

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 12th June 2015
 Subject: **Budget Monitoring Report – DSG Services**
 Period: Period to end of May 2015

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 information provided at the end of May. In addition to financial forecasts, information is also provided regarding Budget Manager participation in the on line forecasting process. To improve the standardisation of reporting, a subjective analysis of the centrally retained budget is provided this month together with a full listing of all Education service budgets showing the actual spend at the end of May compared to the budget profiles loaded on the oracle system.

Although the DSG position is included in Corporate Board 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.

The introduction by the DfE of a three block approach to the allocation of DSG has made it harder for the LA to forecast annual DSG funding. The budget submitted to Schools Forum in March estimated the DSG to be £161.003m, and the Early Years block will not be finalised until June 2016, so there still remains a degree of uncertainty for the complete funding. Updates will be incorporated into future Leadership Team reports as and when they become known. A summary of how the 2015-16 DSG has been allocated so far is provided below.

Table 1 – DSG 2015-16 Overview

	<u>£m</u>	<u>£m</u>
<u>Delegated</u>		
Maintained Mainstream schools	45.43	
Maintained Specialist settings (Special Schools and SRP's)	6.47	
		51.90
Academy Mainstream Recoupment	77.10	
Academy Specialist settings (Special Schools and SRP's) Recoupment	1.47	
		78.57
<u>Centrally retained for provision</u>		
Disadvantaged 2 year old nursery places	2.79	
Free Nursery Entitlement 3 & 4 year olds	8.20	
In Year Pupil Growth	0.44	
Commissioned Services	1.07	
High Need SEN		
Portage, SEN equipment, Therapeutic services etc.	0.74	
SBC top ups – mainstream settings	8.82	
SBC top ups - high need specialist settings	2.08	
HN Contingency	0.32	
Tuition Service	0.89	
Out of Borough placements	2.58	
Post 16 provision (new responsibilities)	2.02	
Exclusions income	(0.35)	29.60
<u>Centrally retained to cover SBC and other costs</u>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	0.96	
		0.96
Total DSG Allocation (not including Early Years Pupil Premium of £0.164m)		161.03

3) 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 86% (36/42).

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.

4) 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			
<u>High-Risk Areas</u>	Notes	Budget 2015-16 £'000	Projected Variance £'000
Disadvantaged 2 year old place funding	2	2,787	(624)
Free nursery education (3 & 4 year olds)	3	8,199	82
High Needs Top ups (Mainstream)	4	2,084	48
High Needs Top ups (Specialist)	5	8,822	(48)
Notional SEN supplements (Mainstream)	6	350	0
External Placement Fees	7	2,582	(218)
HN Contingency	8	315	(315)
Post 16 HN Provision - New Responsibilities	9	2,022	(27)
School Exclusions / Dual registrations	10	(350)	0
Tuition Service	11	890	(20)
Schools Equal Pay Claims	12	0	31
Subtotal High Risk Areas		27,700	(1,091)
Other Low risk retained budgets	13	1,783	27
Total Retained Budgets		29,483	(1,064)
Maintained School Budgets (Mainstream)		45,429	0
Maintained School Budgets (Specialist Settings)		6,979	0
Commissioned Services		1,072	0
EFA recoupment for Academies		77,091	0
EFA direct funding of High Need places	1	1,460	561
Total DSG Expenditure Budgets		161,514	(503)
DSG Funding allocation	1	(82,453)	704
DSG Funding recouped by the EFA		(78,551)	0
Total DSG Funding Budgets		(161,004)	704
EFA 6 th Form Place Funding	1	(510)	0
Total DSG		0	201

The Leadership Team is asked to note that the forecast out-turn position, a projected overspend of £0.201m, will be reported to Corporate Board this month.

The main reasons for the overspend are provided below:

1) DSG Funding Receivable**£1.265m decreased funding**

The LA budgeted in 2015-16 for the full DSG allocation by the EFA but the actual cash received is less the amount allocated by the LA to mainstream academies and less High Need places funded directly by the EFA. The budgeted DSG allocation is **£161.003m** including

Table 3 shows the 2015-16 DSG receivable is budgeted to be **£82.452m** including Early Years pupils that are not on the EFA settlement but the funding the LA is now expecting to receive is £81.260m, a decrease of **£1.192m**. There are two elements to this decrease as per the paragraphs below:

The DSG receivable is **£0.631m** due to the Early Years pupil numbers being lower than budgeted as per Note 2 £0.481m and Note 3 £0.194m. The net additional £0.044m is for adjustments for Non Recoupment academies and Newly Qualified Teachers.

The deduction from the DSG for EFA Direct Funding of High Need places is **£0.561m** higher than budgeted. The LA receives EFA Post 16 funding for pupils at Uplands School £0.510m but this funding is matched by a similar value deduction of £0.493m from the DSG allocation so it is not additional funding as it was assumed to be in 2014-15 and when the DSG budgets were set. There are further reductions for Pre 16 and Post 16 pupils at Non-Maintained Special Schools and Post 16 pupils in SRPs of £0.068m

Table 3– DSG receivable			
Allocation	Budget £m	Estimated £m	Variance £m
EFA's DSG allocation (including Early Years Pupil Premium)	161.003	160.372	(631)
Less Academy recoupment	(77.091)	(77.091)	0
Less EFA Direct Funding of High Need places	(1.460)	(2.021)	(561)
DSG Receivable	82.452	81.260	1.192

In May the LA received notification from the EFA that the confirmed January 2015 Spring Census numbers were 2,231 and not 2,263 as anticipated as the FTEs submitted by two academy providers were incorrect. This has resulted in a **£0.073m** less DSG than anticipated at year end, affecting the forecast outturn position for 2015-16, when added to the £1.192m above the overall reduction in funding in 2015-16 is **£1.265m**.

Note 2 – Disadvantaged two year old nursery funding **£0.624m underspend**
£0.481m decreased funding

The budget of £2.787m for 2 year old places is projecting a £0.624m underspend. The underspend has arisen in part because the budget was set on the target participation of 957 rising to 1,000 by January 2016 but the current participation is not as high as expected. Slippage of building projects for infrastructure expansions of nursery provision has resulted in lower overall take up during the early part of the year.

A new Engagement Officer has been recruited and they will be promoting available places and a large number of projects are expected to come to fruition in the autumn.

From 2015/16 participation funding will apply and therefore it is important that take up is maximised. The funding will be paid by the DfE based on the actual pupil numbers at the spring census 2015 (5/12ths) and spring census 2016 (7/12ths). As per expenditure the budget was set on the target participation level of 957 and the underspend and decreased funding

Table 4 – Early Years 2 year old 2015-16 DSG Funding

	2015-16 Budget	2015-16 Projection
January 2015 Census (5/12)	957	618
January 2016 Census (7/12)	1,000	951
Full Year Equivalent	982	812
2 year old funding rate	£2,832.90	£2,832.90
Total DSG receivable	£2,782,144	£2,301,023
Difference		(£481,121)

The estimated net decrease in 2 year old pupils of 170 will result in a **£0.481m** reduction of DSG.

Note 3 – Free nursery education (3 & 4 year olds):

£0.082m Overspend
£0.194m Decreased funding

This is an estimate of the 2015-16 outturn position and a **£0.082m** overspend is forecast. The number of children is approximately 35 FTE higher than budgeted £0.077m and a pressure on staffing pressure of £0.005m due to an overlap in the leaver's end date and the starting date of new employee. Based on the recent payments, there is an increase in the forecast for Maintained settings £0.131m as the number of children is approximately 35 FTE higher than budgeted and a reduction in the forecast in Private, Voluntary and Independent settings of £0.054m.

This element of DSG is based on participation and the LA anticipates that along with the overspend there will also be a decrease in the amount of Dedicated Schools Grant receivable. Early Years DSG is calculated based on 5/12ths of the January 2014 and 7/12ths of the January 2015 Early Years Census. The latest DSG calculation compared to the 2015-16 budget agreed by Schools forum in January 2015 is summarised below:

Table 5 – Early Years 3 and 4 year old 2015-16 DSG Funding

	2015-16 Budget	2015-16 Projection
January 2015 Census (5/12)	2,355	2,231
January 2016 Census (7/12)	2,355	2,358
Full Year Equivalent	2,355	2,305
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£9,156,381	£8,962,302
Difference		(£194,079)

The estimated net decrease in early years' pupils of 50 will result in a **£0.194m** reduction of DSG.

Note 4 – High Needs Top ups (Mainstream):

£0.048m Underspend

The projected underspend of **£0.048m** reflects a slight decrease compared with the budget. A pressure of £0.048m in primary schools and primary academies has been identified this month as there has been a significant rise in the number of applications for SENRAP funding compared to the same period (Apr-Jun) last year. The LA is currently reviewing SENRAP processes to ensure that they are as robust as possible and that there is rigorous moderation of the mainstream applications.

As agreed by Schools Forum March 2015 the High Needs Top ups budget (Mainstream/SENRAP) was increased by £0.400m for 2015-16.

Note 5 – High Needs Top ups (Specialist):

£0.048m Overspend

The latest projections indicate an overspend of **£0.048m**. All specialist providers are completing a self-audit and moderation exercise, the outcome of which is a reduction in costs

Schools Forum 7th July 2015 - DSG Retained Budget Monitoring Report Annex A
of £0.048m identified this month. Caution should therefore be applied to the current position as some pupils going through the current system may have to be re-banded and costs applied retrospectively.

Note 6 – Notional SEN:

Forecast on budget

The first 5/12ths Notional SEN payments were made to schools in May based on the numbers of stated pupils in the January 2015 census; further payments of 7/12ths will be made to eligible schools based on the October 2015 census. This change in policy is expected to keep the Notional SEN within budget.

Note 7 – External Placement Fees:

£0.217m Underspend

The latest projections indicate an underspend of **£0.217m**. The projected underspend follows the audit of every provider where individual pupils have been checked and education plans agreed. The favourable movement of £0.217m reflects changes in placements since the budget was set in January 2015, eight new placements £0.143m, ending of six placements (£0.197m), amendment of the move date for two placements (£0.161m), movement of one placement £0.026m and changes to other placements (£0.028m). All placements will be reflected on our monitoring reporting system which will enable under and overspend to be more readily tracked.

Note 8 – High Needs Contingency:

£0.315m Underspend

During the 2015-16 budget setting process Schools Forum agreed that a contingency of £315,000 would be held to cover additional top up and placements costs. At this stage in the year the contingency is expected to be underspent in full. The **£0.315m** underspend should prove sufficient to cover the projected overspend in note 5 £0.048m which at this point in the year is offset by an underspend at note 4 £0.048 with a further underspend at note 7 £0.217m above, i.e. a current net underspend across all of these cost centres of £0.532m. Should this prove not to be the case this could require use of the DSG balance unless offsetting savings occur in other parts of the retained budget.

Note 9 – Post 16 HN Provision (New Responsibilities):

£0.027m Underspend

The timescales for allocating budgets to FE colleges, ISP's and other post 16 training providers require academic year funding to be agreed and indicative figures will be presented to the July 2015 Schools Forum. The student numbers and banding are subject to moderation. The current underspend is in relation to the learner numbers in placements between April and July.

The LA anticipate an increase in projected number of students expected to be in placements in September is 397.6 compared to 246 as at June, due in part to a larger Year 11 cohort of 201 compared to 151 in September 14 and a larger number of students projected to continue in learning of 184 compared to 67 in September 14. The LA will review the banding values to ensure that the provision stays within its funding envelope. The allocations will be reviewed in October as the learning providers are expected to confirm pupil attendance in the Autumn term.

Note 10 – School Exclusions / Dual Registrations

Forecast on budget

The exclusion income budget is expected to be in line with budget. The budget was increased by £0.030m as agreed by Schools Forum in March 2015 to be used for the re-integration of pupils to mainstream schools.

Note 11 – Tuition Service:

£0.020m Underspend

The Tuition Service is currently projecting a **£0.020m** overspend. Part of the service is moving into The Platform from September 2015 and realising premises cost savings of £0.020m.

Note 12 – Equal Pay:**£0.031m Overspend**

Due to changes in the EFA funding £0.500m Equal Pay liability remains outstanding, the annual cost is **£0.031m**.

Note 13 – Other Low Risk Items:**£0.034m Overspend**

The projected overspend is **£0.027m** following the allocation of NNDR costs £0.018m and the reimbursement of costs relating to occupation of a building due to the delay in a school build £0.008m.

The Leadership Team is asked to note the risk areas above, the forecast out-turn positions and the suggested actions.

4) 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 latest position incorporates agreements made at the October 2014 Schools Forum is as follows:

Table 6 – DSG Balance	Latest Position
Opening DSG balance bfwf from 2014-15	£1.098m
Less – projected in year deficit (see table 2)	(£0.201m)
Projected DSG balance unallocated	£0.897m

The Leadership Team is asked to note that the unallocated DSG balance is £0.897m 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.

5) Subjective Analysis

A summary of the latest projected year-end underspend of £1.064m across the £29.5m 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 2015

Group Budget position by expenditure type	Year to date budget £'000	Year to date actual £'000	Year to date variance £'000	Total Budget 2015/16 £'000	Forecast Variance 2015/16 £'000
Employees	205	204	(1)	1,228	5
Premises	927	945	17	1,036	(2)
Transport	2	2	(0)	12	1
Supplies & Services	378	380	2	1,757	(284)
3rd Party Payments	3,085	6,903	3,818	27,982	(578)
Internal Recharges	74	817	743	784	0
Capital Financing	0	0	0	0	0
Income	(1,237)	(1,029)	208	(3,315)	(206)
Total	3,434	8,221	4,788	29,483	(1,064)

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

- **Annex A** – this shows a breakdown of all the 2015-16 retained budgets by type of expenditure and income and produces the totals in the “Total budget 2015-16” column in table 7 above
- **Annex B** – 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 need to agree realistic budget profiles for input to the oracle system.

6) Improving Forecasting

Managers across the LA will be regularly invited to attend discussions on what the barriers to effective forecasting are and how they can be alleviated.

Given that we are accountable to the Schools Forum regarding the effective management of the DSG, monthly meetings with senior Budget Managers (Gill and Sally) will be scheduled through to the end of 2015-16 to take place shortly after the month end forecasting deadlines. This will enable all high risk forecast figures to be challenged and enable 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.

The Leadership Team is asked to note that the finance team will be inviting budget managers to discuss barriers to effective forecasting and that additional meetings have been scheduled to discuss key areas and the overall DSG position.

7) Summary of Key Recommendations

The Leadership Team is asked to:-

- *Note that the forecast out-turn position, a projected overspend of £0.201m, will be reported to Corporate Board this month.*
- *Note the risk areas above, the forecast out-turn positions and the suggested actions*
- *Note that the unallocated DSG balance is currently £0.897m*
- *Note the steps proposed aimed at improving forecasting*