

Report to: **Commissioning – Education Leadership Team**  
 From: Anne Mackay, Finance Manager – Education  
 Date: 12<sup>th</sup> December 2015  
 Subject: **Budget Monitoring Report – DSG Services**  
 Period: Period to end of November 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 October. In addition to financial forecasts, information is also provided regarding Budget Manager participation in the on line forecasting process.

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.

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) (net of £0.510m EFA Post16) | 6.59      |               |
| Academy Mainstream Recoupment  | 77.09     |               |
| Academy Specialist settings (Special Schools and SRP's) Recoupment                     | 1.46      |               |
| Commissioned Services  | 0.97      |               |
|  |           | <u>131.54</u> |
| <u>Centrally retained for provision</u>  |           |               |
| Disadvantaged 2 year old nursery places  | 2.79      |               |
| Free Nursery Entitlement 3 & 4 year olds   | 8.2       |               |
| In Year Pupil Growth   | 0.44      |               |
| High Need SEN  |           |               |
| Portage, SEN equipment, Therapeutic services etc.                                      | 0.74      |               |
| SBC top ups – mainstream settings  | 8.77      |               |
| SBC top ups - high need specialist settings  | 2.12      |               |
| 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)    | <u>28.52</u>  |
| <u>Centrally retained to cover SBC and other costs</u>                                 |           |               |
| Admissions, Free School Meal eligibility checks, school licences, equal pay etc.       | 0.95      |               |
|  |           | <u>0.95</u>   |
| Total DSG Allocation (not including Early Years Pupil Premium of £0.164m)              |           | <u>161.01</u> |

## **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 November completion rate was 85.7% (36/42), which is an increase on the position for October of 79% (33/42). For information, forecasts on four of the cost centres cannot be confirmed as they contain no transactions to date.

***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.

| <b>Table 2 – Latest Budget Monitoring Position</b> |              |                                 |                                     |   |
|--|--------------|---------------------------------|-------------------------------------|---|
| <b><u>High-Risk Areas</u></b>                      | <b>Notes</b> | <b>Budget 2015-16<br/>£'000</b> | <b>Projected Variance<br/>£'000</b> | <b>Projected Variance last report<br/>£'000</b> |
| Disadvantaged 2 year old place funding             | 2            | 2,787                           | (840)                               | (840)   |
| Free nursery education (3 & 4 year olds)           | 3            | 8,199                           | 273                                 | 273   |
| High Needs Top ups (Mainstream)                    | 4            | 2,116                           | 367                                 | 287   |
| High Needs Top ups (Specialist)                    | 4            | 8,769                           | 73                                  | (166)   |
| Notional SEN supplements (Mainstream)              |              | 350                             | 0                                   | 0   |
| External Placement Fees                            | 5            | 2,582                           | (451)                               | (457)   |
| HN Contingency                                     | 6            | 315                             | (315)                               | (315)   |
| Post 16 HN Provision - New Responsibilities        | 7            | 2,022                           | (23)                                | (84)  |
| School Exclusions / Dual registrations             |              | (350)                           | 26                                  | 26  |
| Tuition Service                                    |              | 890                             | 5                                   | 5   |
| Schools Equal Pay Claims                           |              | 0                               | 31                                  | 31  |
| <b>Subtotal High Risk Areas</b>                    |              | <b>27,680</b>                   | <b>(854)</b>                        | <b>(1,240)</b>                                  |
| Other Low risk retained budgets                    |              | 1,783                           | 7                                   | 34  |
| <b>Total Retained Budgets</b>                      |              | <b>29,463</b>                   | <b>(847)</b>                        | <b>(1,206)</b>                                  |
| Maintained School Budgets (Mainstream)             |              | 45,429                          | 0                                   | 0   |
| Maintained School Budgets (Specialist Settings)    |              | 7,103                           | 85                                  | 85  |
| Commissioned Services                              |              | 968                             | (6)                                 | (6)   |
| EFA recoupment for Academies                       | 8            | 77,091                          | (33)                                | 0   |
| EFA direct funding of High Need places             | 1            | 1,460                           | 561                                 | 561   |
| <b>Total DSG Expenditure Budgets</b>               |              | <b>161,514</b>                  | <b>(241)</b>                        | <b>(566)</b>                                    |
| DSG Funding allocation                             | 1            | (82,453)                        | 1,098                               | 1,098   |
| DSG Funding recouped by the EFA                    |              | (78,551)                        | 0                                   | 0   |
| <b>Total DSG Funding Budgets</b>                   |              | <b>(161,004)</b>                | <b>1,098</b>                        | <b>1,098</b>                                    |
| EFA 6 <sup>th</sup> Form Place Funding             | 1            | (510)                           | 0                                   | 0   |
| <b>Total DSG</b>                                   |              | <b>(0)</b>                      | <b>858</b>                          | <b>532</b>                                      |

***The Leadership Team is asked to note the risk areas above and the forecast out-turn position, which will be reported to Corporate Board this month.***

The main reasons for the overspend are provided below:

**Note 1) DSG Funding Receivable**  
**decreased funding**

**£1.659m**

As reported previously 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 **£161.004m** including funding for Early Years Pupil Premium and an estimate of the DSG based on January 2016 2 and 3 & 4 year olds census.

As reported in previous budget monitoring reports and in Table 3 below the 2015-16 DSG receivable is estimated to be **£80.867m**, a decrease of **£1.586m**. This decrease in funding is due to a net decrease of **£1.069m** in relation to lower Early Years pupil numbers (as per Note 2 £0.839m and Note 3 £0.230m), a deduction from the DSG for EFA Direct Funding of High Need places which is **£0.561m** higher than budgeted plus **£0.044m** additional funding for Non Recoupment academies and Newly Qualified Teachers.

As reported previously the confirmed January 2015 3 & 4 year old Spring Census numbers were 2,231 resulting in **£0.073m** less DSG than anticipated at year end, affecting the forecast outturn position for 2015-16. As shown in Table 3 below, the actual DSG received in year is expected to be £80.794m and the overall variance in funding in 2015-16 is **£1.659m**.

| <b><u>Table 3– DSG receivable</u></b>                                    |                |                  |                 |
|--|----------------|------------------|-----------------|
| <b>Allocation</b>  | <b>Budget</b>  | <b>Estimated</b> | <b>Variance</b> |
|  | <b>£m</b>      | <b>£m</b>        | <b>£m</b>       |
| EFA's DSG Allocation   | 148.901        | 148.945          | 0.044           |
| EFA DSG Early Years (Including Early Years Pupil Premium) (note 2 and 3) | 12.103         | 11.034           | (1.069)         |
| <b>Total DSG allocation</b>  | <b>161.004</b> | <b>159.979</b>   | <b>(1.025)</b>  |
| Less Academy recoupment  | (77.091)       | (77.091)         | 0               |
| Less EFA Direct Funding of High Need places                              | (1.460)        | (2.021)          | (0.561)         |
| <b>DSG Receivable</b>  | <b>82.453</b>  | <b>80.867</b>    | <b>(1.586)</b>  |
| Less 3 & 4 year old Spring 2015 Census adjustment                        | 0.000          | (0.073)          | (0.073)         |
| <b>DSG expected to be received in year</b>                               | <b>82.453</b>  | <b>80.794</b>    | <b>(1.659)</b>  |

**Note 2 – Disadvantaged two year old nursery funding**  
**underspend**

**£0.840m**

**£0.839m decreased funding**

The budget of £2.787m for 2 year old places is projecting a **£0.840m** underspend. Slippage of building projects for infrastructure expansions of nursery provision and the unexpected closure of one provision has resulted in lower take up than anticipated.

From 2015/16 participation funding applies and therefore it is important that take up is maximised as the funding is based on the actual pupil numbers at the spring

census 2015 (5/12ths) and spring census 2016 (7/12ths). As reported previously earlier funding projections were based on an average of 15 hours participation but the average take up is 13 hours, so the funding forecast has been updated accordingly and a pressure of £0.840m has been identified. The funding will be paid on FTE as for 3 and 4 year olds so Table 4 has been updated to reflect the FTE funding rate and budget.

| <b>Table 4 – Early Years 2 year old 2015-16 DSG Funding</b> |                              |                    |                        |
|---|------------------------------|--------------------|------------------------|
|   | 2015-16 Participation Budget | 2015-16 FTE Budget | 2015-16 FTE Projection |
| January 2015 Census (5/12)                                  | 957                          | 574                | 295                    |
| January 2016 Census (7/12)                                  | 1,000                        | 600                | 495                    |
| Full Year Equivalent  | 982                          | 589                | 411                    |
| 2 year old funding rate for 15 hours                        | £2,832.90                    |                    |                        |
| 2 year old funding rate for FTE                             |                              | £4,721.50          | £4,721.50              |
| Total DSG receivable  | £2,782,144                   | £2,782,144         | £1,942,694             |
| Difference  |                              |                    | (£839,459)             |

The estimated net decrease in 2 year old pupils of 178 FTE will result in a **£0.839m** reduction of DSG.

**Note 3 – Free nursery education (3 & 4 year olds):** **£0.273m**  
**Overspend** **£0.230m**

#### **Decreased funding**

This is an estimate of the 2015-16 outturn position and a **£0.273m** overspend is forecast. The pressure in Maintained settings has decreased by £0.052m to **£0.125m** and the pressure in Private, Voluntary and Independent (PVI) settings has decreased by £0.047m to **£0.129m**. There is also a staffing pressure of £0.19m.

As reported previously 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 as the FTE numbers are projected to be lower than budgeted. Early Years DSG is calculated based on 5/12ths of the January 2015 and 7/12ths of the January 2016 Early Years Census. The latest DSG calculation compared to the 2015-16 budget agreed by Schools forum in January 2015 is summarised below:

| <b>Table 5 – Early Years 3 and 4 year old 2015-16 DSG Funding</b> |                |                    |
|---|----------------|--------------------|
|   | 2015-16 Budget | 2015-16 Projection |
| January 2015 Census (5/12)  | 2,355          | 2,231              |
| January 2016 Census (7/12)  | 2,355          | 2,342              |
| Full Year Equivalent  | 2,355          | 2,296              |
| 3 and 4 year old funding rate                                     | £3,888.06      | £3,888.06          |
| Total DSG receivable  | £9,156,381     | £8,926,724         |
| Difference  |                | (£229,657)         |

The estimated net decrease in early years' pupils of 59 FTE will result in a **£0.230m** reduction of DSG.

**Note 4 – High Needs Top Ups:**  
**Overspend**

**Mainstream £0.367m**

**Specialist £0.073m**

**Overspend**

The latest projections indicate that the High Needs Top Ups budget is expected to be overspent by **£0.440m**. Following the autumn moderation exercise the specialist forecast has increased by £0.239m for additional high need pupils and pupils with more complex needs and the mainstream forecast has increased by £0.060m. 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.

**Note 5 – External Placement fees:**  
**Underspend**

**£0.451m**

The latest projections indicate that the External Placement fees budget is expected to be **£0.451m** underspent. The latest month on month adverse movement of £0.007m reflects the delayed start date for one placements £0.008m and the ending of a placement £0.010m. These savings are offset by an increase in costs for two placements of £0.025m.

**Note 6 – High Needs Contingency:**  
**Underspend**

**£0.315m**

During the 2015-16 budget setting process Schools Forum agreed that a contingency of £0.315m would be held to cover additional top up and placements costs. The **£0.315m** underspend is not sufficient to cover the projected pressure on HN Top ups for all settings at note 4 £0.440m but this is also offset by the underspend forecast for External Placements £0.451m at note 5, i.e. a current net underspend across these cost centres of £0.326m including the High Needs Contingency. Should this prove not to be the case it would require use of the DSG balance unless offsetting savings occur in other parts of the retained budget.

**Note 7 – Post 16 – New Responsibilities:**  
**Underspend**

**£0.023m**

There is a projected overspend of £0.287k forecast against FE providers. The increase in the pressure relates to a forecast for a provider that has not been accepted on the 2015/16 High Needs return £0.056m.

In ISP provision there is a projected underspend of £0.299m and the latest movement relates to an increase in placements at one provision £0.017m and a change to the end date of a placement at another £0.004m, although there has been an increase in placement costs they are offset by increased contributions £0.011m.

**Note 8 – EFA recoupment for academies:**  
**Underspend**

**£0.033m**

The EFA have reduced the amount of DSG funding they expect to recoup for academies by **£0.033m** due to the LA funding part year growth funding for one primary academy and the recoupment was based on the higher pupil number so the LA would in effect be paying twice.

***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;

| <b><u>Table 6 – DSG Balance</u></b>            | <b>Latest Position</b> |
|--|------------------------|
| <b>Opening DSG balance bfwf from 2014-15</b>   | <b>£1.098m</b>         |
| Less – projected in year deficit (see table 2) | (£0.858m)              |
| <b>Projected DSG balance unallocated</b>       | <b>£0.240m</b>         |

***The Leadership Team is asked to note that the unallocated DSG balance is £0.240m 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 £0.847m 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 November 2015**

| Group Budget position by expenditure type | Year to date budget<br>£'000 | Year to date actual<br>£'000 | Year to date variance<br>£'000 | Total Budget 2015/16<br>£'000 | Forecast Variance 2015/16<br>£'000 |
|---|------------------------------|------------------------------|--------------------------------|-------------------------------|------------------------------------|
| Employees                                 | 831                          | 836                          | 5                              | 1,247                         | 50                                 |
| Premises                                  | 963                          | 1,003                        | 41                             | 1,036                         | (4)                                |
| Transport                                 | 8                            | 6                            | (2)                            | 12                            | (2)                                |
| Supplies & Services                       | 1,032                        | 2,340                        | 1,309                          | 1,524                         | (296)                              |
| 3rd Party Payments                        | 16,359                       | 16,887                       | 528                            | 27,857                        | (612)                              |
| Internal Recharges                        | 843                          | 855                          | 13                             | 889                           | 19                                 |
| Capital Financing                         | 0                            | 0                            | 0                              | 0                             | 0                                  |
| Income                                    | (1,825)                      | (3,802)                      | (1,976)                        | (3,102)                       | (2)                                |
| <b>Total</b>                              | <b>18,210</b>                | <b>18,126</b>                | <b>(84)</b>                    | <b>29,463</b>                 | <b>(847)</b>                       |

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 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 £0.858m, 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 £0.240m*
- *Note the steps proposed aimed at improving forecasting*