

Report to: **Commissioning – Education Leadership Team**
 From: Anne Mackay, Finance Manager – Education
 Date: 12th February 2016
 Subject: **Budget Monitoring Report – DSG Services**
 Period: Period to end of January 2016

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 January. 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 January completion rate was 90.3% (28/31), which is a slight increase on the position for December of 87.1% (27/31).

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.

Table 2 – Latest Budget Monitoring Position				
<u>High-Risk Areas</u>	Notes	Budget 2015-16 £'000	Projected Variance £'000	Projected Variance last report £'000
Disadvantaged 2 year old place funding	2	2,787	(833)	(833)
Free nursery education (3 & 4 year olds)	3	8,199	330	330
High Needs Top ups (Mainstream)	4	2,116	380	372
High Needs Top ups (Specialist)	4	8,769	87	75
Notional SEN supplements (Mainstream)	5	350	27	27
External Placement Fees	6	2,582	(557)	(524)
HN Contingency	7	315	(315)	(315)
Post 16 HN Provision - New Responsibilities	8	2,022	(64)	(23)
School Exclusions / Dual registrations		(350)	26	26
Tuition Service		890	0	0
Schools Equal Pay Claims		0	31	31
Subtotal High Risk Areas		27,680	(888)	(834)
Other Low risk retained budgets	8	1,783	33	7
Total Retained Budgets		29,463	(855)	(827)
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	10	77,091	(105)	(99)
EFA direct funding of High Need places	1	1,460	561	561
Total DSG Expenditure Budgets		161,514	(320)	(283)
DSG Funding allocation	1	(82,453)	1,042	1,042
DSG Funding recouped by the EFA		(78,551)	0	0
Total DSG Funding Budgets		(161,004)	1,042	1,042
EFA 6 th Form Place Funding	1	(510)	0	0
Total DSG		(0)	722	759

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**£1.497m decreased funding**

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 Table 3 the 2015-16 DSG receivable is estimated to be **£81.029m**, a decrease of **£1.424m**. This decrease in funding is due to a net decrease of **£1.012m** in relation to lower Early Years pupil numbers (as per Note 2 £0.839m and Note 3 £0.173m), a deduction from the DSG for EFA Direct Funding of High Need places which is **£0.561m** higher than budgeted. The DSG receivable is increased by **£0.105m** (as per note 9) 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 £80.956m and the overall variance in funding in 2015-16 is **£1.497m**.

Table 3– DSG receivable			
Allocation	Budget	Estimated	Variance
	£m	£m	£m
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	11.091	(1.012)
Total DSG allocation	161.004	160.036	(0.968)
Less Academy recoupment	(77.091)	(76.986)	0.105
Less EFA Direct Funding of High Need places	(1.460)	(2.021)	(0.561)
DSG Receivable	82.453	81.029	(1.424)
Less 3 & 4 year old Spring 2015 Census adjustment	0.000	(0.073)	(0.073)
DSG expected to be received in year	82.453	80.956	(1.497)

Note 2 – Disadvantaged two year old nursery funding**£0.833m underspend****£0.839m decreased funding**

The budget of £2.787m for 2 year old places is projecting an underspend of **£0.833m** due to slippage of building projects for infrastructure expansions of nursery provision and fluctuations in Department of Work and Pensions data. No change in the projection this month.

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 the funding forecast has been updated as the average take up is 13 hours but early projections were based on an average of 15 hours participation 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 now reflects the FTE funding rate and budget.

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

	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): £0.330m Overspend
£0.173m Decreased funding**

This is an estimate of the 2015-16 outturn position and a **£0.330m** overspend is forecast based on actual take up, the pressure in Maintained settings remains at **£0.140m** and the pressure in Private, Voluntary and Independent (PVI) settings remains at **£0.170m**. 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.

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	2,367.4
Full Year Equivalent	2,355	2,310
3 and 4 year old funding rate	£3,888.06	£3,888.06
Total DSG receivable	£9,156,381	£8,983,576
Difference		(£172,824)

The estimated net decrease in early years' pupils of 45 FTE will result in a **£0.173m** reduction of DSG.

**Note 4 – High Needs Top Ups: Mainstream £0.380m Overspend
Specialist £0.087m Overspend**

The latest projections indicate that the High Needs Top Ups budget is expected to be overspent by **£0.467m**. The specialist forecast has increased by £0.012m for a new high needs pupil and the mainstream forecast has increased by £0.008m. 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 – Notional SEN supplements (Mainstream): £0.027m Overspend

Following the release of the October census data the Notional SEN budget is expected to be **£0.027m** overspent.

Note 6 – External Placement fees: £0.557m Underspend

The latest projections indicate that the External Placement fees budget is expected to be **£0.557m** underspent. The latest month on month favourable movement of £0.033m reflects the ending of one placement £0.037m and reduced costs for one placement £0.005m. These savings are offset by an increase in costs for a number of placements £0.009m.

Note 7 – High Needs Contingency: £0.315m Underspend

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** budget is not sufficient to cover the projected pressure on HN Top ups for all settings at note 4 £0.467m but this is also offset by the underspend forecast for External Placements £0.557m at note 6, i.e. a current net underspend across these cost centres of £0.405m 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 8 – Post 16 – New Responsibilities: £0.064m Underspend

The projected overspend for FE providers has reduced by £0.041m to £0.244m as one pupil has moved away and it has been confirmed that four pupils did not start at a provision and no further placement has been identified. The projected overspend on FE providers includes a £0.068m pressure forecast for a provider that was not been accepted by the EFA on the 2015/16 High Needs return. In ISP provision there is a projected underspend of £0.299m, social care recharges are forecast to be £0.011m higher than budgeted.

Note 9 – Other Low risk retained budgets: £0.033m Underspend

The increase in pressure by £0.026m is related to the payment of 2015/16 growth funding to expanding schools **£0.033m** offset by overall savings from other minor variances totalling **£0.007m**.

Note 10 – EFA recoupment for academies: £0.105m Underspend

The EFA have reduced the amount of DSG funding they expect to recoup for academies by **£0.105m** due to the LA funding part year growth funding for two primary academies 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 is as follows:

Table 6 – DSG Balance	Latest Position
Opening DSG balance bfwd from 2014-15	£1.098m
Less – projected in year deficit (see table 2)	(£0.722m)
Projected DSG balance unallocated	£0.376m

The Leadership Team is asked to note that the unallocated DSG balance is £0.376m 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 £0.855m 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 January 2016

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	1,039	1,050	10	1,247	41
Premises	1,026	1,006	(20)	1,036	(2)
Transport	10	8	(2)	12	(1)
Supplies & Services	997	1,005	8	1,138	(315)
3rd Party Payments	22,412	21,762	(651)	27,857	(549)
Internal Recharges	866	882	16	889	19
Capital Financing	0	0	0	0	0
Income	(2,079)	(2,022)	57	(2,716)	(47)
Total	24,271	23,690	(581)	29,463	(855)

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 £0.722m, 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 £0.376m*
- *Note the steps proposed aimed at improving forecasting*