

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 28th April 2015
 Subject: **Budget Monitoring Report – DSG Services**
 Period: Period to end of March 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 the financial year, following year end. To improve the standardisation of reporting, a subjective analysis of the centrally retained budget is provided together with a full listing of all E and A service budgets showing the actual spend at the end of 2014/15 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 new Head of Education and his leadership team to manage in consultation with the Finance Team and Schools Forum.

A summary of how the total 2014/15 DSG was allocated is provided below.

Table 1 – DSG 2014/15 Overview

	<u>£m</u>	<u>£m</u>
<u>Delegated</u>		
Mainstream schools & academies	115.7	
Specialist settings (Special Schools and SRP's)	8.2	
Alternative provision settings	1.2	125.1
<u>Centrally retained for provision</u>		
Disadvantaged 2 year old nursery places	2.6	
Free Nursery Entitlement 3 & 4 year olds	7.8	
In Year Pupil Growth	0.7	
High Need SEN		
Portage, SEN equipment, Therapeutic services etc.	0.4	
SBC top ups – mainstream settings	1.7	
SBC top ups - high need specialist settings	8.3	
HN Contingency	0.6	
Tuition Service	0.9	
Out of Borough placements	2.6	
Post 16 provision (new responsibilities)	2.0	
Exclusions income	-0.3	27.3
<u>Centrally retained to cover SBC and other costs</u>		
Admissions, Free School Meal eligibility checks, school licences, equal pay etc.	1.2	1.2
Total DSG Allocation		153.6

2) DSG Funding Receivable

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 receivable. As previously reported the EFA have finally confirmed that the costs relating to Swindon Academy pupils will be matched by additional funding and as a result the position would be cost neutral for the LA.

The LA budgeted in 2014/15 for the full DSG allocated to Swindon by the EFA but the actual cash received is the DSG allocation less the amount allocated by the LA to mainstream academies and less High Need places funded directly by the EFA. The budgeted DSG allocation was £153.574m plus any additional funding for Early Years as per note 2.

Table 2 shows the actual DSG receivable is expected to be £78.726m, this is the EFA's allocation of £153.380m less Academy Recoupment of £72.960m less EFA Direct Funding of High Need places £2.055m plus an allocation for additional Early Years pupils that are not on the EFA allocation £0.361m. The allocation of £0.361m for additional DSG for Early Years pupils is higher than the value in Note 2 as the LA budgeted for in year growth of 119 pupils in Early Years pupils but the EFA allocation assumed no growth.

Table 2 – DSG receivable	
Allocation	£m
EFA's DSG allocation	153.380
Less Academy recoupment	(72.960)
Less EFA Direct Funding of High Need places	(2.055)
Plus Early Years Pupils not in DSG allocation	+0.361
DSG Receivable	78.726

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.

The Leadership Team is asked to remind Budget Managers of the importance of this exercise and to encourage continued high participation in the next financial 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 3 has been expanded to show the budgets for maintained schools and academies and also the budget for High Needs places in academies so that the variance against each element can be explained further in the notes below.

Table 3 – Latest Budget Monitoring Position				
Item	Notes	Budget 2014/15 £'000	Projected Variance £'000	Projected Variance last month £'000
High-Risk Areas				
2 year old nursery place funding	1	2,158	(563)	(575)
2 year old nursery place capacity building	1	470	302	295
Free nursery education (3&4 year olds)	2	7,823	(63)	(35)
High Needs Top ups (Mainstream)	3	1,685	376	355
High Needs Top ups (Specialist)	4	8,313	78	119
Notional SEN supplements (Mainstream)	5	350	15	15
External Placement Fees	6	2,562	(317)	(210)
HN Contingency	7	550	(550)	(550)
Post 16 HN Provision - New Responsibilities	8	2,022	(154)	(139)

School Exclusions / Dual registrations	9	(350)	41	20
Tuition Service	10	890	20	16
Schools Equal Pay Claims	11	170	195	195
Subtotal High Risk Areas		26,643	(620)	(494)
Other Low risk retained budgets	12	1,900	125	48
Unallocated EFA place funding earmarked for Equal Pay		507	(7)	0
Total Retained Budgets		29,050	(502)	(446)
Maintained School Budgets (Mainstream)	13	44,233	(494)	n/a
Maintained School Budgets (Specialist Settings)	14	6,680	84	n/a
Commissioned Services		1,201	0	n/a
EFA recoupment for Academies	15	72,502	458	n/a
EFA direct funding of High Need places	16	1,400	655	n/a
Temp. Primary BPPE Increase School Budgets		0	0	970
Less costs of Temporary Primary BPPE increase agreed to be funded from DSG balance at the January 2014 Schools Forum		(970)	(0)	(970)
Total DSG Budgets		154,096	201	(446)
DSG Funding allocation receivable	2	(79,672)	(104)	(45)
DSG Funding recouped by the EFA		(73,902)	0	0
Total DSG Budgets		(153,574)	97	(491)
EFA 6 th Form Place Funding	11&16	(522)	12	0
Total DSG		0	109	(491)

The Leadership Team is asked to note the out-turn position, an overspend of £109,000; will be reported to Corporate Board this month and to note that the budgets for schools and academies were not monitored in this detail in previous months.

The main reasons for the overspend are provided below:

Note 1 – Disadvantaged two year old nursery funding **£0.261m underspend**

The budget of £2.158m for 2 year old places is underspent by £0.560m. As explained in previous reports, the underspend has arisen because a number of infrastructure expansions of nursery provision have slipped much later than originally planned resulting in lower overall take up during the early part of the year.

It has been agreed at Schools Forum to use £0.200m of this underspend to support the existing £0.470m budget (£0.670m in total) for growing capacity in 2 year old provision. A number of projects have been tendered at 15% over the original estimates requiring a capital budget of £0.772m in total, this spend will produce the number of places required by the DfE before the October census target, enabling the early years team to concentrate on marketing the new provision and ensuring the places are filled.

The DfE have confirmed that participation funding will apply from 2015/16 onwards so it is important that take up is maximised and Schools Forum have agreed to support the employment of a temporary part time project support officer to help to promote the 2 year offer to disadvantaged parents and provide capacity to the team administering the increasing demand. This appointment has now been made and the cost to year end was £0.003m, a saving of £0.003m.

Note 2 – Free nursery education (3 & 4 year olds): **£0.063m Underspend**
£0.104m Increased funding

The 2014/15 outturn position is an underspend of **£0.063m**; at year end some schools were still carrying surplus places. The maintained setting Early Years numbers actual take up was lower than anticipated by 30 FTE (£0.111m). This was offset by an overspend of £0.046m 12

FTE in Private, Voluntary and Independent providers of Nursery Education. There was also a salary overspend of £0.002m as a result of staffing overlap at year end following a restructure, resulting in an overall underspend of £0.063m.

As reported in February, this element of DSG is based on participation and the LA anticipates that there will be an increase 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 final projection on the January 2015 census has been received and the updated DSG calculation compared to the 2014/15 budget agreed by Schools forum in January 2014 is summarised below;

Table 3 – Early Years 3 and 4 year old 2014/15 DSG Funding		
	2014/15 Budget	2014/15 Year end position
January 2014 Census (5/12)	2,108	2,104
January 2015 Census (7/12)	2,227	2,263
Full Year Equivalent	2,177	2,197
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£8,465,927	£8,541,095
Difference		£75,168

The increase in early years' pupils of 12 should attract additional DSG of **£0.075m**; this is an increase of £0.030m since the February report. The total DSG the LA received is **£0.029m** higher than expected as the DSG allocation is rounded but the actual receipts are not, when added to the additional Early Years DSG the total of increased funding is **£0.104m**.

In May we received notification from the EFA that the confirmed January 2015 Spring Census numbers were 2,231 as FTEs submitted by two academy providers were incorrect.

Note 3 – High Needs Top ups (Mainstream): **£0.376m Overspend**

The final position is an overspend of **£0.376m**; this reflects a slight increase compared with the indicated pressure identified in the end of February report. The large variance against plan is as a result of the new SENRAP policy implemented in September 2013 whereby monetary requests must be submitted to secure funding over and above the delegated notional SEN budget of £6,000. A £0.021m increase in the overall pressure in mainstream schools and academies has been identified this month.

As previously reported a review of the process indicates that there are inconsistencies in the amount of additional resource provided for pupils with similar levels of need and that average funding exceeds the values assumed when the budget was set. The 2014/15 budget assumed 384 pupils would be supported at an average annual cost of £3,818. The number of pupils has increased in year to 418 and average annual costs since September 2013 are £4,601 per pupil in schools.

Note 4 – High Needs Top ups (Specialist): **£0.078m Overspend**

The final position is an overspend of **£0.078m**. All specialist providers have been completing a self-audit and moderation exercise. The reduction in the overspend since last month of £0.041m is due to a risk not being realised.

Note 5 – Notional SEN: **£0.015m Overspend**

The final Notional SEN payments were made to schools in January based on the numbers of statemented pupils in the October 2014 census; this resulted in the pressure of **£0.015m** reported last month.

Note 6 – External Placement Fees:**£0.317m Underspend**

The final position is an underspend of **£0.317m**. The underspend follows the audit of every provider where individual pupils have been checked and education plans agreed. The latest month on month favourable movement of £0.107m reflects; where the risks were not realised in year for two placements (£0.045m), one placement lower number of terms than budgeted (£0.029m), two placements ended (£0.031m) and minor variances (£0.002m).

The full year variance (£0.317m) reflects the net positions for; placements that ended in year (£0.524m), new placements £0.315m, the extension of a secure placement (£0.049m), delay in start dates (£0.070m), receipt of funding from the EFA (£0.009m), additional support agreed £0.042m and other changes to placements (£0.022m). All placements are reflected on our monitoring reporting system which enables under and overspend to be more readily tracked.

Note 7 – High Needs Contingency:**£0.550m Underspend**

During the 2014/15 budget setting process Schools Forum agreed that a contingency of £550,000 would be held to cover additional top up and placements costs. The contingency was underspent in full. The **£0.550m** underspend was sufficient to cover the overspends at notes 3 £0.318m and note 4 £0.136m and which are partly offset by underspend at note 6 £0.317m above, i.e. a net overspend across these cost centres of £0.137m.

Note 8 – Post 16 HN Provision (New Responsibilities):**£0.154m 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 were presented to the July 2014 Schools Forum. Since the July Forum the EFA have confirmed that they will be providing element 1 and 2 funding (estimated by the LA at £0.220m) directly to the UET which reduced the commitments that need to be met from the DSG. This provided an opportunity to boost the indicative post 16 band values after a review of likely ISP and other costs was undertaken including a realistic assessment of outstanding placements.

In ISPs (includes the UET), the final position is an underspend of **£0.009m** achieved through negotiating lower rates for individual placements and 0.8 FTE place number reduction.

In FE Colleges and Training providers, there has been an increase in the underspend by £0.025m and the total underspend is now **£0.213m**. The underspend relates to placements for 18 learners that were included in the budgeted spend but the costs were not realised (221 planned and 203 actual). These learners are in apprenticeships or mainstream 6th forms or ESF funded packages, 5 learners have also moved out of the LA and there are learners who are NEET or in unconfirmed placements. In addition a number of pupils had their band reduced through moderation.

There is a new pressure this month of £0.013m due to a reduction in social care recharges, some contributions towards UET placements are funded directly to the provider, the total recharges received is **£0.068m** less than budgeted. The net position for ISP and FE providers is an underspend of **£0.154m**.

Note 9 – School Exclusions / Dual Registrations**£0.041m Overspend**

The income received for School Exclusions was £0.008m higher than anticipated due to increase in exclusions towards the end of the year, offset by a pressure of £0.049m on Tuition Short term placement income, an overall pressure of **£0.041m**. Income is generated to the Tuition Service when it supports pupil's that remain on roll of their 'home school' (dual registration) as the 'home school' is charged an agreed daily rate. Pupils who are permanently excluded, move out of specialist provision or move into Swindon from elsewhere do not generate any funding to the Tuition Service as they are not dual registered.

Note 10 – Tuition Service:**£0.020m Overspend**

The Tuition Service final position was as currently projecting a **£0.020m** overspend. There were some changes in staffing but the overspend figure can be attributed to providing additional bespoke support to specific pupils, (complex needs, Education Health and Care Plan), over and above the usual allocation of small group placement and high staff to pupil ratio. This expenditure was closely monitored throughout the financial year. Bespoke pupil intervention will be a factor going forward as will the effect of using different commissioned providers.

Note 11 – Equal Pay:**£0.195m Overspend**

The October schools Forum had supported a request to use £2.0m from the following sources:

- £0.8m from NNDR reserves;
- £0.7m of the DSG balance and
- £0.5m from EFA funding towards SEN sixth form funding at Uplands,

to pay off £2.0m of outstanding DSG equal pay liabilities in the current financial year. This would improve the DSG annual central budget as the equal pay amount would reduce to £0.034m from £0.170m due to the repayment of the loan balance. This additional amount could then be freed up to allow a greater amount of DSG to be delegated to schools and other providers. This decision recognises the current overspend of **£0.195m**.

During the year end processes it was discovered that £0.510m EFA funding for 51 Post 16 students at Uplands School was not additional funding as the EFA had deducted £0.486m from the DSG for 49 Post 16 Students at Uplands School. The difference of 2 pupils is due to the EFA's policy for 2014/15 on recouping from LAs based on the pupil's residence and not the location of their education place, the policy will change to location basis in 2015/16. The deduction is part of the recoupment for EFA direct funding of High Needs places as explained further in Note 16.

To mitigate the effect of this unbudgeted DSG recoupment the LA made a decision at year end to reverse the payment of £0.500m Equal Pay liability, which had been agreed at the October Schools Forum, pending a discussion at the July Schools Forum meeting. The £0.500m EFA funding has been added to the DSG reserves rather than the Equal Pay reserve, so the overall outturn position reported is unchanged and remains an overspend of £0.109m.

Note 12 – Other Low Risk Items:**£0.125m Overspend**

The final position for all Other Low Risk items is an overspend of £0.125m, this has increased by £0.077m mainly due to Business Rates Savings costs £0.017m and payment of £0.080m Equal Pay liability as agreed by January 2015 Schools Forum, offset by small underspends in a number of budgets (£0.020m).

Note 13 – Maintained School Budgets (Mainstream)**£0.494m Underspend**

Mainstream maintained School Budgets underspent in the primary element as one primary school converted in year to academy status so their budget share was paid by the EFA post conversion. The secondary element overspent as the LA paid secondary academies part year delegation funding for Riverside and also paid place funding to an academy for SRP places. This underspend is offset by the higher than budgeted recoupment in Note 15 below.

Note 14 – Maintained School Budgets (Specialist Settings)**£0.084m Overspend**

Specialist maintained school budgets were overspent as the EFA only recoups Academy High Need places for Special Resource Provisions (SRP) in mainstream academies and High Need

places in Special academies based on the EFA's High Needs return dated December 2013. Where the LA has commissioned a higher number of places in an academy SRP or in a Special academy than the December 2013 return the additional places are paid to the academy by the LA. This overspend is offset by a reduction in the EFA direct funding of HN places budget in Note 16. In 2015/16 the academy High Need places to be paid to Academies by the LA are budgeted in the Specialist Settings budget.

Note 15 – EFA recoupment for Academies (Mainstream) £0.458m Overspend

The EFA directly fund academies but the academies are allocated DSG by the LA based on the local funding formula. The amounts calculated for Academies are included in the element of the DSG funding allocation that the LA does not actually receive, the EFA call this figure Recoupment. The recoupment budget for Primary academies was overspent £0.538m due to a primary school that converted to academy status in year and the recoupment budget for Secondary academies was underspent as per Note 13 for dedelegated funding paid by the LA rather than the EFA £0.125m plus adjustments for the Authority Proforma Toolkit £0.045m.

Note 16 – EFA direct funding of High Need Places £0.655m Overspend

The LA budgeted £1.400m for the recoupment of High Need Places for special school and SRP places in academies by the EFA but the amount recouped was £2.055m. The net increase of £0.655m additional funding recouped relates to; academies Pre 16 £0.049m & Post 16 £0.038m, maintained special school Post 16 as per note 11 £0.486m and non-maintained special schools Pre 16 £0.047m and Post 16 £0.031m and a small adjustment of £0.004m.

These adjustments will have an effect on future years funding as the LA will need to budget for the EFA recoupment of High Need funding for Post 16 places in all settings and Pre 16 places in non-maintained special schools. This will be covered in the Schools Forum Agenda for 7th July meeting.

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

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 final position incorporates agreements made at the October 2014 Schools Forum is as follows;

Table 4 – DSG Balance	Latest Position
Opening DSG balance bfwf from 2013/14	£2.470m
Less – reconcile to actual DSG balance bfwf	-£0.006m
Less – Primary £54.77 BPPE increase payable in 2014/15 and included in delegated school budgets (January 2014 Forum)	-£0.970m
Less – Additional double top up payments to Ridgeway ASC unit (March 2014 Forum)	-£0.058m
Less – Red Oaks SRP premises alterations to expand unit places (July 2014 Forum)	-£0.029m
Less – Repayment of equal pay liability (October 2014 Forum)	-£0.700m
Less – in year overspend funded from reserves (see table 2)	-£0.109m
Plus – Post 16 EFA funding not used for Equal Pay liability	+£0.500m
DSG balance unallocated	£1.098m

The Leadership Team is asked to note that the unallocated DSG balance is £1.098m 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 final outturn position of £0.109m across the £28.5m 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.

6) Improving Forecasting

The Leadership Team is asked to note that although there is still room for improvement the forecasting of the centrally retained DSG has improved since 2013/14. Although the DSG recoupment was £0.655m higher than anticipated, the overall net change for the retained DSG between the end of February figure reported to the Schools Forum in March and the final outturn position was £0.056m compared to £0.500m last year.

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 continue to be scheduled through 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 DSG receivable will be monitored closely in 2015/16 and the budgets on Oracle have been amended in May so that the receivable amount and not the total DSG allocation is monitored. Any changes notified through the monthly leadership report.

7) Summary of Key Recommendations

The Leadership Team is asked to:-

- *Note that the out-turn position, an overspend of £0.109m; 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 £0.500m Post 16 EFA funding was not used in 2014-15 to pay the LA's Equal Pay liability but was added to the DSG balance to be carried forward*
- *Note that after taking the overspend into account the unallocated DSG balance is currently £1.098m*