

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 6th May 2018
 Subject: **Budget Monitoring Report 2018-19 DSG Services**
 Period: Period to May 2018

1) Background

The Council's corporate budget monitoring timetable requires each Group to report its forecast outturn position each month and this report is based on the information provided at the end of May 2018.

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 2018-19 DSG has been allocated is provided below.

Table 1 – DSG 2018-19 Overview

	<u>£m</u>	<u>£m</u>
<u>Delegated</u>		
Maintained Mainstream schools	44.183	
Maintained Specialist settings (Special Schools and SRP's)	8.363	
Maintained Specialist Settings - £0.510m ESFA Post 16 funding	(0.510)	
Academy Mainstream Recoupment	86.501	
Academy Specialist settings (Special Schools and SRP's) Recoupment	1.709	
Post 16 Transfer for FE Colleges	1.350	
Commissioned Services	1.034	
		142.630
<u>Centrally retained for provision</u>		
Disadvantaged 2 year old nursery places	1.820	
Free Nursery Entitlement 3 & 4 year olds (<i>incl. 30 hrs £1.351m</i>)	12.205	
In Year Pupil Growth	0.433	14.458
<u>High Need SEN</u>		
Portage, SEN equipment, Therapeutic services, Oakfield, Notional SEN etc.	0.960	
SBC top ups – mainstream settings	12.547	
HN Contingency	0.150	
Out of Borough placements	2.841	
Post 16 provision (new responsibilities)	1.875	
Exclusions income	(0.216)	18.156
<u>Centrally retained to cover SBC and other costs</u>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	1.523	1.523
		34.136
Total DSG Allocation (including Early Years Pupil Premium of £0.093m)		176.765

2) Completion of Online Monitoring Forecasts

As part of the budget monitoring reporting process the LA is required to report to Corporate Board how active Budget Managers have been in contributing to the on line information used to collate period end information. For DSG service areas the end of May completion rate was 91% (39/43). There is one cost centre that cannot be confirmed due to system parameters.

The Leadership Team is asked to remind Budget Managers of the importance of this exercise and to encourage continued high participation for the remainder of the year.

3) 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.

Item	Notes	Budget 2018-19 £'000	Forecast Variance £'000
<u>High-Risk Areas</u>			
2 year old nursery place funding	2	1,820	(111)
Free nursery education (3&4 year olds)	3	12,205	404
High Needs Top ups (Mainstream and High Needs)	4	12,547	277
Notional SEN supplements (Mainstream)		400	0
External Placement Fees		2,841	0
HN Contingency	5	150	103
Post 16 HN Provision - New Responsibilities		1,875	0
School Exclusions / Dual registrations		(216)	0
Schools Equal Pay Claims		31	0
Subtotal High Risk Areas		31,652	673
Other Low risk retained budgets		2,484	0
Total Retained Budgets		34,135	673
Maintained School Budgets (Mainstream)		44,183	0
Maintained School Budgets (Specialist Settings)		8,363	0
Commissioned Services		1,034	0
EFA 6 th Form Place Funding		(510)	0
Total DSG School Budgets		53,070	0
Total DSG Expenditure Budgets		87,205	673
Mainstream Academy budgets for recoupment		86,501	0
EFA direct funding of High Need places		1,709	0
EFA direct funding of Post 16 transfer FE Colleges		1,350	0
Total DSG Budget		176,765	673
DSG Funding allocation receivable	1	(87,205)	(340)
DSG Funding recouped by the EFA for Academies		(86,501)	0
DSG Funding recouped by the EFA for HN places		(1,709)	0
EFA direct funding of Post 16 transfer FE Colleges		(1,350)	0
Total DSG Funding Budgets		(176,765)	(340)
Total DSG		0	333

The Leadership Team is asked to note the risk areas above and the forecast out-turn position of £0.333m above 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

£0.340m increased funding

Budget allocation

The budgeted DSG allocation is **£176.765m** including funding for Early Years Pupil Premium and an estimate of the DSG based on January 2018 and January 2019 census for 2 year olds and 3 & 4 year olds, universal entitlement and 30 hours. 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. The budgeted DSG receivable is **£87.205m**.

Actual receipt

At (A) in table 3 below, after allowing for academy recoupment and ESFA Direct funding of HN places in Pre and Post 16 the 2018-19 DSG expected to be received is **£87.545m**, an overall variance in funding in 2018-19 of **£0.340m** when compared to budget. This increase in funding is due higher numbers anticipated in the census data for 3 & 4 year olds **£0.404m** (note 3), offset by lower anticipated census data for Early Years pupils for 2 year olds **£0.064m** (note 2)

<u>Table 3 – 2018-19 DSG receivable</u>			
Allocation	Budget £m	Expected £m	Variance £m
ESFA's DSG Allocation	(162.741)	(162.741)	0.000
ESFA DSG Early Years for 2 year olds	(1.820)	(1.765)	0.064
ESFA DSG Early Years for 3 & 4 year olds	(12.062)	(12.466)	(0.404)
ESFA DSG Early Years Disability Access Fund	(0.050)	(0.050)	0.000
ESFA DSG Early Years Pupil Premium	(0.093)	(0.093)	0.000
Total DSG allocation	(176.765)	(177.106)	(0.340)
Less Academy recoupment	86.501	86.501	0.000
Less ESFA Direct Funding of High Need places	1.709	1.709	0.000
Less ESFA Transfer for Post 16 FE Colleges	1.350	1.350	0.000
(A) DSG expected to be received in year 17-18	(87.205)	(87.546)	(0.340)

Note 2 – Disadvantaged two year old nursery funding **£0.111m Decreased expenditure**
£0.064m Decreased funding

The January 2018 pupil census for the take up of 2 year old places is now anticipated to be lower than expected so the cost for the overall take up for the year is forecast to be **£0.111m** lower than the budget of £1.820m.

The decreased take up affects the funding as it is based on the actual pupil numbers at the spring census 2018 (5/12ths) and spring census 2019 (7/12ths). The confirmed spring 2018 census numbers are expected in July and currently the forecast is lower than budgeted and are expected to be at a similar level in the spring 2019 census so the funding forecast has been recalculated. .

Table 4 – Early Years 2 year old 2018-19 DSG Funding		
	2018-19 Budget	2018-19 Projection
January 2018 Census PTE (5/12)	600.17	579
January 2019 Census PTE (7/12)	600.17	579
Full Year Equivalent	600.17	579
2 year old funding rate per PTE	£3,032.40	£3,032.40
Total DSG receivable	£1,820,000	£1,755,760
Variance		(£64,240)

The estimated net decrease in 2 year old pupils of 21.17 PTE will result in a **£0.064m** reduction of DSG. These projections will be updated following the each term's final payments and updated again at year end.

Note 3 – Free nursery education (3 & 4 year olds): **£0.389m Decreased expenditure**
£0.404m Increased funding

The 2018-19 forecast position for 3 & 4 year olds is **£0.404m** higher than budget based on the expected spring 18 census take up. The numbers of 3 & 4 year old pupils taking up 30 hours is higher than expected and this has increased both the expenditure and income expected. The ESFA have allocated the universal (15) and extended (30) hour provision as one funding stream so we will continue to monitor the provision as a whole.

The Pupil Premium expected to be paid through the 3 & 4 year olds budget is **£0.093m** and at this point in the year is also expected to be in line with budget.

The ESFA will not confirm the funding until July 2019 so the funding projection will be provisional until then. Early Years DSG is calculated based on 5/12ths of the January 2018 census which will be confirmed in July and 7/12ths of the January 2019 Early Years Census. The latest DSG calculation compared to the 2018-19 budget agreed by Schools Forum is summarised below and is now on Part Time Equivalent (PTE).

Table 5 – Early Years 3 and 4 year old 2018-19 DSG Funding		
	2018-19 Budget	2018-19 Projection
January 2018 Census PTE (5/12)	4,660.97	4,817.37
January 2019 Census PTE (7/12)	4,660.97	4,817.37
Full Year Equivalent number of PTE	4,660.97	4,817.37
3 and 4 year old funding rate	£2,587.80	£2,587.80
Subtotal DSG receivable	£12,061,616	£12,466,390
Disability Access Fund	£50,400	£50,400
Early Years Pupil Premium	£92,800	£92,800
Total DSG receivable	£12,204,816	£12,609,590
Variance		£404,774

The estimated net increase in early years' pupils of approximately 156.40 PTE will result in a **£0.404m** increase in DSG funding. This forecast will be updated each term and at year end.

Note 4 – High Needs Top ups:

£0.277m Pressure

The forecast for expenditure is now expected to be **£0.277m** above budget. The forecast has been updated to include projections for pupils expected to be in provisions in September including Year 0 pupils. There have been a number of adjustments since the budget was set including an increase of places in Post 16 special provision, partly offset by a reduction in Pre 16 places for the same provision. Payments for TIPs SEN also contributes to the overall net increase of £0.277m in HN top ups since the budget was set.

Note 5 – High Needs Contingency:

£0.103m Pressure

During the 2018-19 budget setting process Schools Forum agreed that a contingency of £0.150m would be held to cover additional high need top up and external placements costs. The budget has not been forecast as underspent at this point in the year as there continues to be inherent risks with these demand led budgets. **£0.103m** has been forecast to support a school previously in financial difficulty with the provision of educational and leadership support.

The Leadership Team is asked to note the forecast 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 January 2018 Schools Forum and is as follows:

Table 6 – DSG Balance	Latest Position
Opening DSG balance brought forward from 2017-18	£0.913m
Less Early Years and Place Sufficiency expenditure (agreed 2017/18)	(£0.350m)
DSG balance brought forward unallocated	£0.563m
Less the forecast year-end position (see table 2)	(£0.333m)
Estimated DSG balance unallocated	£0.230m

The Leadership Team is asked to note that the unallocated DSG balance is expected to be £0.230m 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 latest projected position of £0.648m 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 Delegated DSG May 2018

Group Budget position by expenditure type	Year to date budget £'000	Year to date actual £'000	Year to date variance £'000	Total Budget 2018/19 £'000	Forecast Variance 2018/19 £'000
Employees	190	236	45	1,141	0
Premises	1,124	1,099	(25)	1,132	0
Transport	2	(4)	(6)	10	0
Supplies & Services	450	142	(307)	1,562	182
3rd Party Payments	3,445	8,487	5,042	34,320	487
Internal Recharges	1,760	109	(1,651)	2,006	4
Capital Financing	0	0	0	0	0
Income	(2,136)	(2,280)	(144)	(6,035)	0
Total	4,834	7,788	2,954	34,135	673

To better understand the above table the following annexes are attached to this report.

- **Appendix B** – this shows a breakdown of all the 2018-19 retained budgets by type of expenditure and income and produces the totals in the “Total budget 2018-19” column in table 7 above
- **Appendix C** – this shows a breakdown of each services profiled budget to date compared with actual spend to date. This will present useful information for both year to date actuals and full year projections. The aim is to highlight and address variances now, rather than wait until nearer the year end where late changes undermine confidence in our reporting.

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) Improving Forecasting

Given that we are accountable to the Schools Forum regarding the effective management of the DSG, meetings with senior Budget Managers will be scheduled through to the end of 2018-19 to take place shortly after the month end forecasting deadlines. This will enable all high risk forecast figures to be regularly challenged and this enabled the wider budget position to be assessed, particularly on high need budgets, prior to reporting through to corporate board and in some months the Schools Forum.

6) Summary of Key Recommendations

The Leadership Team is asked to:-

- Note that the forecast out-turn position, which is a projection of £0.333m above budget, will be reported to Corporate Board this month
- Note the risk areas above, the forecast out-turn position and suggested actions
- Note that the unallocated DSG balance is expected to be £0.230m.