) DSG Balance

In accordance with DfE grant conditions the DSG must be treated by the LA as being ring fenced for specified educational purposes and, in addition to consulting the Schools Forum on how each year's grant is allocated, the Forum must also be advised on any year end surplus or deficits. The forecast year end position incorporates an agreement made at the July 2017 Schools Forum and is as follows:

Table 7 – DSG Balance	Latest Position
Opening DSG balance brought forward from 2016-17	£0.568m
Plus year-end position (see table 2, including Support to St Luke's School (Schools Forum July 2017))	£0.345m
Actual DSG balance total	£0.913m
Agreed Early Years expenditure (Schools Forum January 2018)	(£0.350m)
Actual DSG balance unallocated	£0.563m

At the 4th July Schools Forum meeting, the Schools Forum representatives agreed a one off use of £0.022m of the DSG brought forward balance to support St Luke's School. At 17th January Schools Forum, representatives agreed the use of £0.350m of Early Years retained funding to create places following the Childcare Sufficiency Assessment. This funding was not paid out before year end and therefore forms part of the total balance carried forward, after allowing for this funding the unallocated DSG balance is £0.563m.

The Leadership Team is asked to note that the unallocated DSG balance is expected to be £0.563m and that all expenditure funded from this balance will need to be allowed under the Early Years and School finance regulations and be agreed by Schools Forum.

4) Subjective Analysis

The table below shows a summary of the year end position of £0.750m across the £33.346m centrally retained budget by type of expenditure, compared to the budget profiles is shown below. This presents a different view to the more traditional analysis by service area. This is a standard table used by the Finance Team which has been included in the DSG report to improve consistency.

Subjective analysis Outturn Position

Group Budget position by expenditure type	Year to date budget £'000	Year to date actual £'000	Year to date variance £'000
Employees	1,571	1,461	(110)
Premises	1,098	1,059	(39)
Transport	13	17	4
Supplies & Services	1,374	2,240	931
3rd Party Payments	35,043	30,231	(1,810)
Internal Recharges	1,938	2,058	121
Capital Financing	0	0	0
Income	(7,691)	(7,537)	154

Total	33,346	29,529	(750)
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The Leadership Team is asked to note the addition of subjective analysis information and the continued need to agree realistic budget profiles for input to the oracle system.

5) Summary of Key Recommendations

The Leadership Team is asked to:-

- Note that the out-turn position, which is £0.345m below budget, will be reported to Corporate Board this month
- Note the risk areas above, the forecast out-turn position and suggested actions
- Note the Schools Forum agreement to use £0.022m of DSG reserves to support one school
- Note the Schools Forum agreement to use £0.350m of retained Early Years DSG is included in the DSG balance and will be paid out in 2018/19 financial year
- Note that the unallocated DSG balance will be £0.563m.